

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS (UNAUDITED)
AS OF SEPTEMBER 30, 2022 AND AS OF DECEMBER 31, 2021

Financial Position Statement

This section includes the sub-items that make up the balance of codes 1D0103, 1D0201, 1D0317, 1D0403, 1D0205, 1D0309, and 1D0401 of the financial position statement and their respective reference to the notes of the financial statements.

- Code 1D0103 short-term "Trade accounts receivable", includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Trade accounts receivable, net (note 7)	1,007,610	1,007,211
Contractual assets (note 9)	<u>39,031</u>	<u>18,401</u>
	<u><u>1,046,641</u></u>	<u><u>1,025,612</u></u>

- Code 1D0201, long-term "Trade accounts receivable", includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Trade accounts receivable, net (Note 7)	2,141	1,780
Contractual assets (Note9)	<u>1,295</u>	<u>1,626</u>
	<u><u>3,436</u></u>	<u><u>3,406</u></u>

- Code 1D0317 short-term "Deferred income" includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Deferred income (note 22)	29,300	29,655
Contractual liabilities (note 9)	<u>137,923</u>	<u>168,373</u>
	<u><u>167,223</u></u>	<u><u>198,028</u></u>

- Code 1D0403 Long-term "Deferred income" includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Deferred income (note 22)	57,050	67,884
Contractual liabilities (note 9)	<u>56,142</u>	<u>70,520</u>
	<u><u>113,192</u></u>	<u><u>138,404</u></u>

- Code 1D0205, "Properties, plant, and equipment", includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Property, plant and equipment (Note 13)	4,574,036	5,020,420
Right-of-use assets (Note 15)	<u>1,015,912</u>	<u>1,067,336</u>
	<u><u>5,589,948</u></u>	<u><u>6,087,756</u></u>

- Code 1D0309, Short-term "Other financial liabilities" includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Other financial liabilities (note 17)	360,750	299,139
Financial lease liabilities (note 18)	<u>391,687</u>	<u>328,856</u>
	<u><u>752,437</u></u>	<u><u>627,995</u></u>

- Code 1D0401, long-term "Other financial liabilities" includes:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Other financial liabilities (note 17)	2,488,898	2,723,837
Financial lease liabilities (note 18)	<u>960,557</u>	<u>1,066,667</u>
	<u><u>3,449,455</u></u>	<u><u>3,790,504</u></u>

Income Statements

This section includes the sub-items that make up the balance of codes 2D01ST, 2D0301 and 2D0302 of the income statement and their respective reference to the notes to the financial statements.

- Code 2D01ST, "Income from ordinary activities", includes:

	As of 30 September of 2022	As of 30 September of 2021
	S/000	S/000
Fixed business income (note 26)	2,590,117	2,627,279
Mobile business income (note 27)	<u>2,772,328</u>	<u>2,579,487</u>
Total	<u><u>5,362,445</u></u>	<u><u>5,206,766</u></u>

- Codes 2D0301 and 2D0302, "Administration expenses" and "Sales and distribution expenses", include:

	As of 30 September of 2022	As of 30 September of 2021
	S/000	S/000
General and administrative expenses (note 28)	3,116,802	3,109,042
Cost of equipment sales (note 10(b))	840,687	893,080
Depreciation (note 13)	684,901	694,942
Staff costs (note 29)	428,153	541,736
Amortization (note 14)	177,745	194,083
Depreciation of rights of use (note 15)	<u>170,170</u>	<u>156,315</u>
Total	<u><u>5,418,458</u></u>	<u><u>5,589,198</u></u>

	As of 30 September of 2022	As of 30 September of 2021
	S/000	S/000
Administrative expenses (2D0301)	5,363,945	5,518,592
Sales and distribution expenses (2D0302)	<u>54,513</u>	<u>70,606</u>
Total	<u><u>5,418,458</u></u>	<u><u>5,589,198</u></u>

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS NOTES

AS OF SEPTEMBER 30, 2022 AND AS OF DECEMBER 31, 2021

1 OVERVIEW

1.1 Constitution and Economic Activity -

Telefónica del Perú S.A.A. (hereinafter "the Company"), incorporated in Peru, is a telecommunications company subsidiary of Telefónica Hispanoamérica S.A. (a company incorporated in Spain and formerly known as Latin America Cellular Holding B.V.) and belongs to the Telefónica de España Group (Telefónica S.A. is an entity registered with the Security and Exchange Commission of the United States of America), which provides services of mobile telephony, internet, fixed telephony, data transmission and information technology, national and international long distance carrier services, mobile satellite services, paid television services, and other services across Peru. The Company is one of the main telecommunications operators in Peru and its activities are supervised by the Supervisory Agency of Private Investment in Telecommunications - OSIPTEL and by the Ministry of Transport and Communications - MTC. The registered fiscal address of the Company is Calle Dean Valdivia No. 148, San Isidro, Lima, Peru.

As of December 31, 2021, the Company absorbed its subsidiary Servicios Globales de Telecomunicaciones S.A.C., incorporated and domiciled in Peru, and whose main activity was the provision of complementary telecommunications services.

Furthermore, the attached financial statements, which have been prepared in compliance with the legal requirements in force in Peru, reflect the individual activity of the Company.

As of September 30, 2022 and December 31, 2021, the Company did not have subsidiaries, therefore it has not prepared consolidated financial statements (See note 1.3.a).

1.2 Approval of Financial Statements -

The financial statements as of December 31, 2021 were approved by the General Shareholders Meeting held on March 29, 2022. The consolidated financial statements as of September 30, 2022 were approved by the Board of Directors on October 18, 2022.

1.3 Corporate Reorganization -

a) Merger by absorbing Servicios Globales de Telecomunicaciones S.A.C.

In a Session held on December 21, 2021, the Company's General Shareholders' Meeting approved the merger project by which the Company would absorb its subsidiary, thereby extinguishing its legal entity and setting the effective date of the merger on December 31, 2021.

On December 31, 2021, the Company merged with its subsidiary Servicios Globales de Telecomunicaciones S.A.C. in order to simplify its corporate structure, save costs, and produce greater synergies. The aforementioned merger was carried out between the companies under common control and has not implied an effective change in the control of the Subsidiary. As such, in accordance with the International Financial Reporting Standards, it was recorded adhering to the accounting method of "pooling of interest." The attached financial statements have been prepared assuming that Servicios Globales de Telecomunicaciones S.A.C. was merged in each of the years presented. Consequently, the merger is presented as if it had been carried out on January 1, 2021.

The balances corresponding to Servicios Globales de Telecomunicaciones S.A.C., incorporated in the financial statements include:

**As of December 31,
2021**

S/000

Current assets	1 5,131
Current liabilities	12,710
Total assets	16,231
Total liabilities	15,668
Total equity	563
Total income from ordinary activities	2,656
Loss from operating activities	(340)
Net loss for the year	(1,740)

b) Assignment of equity block in favor of Telefónica Cloud Tech Perú S.A.C. (TCTP) and sale -

In 2020, the Company incorporated Telefónica Cloud Tech Perú S.A.C. (TCTP) with a cash contribution of S/ 50,000 for 99.99% of the shares.

Subsequently, on December 23, 2020, the Company's General Shareholders Meeting approved the simple reorganization in favor of TCTP of an equity block made up of assets and liabilities related to the cloud technology services business. The equity block was transferred on January 1, 2021 and was composed as follows:

**January 1
2021**

S/000

Assets

Accounts Receivable from Staff	20
Other Non-Financial Assets	221
Property, Plant, and Equipment, Net	25,350
Intangible Assets Other than Capital Gain, Net	3,646
Deferred Tax Assets	935
Total Assets	<u><u>30,172</u></u>

Liabilities

Accounts payable to Staff	234
Total Liabilities	<u><u>234</u></u>

Equity Block Contributed	<u><u>29,938</u></u>
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On January 1, 2021, the Company sold its total stake in TCTP to Telefónica Cybersecurity & Cloud Tech Perú S.A.C. for S/41,941,000, thereby obtaining a profit of S/11,953,000. See note 30(d).

1.4 Concession Contracts and Rates -

a) Concession contracts -

The Company, with the Peruvian Government represented by the Ministry of Transportation and Communications (MTC), has entered into Concession Contracts for the provision of the following services: (i) Local carrier and telephone services in the department of Lima and the Constitutional Province of Callao and (ii) national and international local and long distance carrier and telephone services in the Republic of Peru. These contracts, whose nature is that of Contract Law, were approved by Supreme Decree No. 11-94-TCC on May 13, 1994, subsequently amended by Supreme Decree No. 21-98-MTC on August 4, 1998, and by Ministerial Resolutions No. 272-99-MTC/15.03, No. 157-2001-MTC/15.03, No.140-2009-MTC/03, and No.527-2009-MTC/03. The latter was modified by Ministerial Resolution No. 724-2009-MTC/03.

As of September 30, 2022 and December 31, 2021, the main concession contracts that were maintained are as follows:

Services	Location	Ministerial resolution	Term	Start	Expiration
Fixed & LD	Lima, Callao & Provinces	DS 11-94-TCC	20 years + renewed term	1994	2027 (*)
Mobile	Lima and Callao	373-91-TC/15.17	20 years + renewed term	1991	2030
Mobile	Provinces	055-92-TC/15.17	20 years + renewed term	1992	2030
Mobile	Lima and Callao	440-91-TC/15.17	20 years + renewed term	1991	2030
Mobile	Provinces	250-98-MTC/15.03	20 years	1998	2018 (**)
4G LTE	Lima and Provinces	616-2013-MTC/03	20 years	2013	2033
700 Band	Lima and Provinces	529-2016-MTC/01.03	20 years	2016	2036

(*) In the process of the MTC evaluation, the additional period to be renewed would be added to that maturity.

(**) In the process of renewal with the MTC.

As a guarantee of faithful compliance with the obligations established for some of the concession agreements, the Company has extended guarantees for US \$60,470,000 up to a term of approximately 10 years by means of current guarantee letters with various banking entities.

As of the date of the financial statements, Company Management estimates that the investment projects undertaken to meet the commitments assumed are being executed as scheduled.

b) Rates -

The rates for the local and long distance fixed telephony service are adjusted quarterly on the basis of service baskets according to a formula of rate caps, established on the basis of the combination of inflation and a factor of productivity.

According to the Concession Contracts, the value of the productivity factor should be reviewed every three years.

OSIPTEL sets the productivity factor to be applied in three-year periods, specifying that it would be implemented in four rate adjustment procedures each year. For three of these procedures it was determined that the Productivity Factor will be inflation (no rate adjustments will be made). For the remaining procedure, it is being determined that a verification procedure should be carried out, taking an annual Productivity Factor as a reference point. For the period September 2019 to August 2022, the annual Productivity Factor was set at -2.43%. If inflation is in the range of 1.43% to 3.43%, the Company will not make rate adjustments.

Furthermore, by means of Resolution No. 044-2011-CD/OSIPTEL, OSIPTEL approved a new rate system, the establishment of the rates for local landline-cell phone calls corresponding to the concessionary companies of the Landline Telephony Service. By means of Resolution No. 160-2011-CD/OSIPTEL, an adjustment to the fixed-mobile rate is made each time adjustments are made to any of the charges that make up said rate. The rate excluding the general sales tax is S/ 0.0006 per second, as of February 9, 2019.

2 DETAIL OF MAIN ACCOUNTING POLICIES

The main accounting principles and practices applied in the recording of operations and the preparation of the accompanying financial statements are the following:

2.1 Basis for Preparation -

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter "IASB") and respectively effective as of September 30, 2022 and as of December 31, 2021.

The information contained in these financial statements is the responsibility of the Company Management, which expressly states that the principles and criteria included in the International Financial Reporting Standards (IFRS) issued by the IASB have been applied and that the same were in force on the dates of the financial statements.

These financial statements have been prepared on the basis of historical cost, from the accounting records maintained by the Company, except for derivative financial instruments and other related accounts payable that are measured at fair value. The accompanying financial statements are presented in Soles [PEN] (functional and presentation currency), and all values have been rounded to thousands, except where otherwise indicated.

The preparation of the financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. The preparation also requires Management to exercise its critical judgment in the process of applying the Company's accounting policies. The areas that involve a greater degree of judgment or complexity, or those in which the assumptions and estimates are significant for the financial statements, are described in note 4.

2.2 New Standards, Modifications, and Interpretations -

a) New regulations and modifications in force since January 1, 2021 adopted by the Company -

There have been no regulatory changes of mandatory application for the 2021 financial statements that the Company has considered for the preparation of these financial statements, with the exception of the following:

- Reference Interest Rate Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.
- Amendments to IFRS 4, "Insurance Contracts" – deferral of IFRS 9.

The amendments to the standards and interpretations listed above have not had an impact on the financial statements of the Company for previous or current years; furthermore, they are not expected to have a material impact on the financial statements in the future.

b) New standards, amendments to standards, and interpretations that are in force for the annual financial statements beginning on or after January 1, 2022 and that have not been adopted in advance -

Certain regulations and modifications to regulations have been published that are mandatory for the year 2022 or later and have not been adopted in advance by the Company. The Company's assessment of the impact that these standards will have on the financial statements is explained below:

- Amendment to IFRS 16, 'Leases' – Rental concessions associated with COVID-19.
- IFRS 17, 'Insurance contracts'.

- Amendment to IAS 16, 'Property, Plant, and Equipment'.
- Amendment to IFRS 3 'Business Combinations'.
- Amendment to IAS 37 - Onerous Contracts.
- Annual improvements to IFRS 2018-2020 Cycle.
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 8 - Definition of accounting estimates.
- Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction.
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture.

The Company is currently evaluating the impact that the amendments may have on current practice.

No other regulations have been identified that are not yet effective and for which a significant impact on the Company could be expected in the current or future reporting periods, and nor in foreseeable future transactions.

2.3 Operating Segments -

An operating segment is a group of assets and operations that provide goods or services, and that is subject to significant risks and returns that are different to the risks and returns of other business segments. A geographical segment is characterized by providing goods or services within a particular economic environment that is subject to risks and returns that are different to those segments that operate in other economic environments. The Company is organized into a single operational segment for the provision of telecommunications services located in a single geographic segment (Peru), as the Company makes strategic commercial, financial, purchasing, and investment decisions focused on the customer, and that furthermore center on a convergent offer (several aggregated telecommunications services). Thus, presenting information on a segment basis is not applicable.

2.4 Translation of Foreign Currency -

The Company has determined that its functional and presentation currency is the Sol. Transactions in foreign currency are considered to be those made in a currency other than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the exchange rate in effect on the date of the statement of financial position.

Profits or losses from exchange differences resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities into foreign currency at the exchange rates on the date of the statement of financial position are recognized in the section "Net exchange difference Profit/(Loss)" in the income statement. The exception to the foregoing is exchange differences in foreign currency transactions with cash flow hedges, which are directly recorded in the equity up to the disposal of the same, at which time they are recognized in the income statement. Non-monetary assets and liabilities determined in foreign currency are converted to the functional currency at the prevailing exchange rate on the transaction date.

2.5 Business Combinations between Entities under Common Control -

Business combinations between entities under common control are recorded using the interest pooling method. In accordance with the pooling of interest method, the items in the financial statements of the merging companies, both for the period in which the merger occurs and for the other periods presented in comparative form, are included in the Company's financial statements as if they had been merged since the beginning of the oldest period that is presented.

As the pooling of interests produces a single merged entity, it must adopt uniform accounting policies. Therefore, the merged entity recognizes the assets, liabilities and assets of the merging companies at their book values, adjusted to the concepts required to standardize the accounting policies and apply them to all the periods presented. No capital gain is recognized in this process. Likewise, the effects of all transactions between merging companies are eliminated when preparing the financial statements of the merged entity.

2.6 Cash and Cash Equivalents -

For purposes of the statement of cash flows, cash and cash equivalents (note 6) correspond to cash, current accounts, and deposits that were opened less than three months ago, all of which are recorded in the statement of financial position. These accounts are not subject to a significant risk of change in their value.

For purposes of the statement of cash flows, cash and cash equivalents include the items described in the previous paragraph, net of bank overdrafts.

2.7 Financial Assets -

(i) Classification -

The Company classifies its financial assets in the following categories:

- Measured at fair value (whether through results or other comprehensive income), and
- Measured at amortized cost.

The classification depends on the business model that the entity uses to manage its financial assets and the contractual terms that impact the cash flows. For assets measured at fair value, profits and losses will be recorded in the statement of income or in the statement of comprehensive income. For investments in equity instruments that are not held for trading, their measurement will depend on whether the Company irrevocably chooses, at the time of initial recognition, to recognize these equity instruments at fair value through other comprehensive income. The Company undertakes reclassifications of its debt instruments if the business model for the management of these assets changes.

(ii) Recognition and Derecognition -

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments expire or are transferred and the Company has materially transferred all the risks and benefits derived from their ownership.

(iii) Measurement -

Upon initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial assets that are not carried at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value through results are recognized in profit and loss. Financial assets that incorporate embedded derivatives are evaluated comprehensively for purposes of determining if their cash flows only represent payment of principal and interest.

Debt Instruments -

The subsequent measurement of debt instruments depends on the business model that the Company has established for asset management, as well as the characteristics of asset flows derived from the asset. There are three possible categories in which to classify debt instruments, these are:

- Amortized cost: Applicable to assets whose business model is to collect contractual cash flows, provided that these cash flows only represent capital and interest payments. The interest generated by these financial assets is recognized as financial income using the effective interest method. Any profit or loss arising from the derecognition of this type of financial asset is recognized in profit or loss. Impairment losses are presented in a separate line item in the income statement.
- Fair value through other comprehensive income (FVOCI): Applicable to assets whose business model is mixed, i.e., they are maintained both to collect their contractual flows and to obtain cash flows from their sale, provided that the asset cash flows only represent capital and interest payments. Changes in the carrying value of these financial assets are recognized in other comprehensive income (OCI), except for losses (or reversal of losses) due to impairment, interest, and profits or losses due to exchange differences, which are recognized in the income statement. When the financial asset is derecognized, the accumulated profit or loss recognized in the comprehensive result statement is reclassified from equity to income and presented under the item "Other income (expenses)". The interest generated by these financial assets is recognized as financial income using the effective interest method. Profits or losses on exchange differences are recognized in the income statement under the heading "Net profit/(loss) due to exchange differences", while the impairment losses are also recognized in the income statement and presented as a separate line item.
- Fair Value through Profit and Loss (FVTPL): Assets that do not meet the conditions to use amortized cost or FVOCI are measured at fair value through profit or loss. Changes in the fair value of debt instruments in this category are recognized as profit or loss in the income statement and presented net in the item "Other expenses (income)" in the period in which the change occurs.

Equity instruments -

After initial recognition, the Company measures the equity instruments at their fair value. Changes (profits or losses) in the fair value of equity instruments held for trading are recognized in the income statement (FVTPL). For other equity instruments, the Company has an irrevocable option to designate them on initial recognition in the FVTPL category or present changes in fair value as part of the OCI.

If the Company opts for the designation of FVTPL, when the asset is derecognized, it is not possible to reclassify to profit or loss any profits or losses accumulated in OCI. Dividends generated by these investments are recognized in the income statement since the Company has the contractual right to receive them, and they are presented under "Other income (expenses)". Losses (or reversals of losses) due to impairment of equity instruments measured at FVTPL are not presented separately from the other changes at fair value.

(iv) Impairment -

With a view to the future, the Company evaluates the expected credit losses associated with debt instruments measured at amortized cost, and at FVTPL. The methodology applied to determine the impairment depends on whether the credit risk of an asset has significantly increased.

For trade accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires estimating the credit loss of the account for the full duration of the instrument and recognizing it from its initial recording.

2.8 Derivative financial instruments and hedge accounting -

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each period of the financial statements. The accounting for subsequent changes at fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as:

- Hedges of the fair value of recognized assets or liabilities, or a firm commitment (fair value hedges).
- Hedges of a particular risk associated with the cash flows of recognized assets and liabilities, and highly probable forecasted transactions (cash flow hedges).

At the beginning of the hedge relationship, management documents the economic relationship between the hedging instruments and the hedged items, even if it is expected that the changes in the cash flows of the hedging instruments will offset the changes in the cash flows of the hedged items. The management documents its objective and risk management strategy to carry out its hedging operations.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months, and as a current asset or liability if the time remaining to maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The Company uses derivative financial instruments (exchange rate forwards and currency swaps) to manage its exposure to the risk associated with foreign currency fluctuations. In order to manage the aforementioned particular risk, the Company applies hedge accounting for transactions that meet the requirements for the same. Derivative financial instruments are recognized at fair market value on the date on which they are signed and subsequently adjusted, and are recorded as assets when their value is positive, and as a liability when the value is negative.

(i) Cash flow hedges that qualify for hedge accounting:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in the other equity reserves account. The profit or loss relating to the ineffective portion is recognized immediately in the income statement.

In the event that forward contracts are used to hedge expected future transactions, the Company only generally designates the changes in the fair value of the contract related to the spot component as the hedging instrument. Profits and losses related to the effective portion of changes in the spot

component of forward contracts are recognized in the other equity reserve account. The changes in the element of the forward contract that relates to the hedged item ("aligned forward element") is recognized as part of the income statement as reserve costs for hedges in equity. In certain cases, the Company may designate the entire change in the fair value of the forward contract (including forward points) as a hedging instrument. In such cases, the profits or losses related to the effective portion of the change in the fair value of the entire forward contract are recognized in the other equity reserve account.

The amounts accumulated in the equity are reclassified to results in the periods in which the hedged items affect results, as follows:

- If the hedged item subsequently results in the recognition of a non-financial asset (for example, inventories), both the deferred hedged profits and losses and the deferred time value of option contracts or forward contracts, if any, are included as part of the initial asset cost. Deferred amounts are ultimately recognized in income as the hedged item also affects the results (for example, on the sale of inventories).
- Profits or losses related to the effective portion of interest rate swap contracts that cover variable rate loans are recognized in income under "Financial expenses" at the same time as the interest on hedged loan is recognized.

However, if a projected hedged transaction results in the recognition of a non-financial asset (for example, inventories or property, plant, and equipment), any previously deferred equity profits or losses are transferred from equity and included in the initial measurement of the cost of the non-financial asset. Deferred amounts are finally recognized in profit or loss through the cost of sale in the case of inventories, or depreciation, in the case of property, plant, and equipment.

When a hedging instrument expires, is sold, terminated, or when a hedge fails to meet the criteria for applying hedge accounting, any accumulated equity profit or loss or any deferred hedge cost on equity until that time shall remain in equity until the expected transaction occurs, which will result in the recognition of a non-financial asset, such as inventories. When a forecasted transaction is not expected to occur, the accumulated profit or loss and any deferred hedging costs that were reported in equity are immediately transferred to the income statement.

(ii) Derivatives that do not qualify for hedge accounting:

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the profit and loss statement.

As of September 30, 2022 and December 31, 2021, the Company had forwards operations contracted to cover the exchange rate risk in the purchase of assets associated with the disbursement of projects.

2.9 Inventories -

Inventories (note 10) are presented at cost or net realizable value, whichever is lowest, and are presented net of the impairment estimate.

Inventories correspond mainly to terminal equipment (cell phones, modems, pay television decoders, and fixed telephone equipment) and are valued at average cost. Cost includes reclassification of equity from any gain or loss on qualifying cash flow hedges related to inventory purchases, but excludes borrowing costs. In case there is a subsidy on the sale price of the handsets, it will not be included in the cost of the inventories given that it pertains to cost of commercialization, because it is always associated with the customer registration or with the renewal of the customer contract period. As such, terminal equipment are recorded in the profit or loss when they are delivered for sale to the final customers (signal activation). See note 2.23. Inventories in transit are presented at the specific cost of acquisition.

The estimate for impairment is determined based on an analysis of the conditions and turnover of terminal equipment, materials, and supplies. In the case of damaged equipment and those which have had no movement in the last year, the estimate is equivalent to balance in books and recorded in the fiscal year results, and in which its requirement is determined.

2.10 Properties, Plant, and Equipment -

Property, plant, and equipment (note 13) are presented at cost, net of accumulated depreciation, and accumulated loss due to impairment of the value of these assets. See note 2.13. The initial cost of the property, plant and equipment includes its acquisition price, including non-refundable import duties and purchase taxes, and any directly attributable cost to place and leave the asset in working condition.

The cost of the asset also includes the present value of the disbursements that are expected to be required to pay any cost of decommissioning and removal of equipment or rehabilitation of the physical site where it is established. The foregoing is applied when the disbursements constitute obligations incurred under certain conditions (See note 2.19). The cost may also include equity transfers of any profit or loss in the hedges of cash flows qualified for purchases of property, plant, and equipment in foreign currency. Note 2.19 includes additional information on the recorded decommissioning provision. For significant components of property, plant, and equipment that must be periodically replaced, the Company recognizes such components as separate individual assets, with their specific useful lives and respective depreciations.

In the same way, when a large inspection or repair is carried out, the cost is recognized as a replacement in the carrying amount for property, plant, and equipment, if the criteria for recognition are met.

Depreciation is calculated using the straight line method, using the following estimated useful lives:

Description	Years
Buildings and other constructions	13, 15, 33, and 40
Plant (Platform and telecommunications networks)	3 to 25
Equipment and others	3 to 10
Furniture and fixtures	5 and 10

Land does not depreciate. The residual values, the useful life and the depreciation method are reviewed every year to ensure that they are consistent with the expected pattern of economic benefits of the items of property, plant, and equipment. The telecommunications sector in which the Company operates is very dynamic. Likewise, the constant overall progress of the same for the development of new technology forces the Company to continually update and renew its plant in order to be competitive in the market. Based on the historical information and considering the technological advances, it has been determined that the value of the properties, plant, and equipment at the end of its useful life is not significant and therefore the Company estimates that they do not have residual values, depreciating the total cost in the useful life of the same.

A component of property, plant, and equipment or any significant part of it initially recognized is derecognized at the time of its sale or when it is not expected to obtain future profit by means of its use or sale. Any profit or loss at the time of asset derecognition (calculated as the difference between the net income from the sale of the asset and its book amount) is included in the income statement when the asset is derecognized.

Disbursements incurred after property, plant, and equipment have been put into use are capitalized as an additional cost of this asset when it is probable that such disbursements will result in future profit, higher than the normal yield originally evaluated for said asset. Disbursements for maintenance and repairs are recognized as an expense for the year in which they are incurred.

Staff benefit costs that are directly related to the construction of the plant are capitalized as part of the cost of the assets by means of the recording of a lower expense in the statement of income in the item "Staff expenses".

Works in progress are recorded at cost, which includes the cost of construction, plant, and equipment and other direct costs, as well as the cost of important materials directly identifiable with specific assets. Works in progress do not depreciate until the respective assets are finished and are ready for use.

2.11 Intangible Assets and Administrative Concessions -

Intangible assets (note 14) are initially recorded at cost. An asset is recognized as intangible if the attributable future economic benefits that it generates are likely to flow to the Company, and its cost can be measured reliably. After initial recognition, intangible assets are measured at cost, less accumulated amortization and any accumulated impairment loss. See note 2.13.

Intangible assets generated internally, which are directly attributable to the design and testing of identifiable and unique software that the Company controls, are recognized as intangible assets when they meet the following criteria:

- It is technically possible to complete the software so that it can be used,
- Management intends to finish the software and use or sell it,
- There is the opportunity to use or sell the software,
- It can be shown that the program will generate future profit,
- The required technical, financial, and other resources are available to complete the development of the software, thus permitting its use or sale.

During the initial recognition, the Company evaluates whether the useful life of the intangible assets is defined or undefined.

Intangible assets are amortized as per the straight-line method, based on the following estimated useful lives, when they are ready for use:

<u>Description</u>	<u>Years</u>
Administrative concessions	Per the term of the concessions. See Note 1.4(a)
Software	3 to 5

The period and the amortization method are reviewed periodically. Depreciation begins when the asset is available for use. Changes in the expected useful life or in the expected consumption pattern of the future economic benefits derived from the asset are taken into consideration in order to change the amortization period or method, if applicable, and are treated as a change in accounting estimation.

The loss or derecognition of an intangible asset is determined as the difference between the net amount obtained from its disposal and the book value of the asset, and is recognized in the income statement when the asset is derecognized.

2.12 Capital Gain -

Capital gains (note 16) represents the excess of the cost of acquiring companies over the Company's share in the fair value of the respective net assets acquired. Capital gains is presented at cost less accumulated permanent impairment losses on its value. See note 2.13. The Company determines the losses on the basis of impairment tests carried out during the last quarter of each year in order to determine whether the book value is fully recoverable.

2.13 Impairment of Long-term Assets -

The net book value of the property, plant, and equipment, capital gains, and intangible assets of finite life are reviewed to determine if there is no impairment. Each year, the Company assesses the existence of signs of possible impairment of non-current assets. If there are any such indications, the Company estimates the recoverable value of the asset, which is the higher of fair value (less costs of selling), or of the value in use. Said value in use is determined by discounting the estimated future cash flows. When the recoverable value of an asset is below its net book value, it is considered that there is a deterioration in value.

The assessment of the impairment of capital gains is carried out for each period presented. The Cash Generating Unit (CGU) is aligned with the definition of the business segment. See note 2.3. Impairment is determined by evaluating the recoverable value. When said value is less than its carrying value, an impairment loss is recognized. Impairment losses related to capital gain can not be reversed in future periods.

The recoverable value of an asset is defined as the highest amount between the net sale price and its value in use. The "net sale price" is the amount that can be obtained selling an asset in a free market, while the "value in use" is the present value of the net future cash flows. Value in use is estimated from the continuous use of an asset and its disposal at the end of its useful life. By determining the value in use, future net cash flows are discounted to their present value using a pre-tax discount rate that reflects the assessment of current market conditions, the value of money over time, and the specific risks of the asset. The discount rates are adjusted for the country risk and corresponding business risk.

When new events or changes in existing circumstances take place and demonstrate an impairment loss recorded in an earlier period that may have disappeared or been reduced, the Company undertakes a new estimate of the profitability for the corresponding asset. This evaluation is performed each financial year. Previously recognized impairment losses are reversed (except for those related to capital gain) only if there has been a change in the estimates used to determine the recoverable amount of the asset from the date on which the impairment loss was last recognized. If this is the case, the book value of the asset is increased to its recoverable amount. This increased amount cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years. This reversal is recognized in the income statement for the year. After the reversal, the depreciation charge is adjusted in future periods by distributing the book value of the asset over its remaining useful life. See note 16 for more information.

2.14 Investments in Associated Companies (note 12) -

An associate is an entity over which the Company has significant influence. An entity is presumed to exercise significant influence if it directly or indirectly owns 20% or more of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist. Conversely, it is presumed that the entity does not exercise significant influence if it directly or indirectly holds less than 20% of the voting power of the investee, unless it can be clearly demonstrated that such influence exists. Substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

Significant influence is manifested through one or more of the following manners:

- i) Representation on the board of directors or equivalent governing body of the investee;
- ii) participation in policy-setting processes, including participation in decisions on dividends and other distributions;
- iii) relatively significant transactions between the entity and its investee;
- iv) exchange of managerial personnel; or
- v) provision of essential technical information.

The investment in associates is presented using the equity method (equity share). According to this method, the investment is initially recognized at cost.

The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of its associates from the date of acquisition. As of September 30, 2022 and December 31, 2021, the Company only maintains associates.

2.15 Trade accounts payable and other accounts payable -

These amounts represent liabilities for unpaid goods and services provided to the Company at the close of the statement of financial position. The amounts are not guaranteed and are generally paid within 60 days after recognition. Trade accounts (note 19) and other accounts payable (note 20) are presented as current and non-current liabilities. They are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method.

2.16 Financial Obligations -

Financial obligations are initially recognized at their fair value, net of transaction costs incurred. Financial obligations are subsequently measured at amortized cost. Any difference between income (net of transaction costs) and the amount of reimbursement is recognized in the income statement during the period of financial obligations using the effective interest method. Fees paid are recognized as transaction costs of financial obligations to the extent that it is probable that some or all of the financing will be realized. In this case, the fee is postponed until the withdrawal occurs. To the extent that there is no evidence that part or all of the funding is likely to be missed, the rate is capitalized as a prepayment for funding services and amortized over the funding period to which it relates.

Financial obligations are eliminated from the statement of financial position when the obligation specified in the contract is derecognized, canceled, or expires. The difference between the book value of a financial liability that has been extinguished or transferred to another party and the consideration paid, including the non-transferred assets, or assumed liabilities, is recognized in the income statement as other financial income or expenses.

Financial obligations are classified as current and non-current liabilities.

2.17 Financing Costs -

The financing costs directly attributable to the acquisition, construction or production of an eligible asset that necessarily presents a considerable period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset.

All additional financing costs are recognized as an expense in the period in which they occur. The financing costs are constituted by interest and other costs that the entity incurs in connection with the financed funds.

According to the Company's policy, the assets qualifying for capitalizing financing costs are those whose preparation period exceeds eighteen months.

As of September 30, 2022 and December 31, 2021, the Company did not have assets in progress qualified for the purpose of capitalizing financing costs.

2.18 Staff Benefits -

The Company has short-term obligations for staff benefits that include salaries, social contributions, gratuities, performance bonuses, and profit sharing (corresponding to 10% of taxable income). These obligations are recorded monthly in the income statement as they accrue.

Gratuities -

The Company recognizes gratuities paid to staff, as per the legal provisions in force in Peru, as a liability and an expense. The gratuities correspond to two (2) annual remunerations paid in July and December of each year.

Compensation for length of service -

The compensation for time of service of the Company's staff corresponds to their compensation rights calculated in accordance with the legislation in force, which must be deposited in the bank accounts designated by the staff in the months of May and November of each year. The compensation for time of service is equivalent to half the monthly remuneration in force on the date of deposit. The Company has no additional payment obligations once it makes the annual deposits of the funds to which staff are entitled.

Annual Leave -

Staff annual leave and other paid absences are recognized on an accrual basis. The provision for the estimated annual leave obligation for staff, which is calculated on the basis of a monthly salary for every twelve (12) months of services rendered by staff, is recognized on the date of the statement of financial position. The Company does not provide post-employment benefits.

2.19 Provisions -

General -

A provision is recognized only when the Company has a current obligation (legal or implicit) as a result of a past event, it is likely that resources will be required to meet the obligation, and its amount can be reasonably estimated. Provisions are reviewed at each period and adjusted to reflect the best estimate at the date of the statement of financial position. When the effect of the money value over time is significant, the amount of the provision is discounted using a pre-tax interest rate that reflects, when appropriate, the specific risks of the liability. When discounted, the increase in the provision due to the passage of time is recorded in the income statement as a financial cost.

The amount recorded as a provision is the best estimate, at the closing date, of the disbursement necessary to meet the present obligation. This best estimate will be the amount, valued in a rational manner, that the Company will have to pay to meet the obligation on the date of the statement of financial position, or to transfer it to a third party on the same date.

The estimates for every single outcome and financial effect are determined by the Company's judgment, and supplemented by experience gained in similar transactions and, in some cases, reports from experts. The evidence to be considered includes any additional data provided by events after the closing of the statement of financial position.

When the Company expects a part of or the total provision to be recovered. Said recoveries are recognized as assets, provided that the recovery is certain. The provisioned amount is presented in the income statement, net of recoveries.

Decommissioning -

The Company records the present value of the estimated costs of the legal and implicit obligations required to pay the costs of decommissioning and removal of equipment or the rehabilitation of the physical site where it is established in the period in which the obligation is incurred. Decommissioning costs are presented at the present value of the expected costs to settle the obligation, using estimated cash flows, and are recognized as a constituent part of asset costs (See note 2.10). Cash flows are discounted at the pre-tax risk-free market rate that reflects the specific risks of the decommissioning liability.

The accrual of the discount is recorded as an expense as it is incurred and is recognized in the income statement as a financial cost. The estimated future decommissioning costs are reviewed annually and adjusted, as appropriate, on an annual basis. Changes in estimated future costs or in the applied discount rate are added to or deducted from the cost of the related asset, as appropriate.

Contingencies -

Possible contingencies are not recognized in the financial statements. These are disclosed in notes on the financial statements, except if the possibility of disbursing an economic flow is remote.

Restructuring -

An implicit obligation is recognized as a consequence of restructuring, only when a formal and detailed plan exists to proceed with it. This plan must at a minimum identify the business activities, or the part

of those involved; the main locations affected; the location, function, and approximate number of employees that will be compensated; the disbursements that will be carried out; and the dates on which the plan will be implemented.

In addition to that detailed in the plan, there must be a valid prospect produced among those affected, either by having begun to implement the plan or by announcing its main features to them.

2.20 Income Tax -

Current Income Tax -

Current assets and liabilities, short and long term, for the income tax for the period are measured using the amounts expected to be recovered from or paid to the tax authority. The foregoing includes the effect of tax reparations pending resolution of periods prior to the time of settling the current tax amount. The tax rates and tax regulations used to calculate these amounts are those that are approved, at the closing date of the period in Peru, where the Company operates and generates taxable income.

The current income tax, which is related to items that are directly recognized in net equity, is also recognized in net equity and not in the income statement. Management periodically evaluates the positions taken in the tax returns regarding situations in which the applicable tax regulations are subject to interpretation, and constitutes provisions when deemed appropriate.

Deferred Income Tax -

Deferred income tax is recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the closing date of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability stems from the initial recognition of capital gain, or from an asset or liability in a transaction other than a business combination and, at the time of the transaction, it affects neither the accounting result nor the tax result.
- Regarding taxable temporary differences related to investments in subsidiaries, associates and joint ventures, when the time of reversal of the temporary difference can be controlled and it is likely that this difference will not be reversed in the foreseeable future.

The deferred tax asset is recognized for deductible temporary differences, unused tax losses, and unused tax credits, to the extent that it is likely that taxable income will be available against which deductible temporary differences may be used, with the following exceptions: (a) the deferred tax asset stemming from the initial recognition of an asset / liability, is different, when in a business combination, at the time of the transaction, does not affect the accounting profit or the utility subject to taxes; and (b) deferred tax assets stemming from temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which to use the difference.

The Company evaluates a deferred tax asset in combination with other deferred tax assets and liabilities. When tax legislation restricts the use of tax losses, the Company will value a deferred tax asset in combination with other deferred tax assets and liabilities of the same type.

The carrying amount of deferred income tax assets is reviewed on each closing date of the reporting period and reduced to the extent that the existence of future taxable profits is no longer likely to allow the deferred income tax assets to be used, either in whole or in part. Unrecognized deferred tax assets are revalued at each closing date of the reporting period and are recognized to the extent that the existence of future available taxable income that makes it possible to recover the same deferred tax assets which were previously unrecognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year in which the asset is realized or the liability is paid, based on the tax rates and tax rules that were approved and current on the date of the close of the reporting period.

Deferred income tax related to items outside the profit or loss is also recognized outside of this. These items are recognized in correlation with the underlying transactions to which they are related, either in other comprehensive income, or directly in net equity.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and if the deferred taxes relate to the same tax authority and the same tax jurisdiction.

2.21 Government Grants -

Government grants are non-reimbursable financing from the public sector in the form of transfers of resources, in exchange for future or past compliance with certain conditions related to operating activities with social impact.

Government grants are recognized when there is reasonable assurance that the Company will meet the conditions for their use and will receive the grants. These grants are recorded as income from the periods required to systematically relate them to the costs to which they are allocated. The amount to be charged to results is maintained as a liability in the item "Deferred income" until it is charged to income. In the case of assets acquired as part of the respective project, these are part of the Company's fixed assets and depreciate in a manner consistent with the policy established for other similar assets. The income related to the grant is recognized in the income statement, as per the depreciation of the assets.

2.22 Issued Capital -

Common shares are classified in equity.

2.23 Recognition of Income, Costs, and Expenses -

The Company's revenues come mainly from the provision of the following telecommunication services: traffic, connection, and installation fees, periodic fees for the use of the network, interconnection and rental of networks and equipment, as well as for the provision of internet and cable television services. The products and services can be sold separately or jointly in commercial packages.

Traffic -

Traffic revenues are based on the initial call set-up fee, plus per-call rates, which vary according to the time consumed by the user, the distance of the call, and the type of service. Traffic is recorded as income as it is consumed. In the case of prepaid, the amount corresponding to the traffic paid pending consumption generates a contractual liability.

Prepaid traffic usually has expiration periods of up to twelve months. Based on historical consumption, the Company estimates the traffic that will not be consumed and is imputed to the income statement, based on the traffic consumed.

Connection and Installation Fees -

Revenue from connection and installation fees, produced when customers connect to the Company's network, is deferred and imputed to the income statement over the estimated average period of duration of the relationship with the customer, or the term of the contract, whether or not a material right is granted, respectively, which varies depending on the type of service in question. The related costs, except those related to the network expansion, are recognized in the income statement in the estimated average life of the relationship with the customer.

Periodic Fees for Network Use -

In the case of traffic sales, as well as other services, via a fixed rate for a certain period of time (flat rate), income is recognized on a straight-line basis in the period covered by the rate paid by the customer.

Interconnection -

Interconnection revenues derived from customer calls from other operators, as well as from other services used by customers, are recognized in the period in which they make the calls.

Sale of Equipment -

Revenue from the sale of goods (mobile handset equipment) is recognized when the signal from the handsets is activated and transferred to the end customer.

Bundled Services -

In the case of revenues from the sale of multi-elements, equipment plus telephony services, internet, and paid television, the revenues are allocated based on the fair value of the components delivered. The offers of commercial packages that combine a number of elements are analyzed periodically to determine the necessity to separate the elements, applying in each case the criterion of appropriate income recognition. Revenues from the sale of modems and decoders, as they are essential elements for service provision, are recognized as internet and television services, respectively, throughout the average life of the customer, accruing the cost of the equipment delivered in the same period. As they are elements that can be used independently from contracting the service, landline sales revenue is recognized when the equipment is transferred to the final customer and the signal is activated. Fixed telephony, internet, and television services are recognized on a straight-line basis for the duration of the contract.

To the extent that bundles are sold at a discount on equipment (mainly in mobile telephony), and that there is a contract that generates explicit or implicit permanence, the criteria defined in IFRS 15 will be applied. The application of the criteria defined in IFRS 15 represents an increase in revenue recognized for sales of equipment, which will generally be recognized coinciding with the moment of delivery to the customer, to the detriment of the periodic income for the provision of services in subsequent periods. The income is assigned proportionally to each element according to the independent sale prices of each individual component, whilst always maintaining the total income value. The difference between the revenue from sales of equipment and terminals and the amount received from the customer at the start of the contract is shown as a contractual asset in the statement of financial position, which will be recovered over the term of the contract with the customer.

The costs that can be finally activated will be amortized in a systematic and consistent manner upon the transfer of the goods to the customer, or services with which the associated asset is related. Said asset may be amortized over the duration of the contract, or average life of the client.

Other Income, Costs, and Expenses -

Other income, costs, and expenses are recognized as they accrue, regardless of when they occur, and are recorded in the periods to which they are related.

2.24 Leases -

At the commencement of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The determination of whether a contract is or contains a lease is based on the substance of the contract; that is, whether the fulfillment of the contract depends on the use of a specific asset or whether the contract grants a right to use the asset, even if that right is not explicitly stated in the contract.

The Company a significant volume of lease agreements as the lessee of various assets, mainly: towers, office, and store buildings, and land where own towers are located. These leases accrue at an interest rate as described in note 18(c).

Company as Lessee -

The norm requires the leaseholder to recognize all leases in a separate statement of financial position, thus reflecting the right to use the asset for a period of time, as well as the liabilities associated with contractual payments.

At the commencement of a contract, the Company will assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for a consideration.

Company as Lessor -

Leases in which the Company substantially retains all the risks and benefits inherent to the ownership of the leased assets are classified as operating leases. The initial direct costs incurred in negotiating and contracting the operating lease are added to the carrying value of the leased asset and are recorded throughout the lease period whilst applying the same criteria as for rental income. Contingent income is recorded as income in the period in which it was obtained in the income statement.

2.25 Share-Based Payment Transactions -

Company employees receive part of their compensation as per share-based payment plans, and according to which, said employees provide services and receive equity instruments as consideration. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or that will be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable good or service received on the concession date. This amount is then capitalized or charged to expenses, as appropriate.

2.26 Distribution of Dividends -

The distribution of dividends to the Company's shareholders is recognized as a liability in the statement of financial position in the period in which the dividends are approved by the Company's shareholders.

2.27 Loss per Share -

Basic and diluted losses per share have been calculated on the basis of the weighted average of the common shares outstanding as at the date of the financial position statement. As of September 30, 2022 and December 31 2021, the Company did not maintain financial instruments that produce dilutive effects, so the loss per basic and diluted share is the same.

2.28 Fair Value Measurements -

The Company measures some of its financial instruments, such as accounts receivable from related entities, investments, and other financial liabilities, at fair value on each date of the financial position statement. Likewise, the fair value of financial instruments measured at amortized cost is disclosed in note 3.3.

Fair value is the price that would be received for selling an asset or that would be paid when transferring a liability in an orderly transaction between participants in a market on the measurement date. The measurement at fair value is based on the assumption that the transaction to sell the asset or transfer the liability takes place, either:

- In the main market for the asset or liability, or
- In the absence of a main market, in the most advantageous market for the asset or liability.

The main or most advantageous market must be accessible by the Company. In addition, the fair value of a liability reflects its risk of default.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if the transactions for the asset or liability are carried out frequently and sufficient volume to provide price information on an ongoing basis.

All assets and liabilities for which fair values are determined or disclosed in the financial statements are classified within the fair value hierarchy described below, based on the lowest level of the data used that are significant for the measurement at fair value as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques, via which the lowest level of information that is significant for fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques, via which the lowest level of information that is significant for fair value measurement is not observable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Company determines whether there have been transfers between the different levels within the hierarchy by reviewing the categorization at the end of each reporting period.

Company Management determines policies and procedures for recurring and non-recurring fair value measurements. At each reporting date, Management analyzes the movements in the values of the assets and liabilities that must be valued in accordance with the Company's accounting policies.

For purposes of fair value disclosures, the Company has determined the classes of assets and liabilities based on their nature, characteristics, and risks, and the hierarchy level of fair value, as explained above (note 3.3).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors -

The Company's main financial liabilities, other than derivatives, include commercial and miscellaneous accounts payable, lease liabilities, accounts payable to related parties, and financial obligations. The main purpose of these financial obligations is to finance the Company's operations. The Company has cash and short-term deposits, commercial and miscellaneous receivables, and accounts receivable from any related entities arising directly from its operations. The Company also has cash flow hedging instruments.

Due to the nature of its activities, the Company is exposed to credit, exchange rate, interest rate, and liquidity risks, which are managed through a process of identification, measurement, and continuous monitoring, subject to risk limits and other controls.

This risk management process is critical to the continued profitability of the Company and each person within the Company is responsible for the risk exposures related to their responsibilities.

The independent process of risk control does not include business risks such as changes in the environment, technology, and industry. These are monitored through the Company's strategic planning process.

Risk Management Structure -

The risk management structure is based on the Board of Directors and the Company Management, which are responsible for identifying and controlling risks in coordination with other areas as explained below:

i) Board of Directors -

The Board of Directors is the competent body that defines the general risk management policy of the Company. In compliance with its responsibilities, it approved the Corporate Risk Management Policy, with the managers being responsible for its identification, evaluation, management, and reporting within their respective spheres of action.

ii) Management -

Management is responsible for managing the Company's cash flow, taking into account the policy and limits approved by the Board of Directors.

iii) Internal Audit -

The Company's Internal Audit area is responsible for supervising the operation and reliability of the internal control systems, and the administrative and accounting information. Likewise, Internal

Auditing is responsible for supervising the financial information and significant events presented by the Company.

Internal Auditing monitors the risk management processes in the Company by analyzing both the adequacy of the procedures and compliance with them. Internal Auditing discusses the results of its evaluations with General Management, and reports its findings and recommendations to the Company's Board of Directors.

b) Risk Mitigation -

As part of the total risk management, the Company constantly evaluates the different scenarios and identifies different strategies to manage exposures resulting from changes in interest rates, foreign currency, capital risk, and credit risks.

The Company's risk management is controlled by Management under policies approved by the Board of Directors. The Company's Finance area identifies, assesses, and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides the principles for overall risk management, as well as policies that hedge specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, financial instruments, and the investment of liquidity excess.

Credit Risk -

Credit risk is the risk that a counterparty does not comply with its obligations stipulated in a financial instrument or contract, thus causing a loss. The Company is exposed to credit risk due to its operating activities, mainly in terms of its accounts receivable and financial activities, including its deposits in banks and transactions with derivatives, and other financial instruments.

Credit risk arises from cash and cash equivalents, contractual cash flows from equity investments accounted for at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss, favorable derivative financial instruments, and deposits in banks and financial institutions, as well as credit exposures to wholesale and retail customers, including any outstanding accounts receivable.

The Company maintains exposure limits for its placements in a number of banks and financial institutions, according to the institutions' individual risk category. Credit risk is managed as a group. For banks and financial institutions, we only accept entities independently qualified with a minimum grade of "A".

Credit risk is controlled through the evaluation and analysis of individual transactions, for which an evaluation is made based on the aging of accounts receivable. If the wholesale and household customers have an independent rating, these ratings are used. Otherwise, if there is no independent rating, the monitoring of the credit risk will assess client credit quality, with its financial position, past experience, and other factors being taken into account. Individual risk limits are established based on internal or external ratings, in accordance with the limits that Management establishes. Line management regularly supervises wholesale customer compliance with credit limits, thereby determining the estimate required for uncollectibility. Additionally, partial and total service suspensions are imposed on users who have accounts receivable due in accordance with the policy described in note 2.7 (iv); and Management defines the delinquency objectives.

According to the analysis made by the Company's Management, an account receivable is considered as impaired when it has been classified as an uncollectible account (See note 2.7). In addition, Management estimates a provision for expected losses on non-impaired accounts. As at the date of the financial position statement, the aging and qualification of the trade accounts receivable balance is as follows:

	<u>Not impaired</u> <u>S/000</u>	<u>Impaired</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
As at September 30, 2022			
Unexpired	655,717	49,968	705,685
Expired			
Up to 1 month	180,143	61,809	241,952
From 1 to 3 months	74,654	76,214	150,868
3 to 6 months	41,996	104,848	146,844
From 6 to 12 months	50,372	269,635	320,007
More than 12 months	6,869	5,196,283	5,203,152
Total	<u>1,009,751</u>	<u>5,758,757</u>	<u>6,768,508</u>
As of December 31, 2021			
Unexpired	671,921	34,275	706,196
Expired			
Up to 1 month	175,763	64,755	240,518
From 1 to 3 months	93,975	89,408	183,383
From 3 to 6 months	48,421	110,212	158,633
From 6 to 12 months	13,939	260,104	274,043
More than 12 months	4,972	4,909,490	4,914,462
Total	<u>1,008,991</u>	<u>5,468,244</u>	<u>6,477,235</u>

According to Management's opinion, there are no significant concentrations of credit risk as of September 30, 2022 and December 31, 2021.

As of September 30, 2022, the Company's Management has estimated that the maximum net amount of credit risk to which the Company is exposed amounts to approximately S/1,162,504,000 (S/1,255,091,000 as of December 31, 2021), which represents the net book value of the accounts receivable and other financial assets.

Market Risk -

Market risk is the risk of losses in balance sheet positions, mainly derived from movements in the exchange rate and interest rates.

The sensitivity analyzes in the following sections refer to positions for the nine-month periods ended September 30, 2022 and 2021. Likewise, they are because the net amount of debt, the ratio of fixed interest rates, and the position of instruments in foreign currency remain constant. The sensitivities in the profit or loss statement is the effect of the changes assumed in the respective market risk. This is based on financial assets and liabilities held as at September 30, 2022 and December 31, 2021, including the effect of hedge derivatives.

i) Exchange Rate Risk -

The exchange rate risk is the risk that the fair value of the future cash flows of a financial instrument fluctuates due to variations in the exchange rates. Finance Management is responsible for identifying, measuring, controlling, and reporting the exposure to the Company's overall exchange risk. The exchange risk arises when the Company presents mismatches between its asset and liability positions in the various currencies with which it operates, which are mainly soles (functional currency) and US dollars. Management monitors this risk through the analysis of the country's macro-economic variables.

Transactions in foreign currency are carried out at the free market exchange rates published by the Superintendency of Banking, Insurance and Private Pension Fund Administrators. As of September 30, 2022, the weighted average free market exchange rates for transactions in US dollars were S/ 3.978 per US \$1 purchasing and S/ 3.984 for US \$1 selling (S/ 3.975 per US \$1 purchasing and S/ 3.998 for US \$1 selling at December 31, 2021) and for transactions in Euros, the rates were S/ 3.631 for €1 purchasing and S/ 4.167 for €1 selling (S/ 4.344 for €1 purchasing and S/ 4.846 for €1 selling as at December 31, 2021), respectively.

The result of maintaining balances in foreign currency for the Company for the nine-month periods ended September 30, 2022 and 2021, was a (loss)/net gain of approximately S/9,404,000 and S/12,654,000, respectively, which are presented in the item "(Loss)/net profit from exchange differences". See note 31.

As of September 30, 2022 and December 31, 2021, the Company had the following assets and liabilities in foreign currency:

	As of September 30 2022		As of December 31 2021	
	US\$000	Euros000	US\$000	Euros000
Assets -				
Cash and cash equivalents	6,487	131	-	285
Trade accounts receivable, net	34,888	2,894	47,841	5,578
Other accounts receivable, net	<u>23,452</u>	<u>-</u>	<u>24,693</u>	<u>-</u>
	<u>64,827</u>	<u>3,025</u>	<u>72,534</u>	<u>5,863</u>
Liabilities -				
Financial liabilities from lease	(100,368)	-	(123,055)	-
Trade accounts payable	(171,380)	(10,141)	(209,020)	(11,926)
Other accounts payable	<u>(24,006)</u>	<u>-</u>	<u>(26,553)</u>	<u>-</u>
	<u>(295,754)</u>	<u>(10,141)</u>	<u>(358,628)</u>	<u>(11,926)</u>
Purchase position of derivatives (Baseline value)	<u>239,900</u>	<u>7,335</u>	<u>299,798</u>	<u>6,543</u>
Monetary position, net	<u>8,973</u>	<u>219</u>	<u>13,704</u>	<u>480</u>

The Company hedges its exposure to the conversion to Soles of financial obligations and OPEX operations (denominated in US dollars and euros), using hedge cash flow, swaps, and forwards contracts.

The following table shows the sensitivity analysis of US dollars (the main currency other than the functional currency in which the Company has a significant exposure), and of euros, in its monetary assets and liabilities, and its estimated flows in cash and in euros. The analysis determines the effect of a reasonably possible change in the exchange rate of the US dollar and the euro, while keeping the other variables constant in the income statement, before income tax. A negative amount shows a potential net loss, while a positive amount reflects a potential net gain in the statement of income.

<u>Sensitivity analysis</u>	<u>Change in rates of Exchange</u> %	<u>Effect on results before taxes</u>	
		<u>As of 30 September 2022</u>	<u>As of 30 September 2021</u>
		<u>S/000</u>	<u>S/000</u>
Devaluation -			
Dollars	5	1,785	2,360
Dollars	10	3,569	4,720
Revaluation -			
Dollars	5 (	1,785)	(2,360)
Dollars	10 (	3,569)	(4,720)
Devaluation -			
Euros	5	40	(44)
Euros	10	80	(89)
Revaluation -			
Euros	5 (	40)	44
Euros	10 (	80)	89

The exchange rate sensitivities shown in the previous table are illustrative only and are based on simplified scenarios. However, this effect does not include the actions that would be taken by Management to mitigate the impact of this risk.

ii) Interest Rate Risk -

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Company manages its interest rate risk based on the experience of Management, balancing the asset and liability interest rates.

Management believes that future fluctuations in interest rates will not significantly affect the results of the Company's future operations.

The information related to financial instruments with fixed and variable interest rates are shown as follows:

	<u>Rate variable (*)</u>	<u>Fixed rate</u>	<u>No interest</u>	<u>Total</u>	<u>Interest rate average</u>
<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>%</u>	
As at September 30, 2022					
Financial Assets					
Cash and cash equivalents	476,622	-	-	476,622	0.00
Trade accounts receivable, net	-	354,034	655,717	1,009,751	2.66
Contractual assets	-	-	40,326	40,326	-
Other accounts receivable, net	-	-	169,605	169,605	-
Financial Liabilities					
Other financial liabilities	717,119	2,130,515	2,014	2,849,648	6.51
Financial liabilities from lease	391,687	960,557	-	1,352,244	4.47
Trade accounts payable	-	-	1,763,910	1,763,910	-
Other accounts payable to related entities	-	-	5,260	5,260	-
Other accounts payable	-	-	22,940	22,940	-

	<u>Rate variable (*) S/000</u>	<u>Fixed rate S/000</u>	<u>No interest S/000</u>	<u>Total S/000</u>	<u>Interest rate average %</u>
As of December 31, 2021					
Financial Assets					
Cash and cash equivalents	610,520	-	-	610,520	1.81
Trade accounts receivable, net	-	337,070	671,921	1,008,991	1.10
Contractual assets	-	-	20,027	20,027	-
Other accounts receivable, net	-	-	246,100	246,100	-
Financial Liabilities					
Other financial liabilities	627,490	2,388,763	6,723	3,022,976	6.45
Financial liabilities from lease	328,856	1,066,667	-	1,395,523	5.05
Trade accounts payable	-	-	1,825,185	1,825,185	-
Other accounts payable to related entities	-	-	9,320	9,320	-
Other accounts payable	-	-	44,888	44,888	-

(*) Variables are considered as assets and obligations at a variable-based rate, as well as fixed-rate assets and obligations for terms of less than 12 months.

Shown below is the income statement's sensitivity, which is due to the possible effect of changes in the interest rate on financial expenses for the period, before income tax, assuming that the financial liabilities at September 30, 2022 and 2021 will be renewed at the end, and will be maintained for the remainder of the following year:

<u>Changes in Basis Points</u>	<u>Effect on income before taxes</u>	
	<u>As of 30 September of 2022 S/000</u>	<u>As of 30 September of 2021 S/000</u>
+(-)50	(-)+2,371	(-)+ 294
+(-)100	(-)+4,741	(-)+ 587
+(-)200	(-)+9,483	(-)+ 1,174

The exchange rate sensitivities shown in the previous table are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in the net financial expenses based on the projected scenarios of the yield curve and the interest rate risk profile that the Company currently has. However, this effect does not include the actions that would be taken by Management to mitigate the impact of this risk.

iii) Liquidity Risk -

Liquidity risk is the risk that the Company will neither be able to meet its payment obligations related to financial liabilities upon maturity, nor replace the funds when they are withdrawn, nor deal with the result of disputes and contingencies, which are presented in the short term as the main processes are in the final instances (See note 33(b)). The consequence would be the failure to pay the company's obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining lines of credit and/or maintaining surplus liquidity as investments, which allows the Company to carry out its activities normally.

The management of liquidity risk involves maintaining sufficient cash and finance availability, through an adequate amount of assigned credit sources and the ability to settle transactions, mainly of indebtedness. In this regard, the Company's Management orients its efforts to maintain sources of financing through the availability of credit lines and the registration of corporate bond

programs and commercial papers, and if necessary, request financing from its main shareholder, among other alternatives that allow refinancing potential short-term obligations.

The Company maintains a negative working capital generated mainly by short-term classified contingency provisions, whose execution depends on the resolution of various instances. See note 33(b); also as of September 30, 2022, the Company maintains available credit lines for US\$190,530,000. Additionally, the Company has recorded a net loss in the years 2022 and 2021 due to the result of the tax dispute mentioned in Note 33(b), the provision for impairment of Capital Gain (See note 16) and the highly competitive market sector. However, the Company is considering reversing this position through the growth of revenues and value customers, operational efficiencies, and the reinforcement of the convergent offer of mobile and fixed services, considering that it has a solid market share in fixed services. In the fixed and mobile phone telecommunications sector, it is common practice to operate with a negative working capital, given that the average period of payment to suppliers is greater than the average period of collection from customers.

The following table shows the maturity of the obligations of the Company as of the date of the statement of financial position and amounts to be disbursed at maturity, based on the undiscounted payments that will be made:

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	S/000	S/000	S/000	S/000	S/000
As at September 30, 2022					
Other financial liabilities					
- Capital amortization	13,707	264,569	2,255,115	308,153	2,841,544
- Interest payment flow	88,372	92,777	476,651	14,555	672,355
Financial lease liability	97,922	289,583	544,887	419,852	1,352,244
Lease interest payment	8,580	150,517	43,591	58,660	261,348
Trade accounts payable	1,763,910	-	-	-	1,763,910
Other accounts payable to related entities	968	-	4,292	-	5,260
Other accounts payable	<u>22,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,940</u>
Total flows from liabilities	<u>1,996,399</u>	<u>797,446</u>	<u>3,324,536</u>	<u>801,220</u>	<u>6,919,601</u>
As of December 31, 2021					
Other financial liabilities					
- Capital amortization	9,592	240,000	1,833,340	970,958	3,053,890
- Interest payment flow	8,831	184,314	537,104	43,590	773,839
Financial lease liabilities	81,654	247,202	769,492	297,175	1,395,523
Lease interest payment	11,548	26,420	104,926	61,319	204,213
Trade accounts payable	1,825,185	-	-	-	1,825,185
Other accounts payable to related entities	6,297	-	3,023	-	9,320
Other accounts payable	<u>44,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,888</u>
Total flows from liabilities	<u>1,987,995</u>	<u>697,936</u>	<u>3,234,886</u>	<u>1,386,041</u>	<u>7,306,858</u>

The above table does not include the provisions for contingencies for a value of S/3,517,192,000 and S/3,357,969,000 as of September 30, 2022 and December 31, 2021, respectively, as their execution is subject to the resolution of various instances in accordance with that described in the note 33(b). Likewise, the table does not include hedging financial derivatives because Management considers that such contracts are effectively settled on a net basis. Consequently, the flow of the hedge derivatives and the reconciliation of the amounts equivalent to the accounting values of the discounted net flow generated by these instruments are presented below:

	Less than 3 months S/000	3 to 12 months S/000	Total S/000
As at September 30, 2022			
Income	1,000,164	3,595	1,003,759
Expenses	(983,456)	(3,585)	(987,041)
Net flow	<u>16,708</u>	<u>10</u>	<u>16,718</u>
Net discounted flow	<u>16,803</u>	<u>49</u>	<u>16,852</u>
As of December 31, 2021			
Income	1,446,262	186,954	1,633,216
Expenses	(1,467,761)	(191,098)	(1,658,859)
Net Flow	<u>(21,499)</u>	<u>(4,144)</u>	<u>(25,643)</u>
Discounted net flow	<u>(18,221)</u>	<u>(2,441)</u>	<u>(20,662)</u>

3.2 Capital Risk Management -

The Company actively manages a capital base to hedge the risks inherent to its activities. The Company's capital adequacy is monitored using, among other measures, the indicators established by the Management.

The Company's objectives when managing its capital correspond to a broader concept than the "Equity" that is shown in the statement of financial position and is mainly constituted by: (i) safeguarding the Company's ability to continue operating in a manner that continues to provide returns to the shareholders and benefits to the other participants; and (ii) maintain a strong capital base to support the undertaking of its activities.

The Company monitors its capital based on the leverage ratio, which is calculated by dividing the net debt by total capital. Net debt corresponds to total indebtedness (including trade accounts payable, accounts payable to related entities, lease liabilities, other financial liabilities, and other accounts payable) minus cash and cash equivalents. Total capital is calculated as "equity", as shown in the statement of financial position, plus net debt.

As at September 30, 2022 and December 31, 2021, the consolidated leverage indicator was as follows:

	As of 30 September 2022 S/000	As of 31 December 2021 S/000
Total indebtedness	6,198,920	6,597,522
Less: Cash and cash equivalents	(476,622)	(610,520)
Net debt (A)	5,722,298	5,987,002
Total equity (B)	<u>1,935,849</u>	<u>2,442,993</u>
Leverage ratio (A/B)	2.96	2.45

As at September 30, 2022 and December 31, 2021, there were no changes in the activities and policies of capital management in the Company. The Company's leverage ratio increased as a consequence of the reduction in equity due to the loss for the year in 2021.

3.3 Estimation of Fair Value -

(a) Instruments Recorded at Fair Value According to Their Hierarchy -

The following table shows an analysis of financial instruments that are carried at fair value according to level of the fair value hierarchy:

	Value of exchange rate in active markets Level 1 S/000	Significant observable variables Level 2 S/000	Significant non-observable variables Level 3 S/000	Total S/000
As at September 30, 2022				
Financial Assets -				
Derivative financial instruments:				
Foreign currency forward	-	16,852	-	16,852
Total financial assets	-	16,852	-	16,852
As of December 31, 2021				
Financial Liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	20,662	-	20,662
Total financial liabilities	-	20,662	-	20,662

Level 1 -

The financial assets included in the Level 1 category are those that are measured based on quotes obtained from an active market. A financial instrument is considered as being quoted in an active market if prices are easily and regularly available from a centralized trading mechanism, agent, broker, industry group, price providers or regulatory entities; and said prices come regularly from transactions in the market.

Level 2 -

The financial instruments included in the Level 2 category are measured based on market factors. This category includes instruments valued using market prices of similar instruments, whether active or not, and other valuation techniques (models) in which all significant data are directly or indirectly observable in the market. The following is a description of how the fair value of the Company's main financial instruments included in this category is determined:

- Derivative Financial Instruments -

Derivatives designated as hedging instruments reflect the variation in the fair value of foreign currency futures contracts, designated as cash flow hedges to cover highly probable future purchases.

The fair values of swaps and forwards are measured using valuation techniques based on market data. Applied valuation techniques include swap valuation models, using present value calculations. These models take into account various factors, including the credit quality of the counterparties, currencies, forward rates, and interest rate curves.

The adjustment for credit valuation is applied to "over-the-counter" derivative exposures to take into account the risk of default of the counterparty when measuring the fair value of the derivative. A credit valuation adjustment is the cost of protection at the market price required to hedge the credit risk of the counterparty in this type of derivative portfolio. The credit valuation adjustment is calculated by multiplying the probability of default, the default value of loss, and the exposure expected at the time of default.

- Debt Instruments Available for Sale -

The valuation of corporate bonds, lease bonds and public treasury bonds are measured by calculating the Net Present Value ("NPV") through discounted cash flows, zero coupon curves, and considering current and observable market transactions. Other debt instruments are measured using valuation techniques based on assumptions supported by observable prices in current market transactions, obtained through price suppliers. However, when prices have not been determined in an active market, fair value is based on quotes from brokers and on assets that are valued using models where most of the assumptions are observable in the market.

Level 3 -

The financial assets included in level 3 are measured using a valuation technique (internal model), based on assumptions that are neither supported by prices of observable transactions in the current market for the same instrument, nor based on available market data. The Company did not hold Level 3 instruments as of September 30, 2022 and December 31, 2021.

Instruments Recorded at Amortized Cost -

In addition to the instruments recorded at fair value, the following is the disclosure of the comparison between the book values and the fair values of the Company's financial instruments that are recorded at amortized cost in the statement of financial position. The table does not include the fair values of non-financial assets and liabilities:

	Value of exchange rate in active markets (Level 1) S/000	Significant observable variables (Level 2) S/000	Significant non-observable variables (Level 3) S/000	Value reasonable S/000	Book value S/000
As at September 30, 2022					
Financial Assets -					
Asset as derivative					
financial derivatives	-	16,852	-	16,852	16,852
Total financial assets	-	16,852	-	16,852	16,852
Financial Liabilities -					
Bonds issued and debts					
and loans that accrue					
interest	-	2,849,648	-	2,849,648	2,849,648
Financial Lease					
liabilities	-	1,352,244	-	1,352,244	1,352,244
Other accounts payable to					
related entities	-	5,260	-	5,260	5,260
Total financial liabilities	-	4,207,152	-	4,207,152	4,207,152

	Value of exchange rate in active markets (Level 1) S/000	Significant observable variables (Level 2) S/000	Significant non-observable variables (Level 3) S/000	Reasonable value S/000	Book value S/000
As of December 31, 2021					
Financial Liabilities -					
Liabilities from derived financial instruments	-	20,662	-	20,662	20,662
Bonds issued and debts and loans that accrue interest	-	3,022,976	-	3,022,976	3,022,976
Financial Lease liabilities	-	1,395,523	-	1,395,523	1,395,523
Other accounts payable to related entities	-	9,320	-	9,320	9,320
Total financial liabilities	-	4,448,481	-	4,448,481	4,448,481

The methodologies and assumptions used by the Company to determine the estimated market values depend on the terms and risk characteristics of the various financial instruments that are recorded at amortized cost and include the following:

i) Assets Whose Fair Value Is Similar to Their Book Value -

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), the book value is considered to be similar to its fair value, as trade accounts receivable or other account receivable. This assumption also applies to term deposits, savings accounts without a specific maturity and floating-rate financial instruments.

Fixed Rate Financial Instruments -

The fair value of financial assets and liabilities that are at a fixed rate and amortized cost is determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments.

The estimated fair value of interest accruing deposits is determined by discounted cash flows using market interest rates for financial instruments with similar maturities and credit risks. For the issued quoted debt, fair value is determined based on quoted market prices. When market prices are not available, the discounted cash flow model based on the yield curve of the interest rate is used for the remaining term.

4 ESTIMATED AND CRITICAL ACCOUNTING CRITERIA

Preparing the financial statements per IFRS requires Management to make significant judgments, estimates, and assumptions in order to determine the reported figures of assets and liabilities, the exposure of contingent assets and liabilities on the date of the financial statements, as well as the reported figures of income and expenses for the nine-month periods ending September 30, 2022 and 2021.

In Management's opinion, these estimates were made on the basis of their best knowledge of the relevant facts and circumstances at the date of preparation of the financial statements. However, the final results may differ from the estimates included in the financial statements. Company management does not expect that the variations, if any, will have a significant effect on the financial statements.

In relation to the financial statements, Management considers the most significant estimates to essentially refer to:

- Estimation for doubtful accounts. See notes 2.7, 3.1(b), 7, and 8.
- Estimate for contractual assets and liabilities. See notes 2.23 and 9.
- Estimate for devaluation of inventories. See notes 2.9 and 10.
- The residual value, useful life, and depreciation of property, plant, and equipment. See notes 2.10 and 13.
- The useful life and amortization of intangible assets other than capital gains. See notes 2.11 and 14.
- Estimate for impairment of long-term assets. See notes 2.13, 13, 14, and 16.
- Deferred tax assets and liabilities. See notes 2.20 and 24.
- Estimated accrued income. See note 2.23.
- Provision for decommissioning. See notes 2.10, 2.19, and 21.
- Provision for contingencies. See notes 2.19, 21, and 33(b).
- Cash flow hedging. See note 2.8.
- Provision for restructuring. See notes 2.19, 20, and 29.
- Estimation of uncertainties and judgments made in relation to lease accounting. See notes 2.24, 15, and 18.

Any difference in the estimates in the subsequent real results is recorded in the results of the year in which it occurs.

Estimate of the effects of the Covid-19 global pandemic on the financial statements-

As a consequence of the Covid-19 virus pandemic, the Peruvian State declared a state of national emergency as of March 16, 2020, which has been extended until March 01, 2022, and which, among other measures, includes mandatory social immobility (between March 16 and June 30, 2020), the restriction of production and commercial activities, except those considered as essential. The Company carries out its commercial activities in the telecommunications sector, which is considered a basic necessity. Even though at the beginning of the state of emergency the commercialization of the Company's offers was suspended, internet services, payment, mobile telephony, fixed telephony, interconnection, and connectivity were consistently provided and did not experience significant interruptions.

The main impact that the Company has had is in the collection for the services provided. Moreover, the Government prohibited the cutting of telecommunications services for non-payment during the period of social immobilization between March and June, 2020. In supporting the national recovery, the Company has since April 13, 2020 granted interest-free payments in 6 or 12 installments for the invoices expiring during this period. The Company has also offered discounts. While customers welcomed these benefits, the expected loss due to uncollectibility has been readjusted based on the projections on the decline in GDP. The Company experienced an increase in credit risk during the second quarter of 2020, mainly associated with the installment plan for accounts that matured during said period. As of December 31, 2020, the estimate for doubtful collections includes possible variations in credit risk. During 2021, the risk rating agencies Moody's and Fitch lowered the credit rating assigned to the Republic of Peru, and Standard & Poor's maintained its rating but assigned a negative outlook.

5 FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

The classification of financial instruments by category is as follows:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Financial Assets at Amortized Cost per Statement of Financial Position:		
- Cash and cash equivalents	476,622	610,520
- Trade and other accounts receivable (*)	<u>1,162,504</u>	<u>1,255,091</u>
	<u><u>1,639,126</u></u>	<u><u>1,865,611</u></u>
Financial Liabilities at Amortized Cost per Statement of Financial Position:		
- Financial obligations	2,849,648	3,022,976
- Financial lease liabilities	1,352,244	1,395,523
- Trade and other accounts payable (*)	1,786,850	1,849,411
- Other accounts payable to related entities	<u>5,260</u>	<u>9,320</u>
	<u><u>5,994,002</u></u>	<u><u>6,277,230</u></u>

(*) Does not include advances or taxes.

The maximum exposure to credit risk as of September 30, 2022 and December 31, 2021, is the book value of each class of financial asset mentioned above.

6 CASH AND CASH EQUIVALENTS

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Fixed funds	321	317
Current and savings accounts (b)	456,843	98,713
Term deposits (c)	-	260,000
Trust fund (d)	<u>19,458</u>	<u>251,490</u>
	<u><u>476,622</u></u>	<u><u>610,520</u></u>

(b) Current and savings accounts are held in local and foreign banks and are denominated in soles, US dollars, and euros. This balance includes current accounts held in the financial institution of Telfisa Global B.V. Group. See note 23(h). Savings accounts are remunerated at current rates in the respective market.

(c) Time deposits have original maturities of less than 90 days and may be renewed upon maturity. As of September 31, 2022 and December 31, 2021, these were composed of deposits in national currency in various national banks. These term deposits are remunerated at current rates in the market.

- (d) Includes the funds of the trust fund administered by La Fiduciaria S.A. (with the involvement of the Banco de Credito del Peru and Banco Santander), which consolidates the collection rights and the cash flows in such a way that the Company can better manage and give greater attention to direct payments that are required for the normal operation of their businesses. As at September 30, 2022 and December 31, 2021, the trust includes only cash.
- (e) There were no restrictions on the balances of cash and cash equivalents as at September 30, 2022 and December 31, 2021.

7 COMMERCIAL ACCOUNTS RECEIVABLE, NET

- (a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Subscribers of fixed business	3,118,767	2,982,857
Mobile phone business subscribers	2,567,325	2,418,563
Data and information technology	545,355	546,220
Distributors, agencies, and large areas	167,438	153,368
Wholesaler - Interconnection and Correspondents	182,859	211,884
Related companies, note 23(d)	102,144	100,935
Others	<u>84,620</u>	<u>63,408</u>
	6,768,508	6,477,235
Less - Provision for doubtful accounts (c)	(5,758,757)	(5,468,244)
	1,009,751	1,008,991
Less - non-current portion (d)	(2,141)	(1,780)
Current portion	<u>1,007,610</u>	<u>1,007,211</u>

- (b) Commercial accounts receivable (net) generate interest after maturity. The items of internet, fixed and public telephony, cable television, mobile phone subscribers, distributors, agencies, and large stores are mainly billed in soles, while accounts receivable for data and information technology, interconnection, and foreign correspondents are mainly are billed in US dollars. Likewise, as of December 31, 2021, as a result of the State of Emergency, the Company has financed its fixed and mobile business clients for the invoices that were due between mainly March and June 2020, for S/183,437,000, granting them payment terms of 6 or 12 interest-free months. The Company has collected S/133,837,000 to date, with the balance fully provisioned for uncollectibility.

As of September 30, 2022, trade receivables include estimates for unbilled services rendered for approximately S/62,918,000 (S/46,432,000 as of December 31, 2021). The Company's Management estimates that these items will be fully invoiced in the second semester of 2022.

As of September 30, 2022, the Company had approximately 1,288,000 fixed and public telephony lines in service, 4,498,000 postpaid mobile telephony lines, 1,945,000 connections in broadband service, and approximately 1,223,000 paid television accesses (1,549,000, 4,436,000, 1,968,000 and 1,334,000, respectively as at December 31, 2021).

- (c) The movement of the allowance for doubtful accounts as at September 30, 2022 and December 31, 2021, is as follows:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Opening balance	5,468,244	5,060,182
Allocation for the period, note 28(a)	315,412	396,096
Punishments	(25,494)	(41,791)
Net exchange differences	595	53,757
Closing balance	<u>5,758,757</u>	<u>5,468,244</u>

In Management's opinion, the allowance for doubtful accounts is sufficient to cover the credit risk of these accounts at the date of the statement of financial position, in accordance with the Company's accounting practice, described in note 3.1(b).

- (d) As at September 30, 2022 and December 31 2021, they include accounts receivable for financed sales of mobile handsets and equipment related to internet, central, and paid television services, which have maturities of up to 24 months. Contractually these accounts do not generate interest, but for accounting purposes, an implicit interest is estimated for contracts with maturities of over 12 months, which is deferred at the time of the sale and is recognized as revenue, depending on the duration of the contract.

The amount recognized for implicit interest for the three months ending September 30, 2022, amounts to S/ 537,000 (S/ 887,000 for the nine-month period ending September 30, 2021) and is presented in the item of "Financial income" of the statement of income. See note 31.

8 OTHER ACCOUNTS RECEIVABLE, NET

- (a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Collection rights for enforcement actions (b)	141,902	141,824
Collection Rights (c)	110,062	110,062
Subsidies receivable (d)	89,008	93,673
Derivative financial instruments (h)	16,852	-
Security deposits	12,328	16,534
Loans to staff, note 23(f)	11,624	13,069
Sale of real estate (g)	8,405	92,411
Loans to third parties	3,745	5,928
General sales tax credit	-	7,596
Others	<u>39,267</u>	<u>37,554</u>
	433,193	518,651
Less - Provision for doubtful accounts (f)	(168,781)	(168,439)
	264,412	350,212
Less - non-current portion	(85,491)	(92,347)
Current portion	<u>178,921</u>	<u>257,865</u>
Financial assets classified as other accounts receivable	169,605	246,100
Non-financial assets classified as other accounts receivable	<u>94,807</u>	<u>104,112</u>
	<u>264,412</u>	<u>350,212</u>

- (b) The collection rights for coercive executions mainly correspond to seizures of Company assets without a court ruling made by several municipalities across Peru. The Municipalities demand the payment of licenses and fines for the installation of an external plant without municipal authorization. Management is continuing with the filing of the legal actions and estimates that the seizures undertaken will be declared illegal. Likewise, based on a collectability study carried out, the respective doubtful collection estimates have been established.
- (c) As of September 30, 2022 and December 31, 2021, these correspond mainly to collection rights to the Tax Administration, for payment of tax assessments (See note 33(b)) that in the opinion of Management and of the legal advisors will be recovered when certain appeals filed in relation to the assessments received for income tax from previous years are resolved, as permitted by IAS 12 - "Income Tax."

The Company's Management expects that the recovery of this item will be in the short term.

- (d) Corresponds mainly to the Lambayeque Project: a contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the Investment Fund in Telecommunications - FITEI in Spanish), for the non-reimbursable financing of the Project "Comprehensive Broadband Connectivity and the Social Development of the Country's Northern Area", which has been collected according to the established schedule.

In accordance with the Group's accounting practice, described in note 2.21, both the disbursement received and pending payments are presented under "Deferred income" in the statement of financial position. See note 22.

- (e) The other accounts receivable are denominated in national and foreign currency and do not generate interest.
- (f) The other accounts receivable were collectively evaluated to determine if there was objective evidence of impairment. However, the Company determined that the estimate of doubtful collections at the end of the period is sufficient, in accordance with the Company's accounting practice described in note 2.7.
- (g) Balance pending collection for sales of towers and properties mainly with Phoenix Tower International Perú SAC and LAP Inmobiliaria SRL made in December 2021.
- (h) As at September 30, 2022, the Company had cash flow hedging contracts to reduce the exchange rate risk of the disbursements of certain OPEX and CAPEX operations, for a nominal value of US\$ 2,916,000 that has maturity dates during the year 2022. As of December 31, 2021, the hedging contracts were for US\$100,753,000. The cash flow hedge of the expected future payments was evaluated as being highly effective. It is expected that the amounts retained in the separate statement of other comprehensive income will affect the separate profit or loss statement in each of the future periods until their maturity dates.

9 ASSETS AND LIABILITIES RELATED TO CUSTOMER CONTRACTS

The Company has recognized the following assets and liabilities related to contracts with customers.

(a) Contractual assets:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Sale of terminals, note 2.23	40,326	20,027
Less - non-current portion	(1,295)	(1,626)
Current portion	<u>39,031</u>	<u>18,401</u>

(b) Contract liabilities:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Fixed and mobile telephone services, note 2.23	68,340	89,626
Deferred installation fee, note 2.23	59,453	73,479
IRU access rights (c)	50,067	48,016
Project companies	14,349	26,069
Others	<u>1,856</u>	<u>1,703</u>
	194,065	238,893
Less - non-current portion	(56,142)	(70,520)
Current portion	<u>137,923</u>	<u>168,373</u>

(c) Correspond to the irrevocable rights of unrestricted use of certain Company assets granted to third parties for a period of up to 20 years.

10 INVENTORIES

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Goods and supplies	171,110	198,236
Inventories receivable	<u>33,440</u>	<u>51,231</u>
	204,550	249,467
Less - Provision for impairment of inventories (c)	(11,728)	(13,870)
	<u>192,822</u>	<u>235,597</u>

Goods, supplies, and inventories receivable correspond mainly to mobile terminal equipment, as well as modems to provide internet service, decoders for pay television service, and fixed telephony equipment.

- (b) The cost of inventories sold for the nine-month period ended September 30, 2022, was approximately S/840,687,000 (S/893,080,000 for the nine-month period ended September 30, 2021) and is presented in the item "Cost of sale of equipment" in the income statement.
- (c) The movement of the inventory devaluation estimate as at September 30, 2022 and December 31, 2021, is as follows:

	As of 30 September 2022 <u>S/000</u>	As of 31 December 2021 <u>S/000</u>
Opening balance	13,870	26,058
Recovery of devaluation of inventories, net. Note 28.	(<u>2,142</u>)	(<u>12,188</u>)
Closing balance	<u>11,728</u>	<u>13,870</u>

In Management's opinion, the estimate for inventory devaluation adequately hedges the estimated risk of loss on the dates of the statement of financial position.

11 OTHER NON-FINANCIAL ASSETS

- (a) The breakdown of the item is presented below:

	As of 30 September 2022 <u>S/000</u>	As of 31 December 2021 <u>S/000</u>
Deferred costs of compliance obligation (b)	360,728	385,942
Customer acquisition expenses (c)	358,417	242,033
Maintenance of licenses and computer equipment	38,706	36,815
Annual royalty (e)	14,935	-
Insurance paid in advance	11,012	5,481
Advances granted to suppliers	5,449	3,677
Prepayments for right of access (d)	2,884	3,183
Advertising paid in advance	2,478	823
Other	<u>86,015</u>	<u>85,526</u>
	880,624	763,480
Less - non-current portion	(<u>384,430</u>)	(<u>333,822</u>)
Current portion	<u>496,194</u>	<u>429,658</u>

- (b) Includes the costs of Pay TV modems and decoders. This equipment is provided to the customer as part of the service, and which is deferred as they are compliance obligations in customer contracts.
- (c) Corresponds to expenses directly related to obtaining commercial contracts (sales commissions, expenses with third parties, among others), which are amortized for contracts for an undetermined term in the average life of the client, and for contracts with onerous permanence within that period.
- (d) As at September 30, 2022 and December 31, 2021. The foregoing includes access rights not classified as a lease under the application of IFRS 16.

- (e) Corresponds to the non-accrued balance due to the use of the radio-electric spectrum, which is accrued during the year. During 2022, the Group has accessed a benefit of S/ 27,277,000 granted by the Mobile Royalty Law for infrastructure expansion and/or the technological improvement of the structure. The foregoing reduced the royalty for the period by committing to cover 47 new locations with 4G technology in 12 months. This coverage will be carried out through a provider, as legally permitted. Furthermore, the Company requested to pay monthly installments for the 2022 royalty, which was approved by the Ministry of Transportation and Communications for 12 months. The payment plan will expire on January 31, 2022. See Note 17.2(b).

12 INVESTMENTS IN ASSOCIATED COMPANIES

(a) The breakdown of the item is presented below:

	Activity	Percentage of shareholding in equity		Value of shareholding equity	
		As of 30 September 2022 %	As of 31 December 2021 %	As of 30 September 2022 S/000	As of 31 December 2021 S/000
In associates:					
Internet para Todos S.A.C. (b)	Operate and provide all types of telecommunications services.	54.67	54.67	<u>227,582</u>	<u>235,676</u>
				<u>227,582</u>	<u>235,676</u>
Other share investments:					
Wayra Peru Project Accelerator S.A.C.	Development and promotion of business projects based on technological innovation.	2.93	2.93	<u>478</u>	<u>478</u>
				<u>478</u>	<u>478</u>
				<u>228,060</u>	<u>236,154</u>

i) Internet para Todos S.A.C. -

In 2019, the Company reached agreements with other investors, JML International Limited, which is a subsidiary of Facebook, Inc. (Facebook), Andean Development Corporation (CAF) and Inter-American Investment Corporation (IDB) to regulate their joint investment and common share in the equity of Internet Para Todos S.A.C. (IPT), a company constituted and registered in Peru, in the following manner:

<u>Company</u>	<u>%</u>
Facebook	24.67
CAF	10.33
IDB	10.33

As a result of the agreement with the partners, Telefónica del Perú diluted its share to 54.67% of the IPT shares, and the Company also lost control of the subsidiary, thereby becoming an associate.

The table below shows the summary of the main items of the associate's financial statements as of August 31, 2022 (closest information available) and December 31, 2021.

	<u>As of 31 August 2022</u>	<u>As of 31 December 2021</u>
	<u>S/000</u>	<u>S/000</u>
Assets	587,093	621,233
Liabilities	170,811	190,145
Equity	416,282	431,088
Profit/loss for the year	(14,806)	(26,978)

13 PROPERTIES, PLANT, AND EQUIPMENT, NET

(a) The movement and composition of the item as at the date of the statement of financial position are detailed below:

	Land S/000	Buildings and other constructions S/000	Plant S/000	Equipment and miscellaneous S/000	Furniture and goods S/000	Works in progress and units receivable (b) S/000	Total S/000
Cost							
As of January 1, 2021	104,882	1,295,902	25,724,600	1,068,235	123,157	576,625	28,893,401
Additions	-	-	8,764	28,885	739	374,171	412,559
Transfers	-	8,409	463,739	5,187	1,602	(478,937)	-
Transfer of intangible assets, note 14(a)	-	-	-	-	-	36,026	36,026
Transfer of equity block, note 1.3(b)	-	-	(15,609)	(17,424)	(71)	(7,766)	(40,870)
Transfers	(631)	631	-	-	-	-	-
Withdrawals and sales, note 30	(17,561)	(99,923)	(38,295)	(14)	-	-	(155,793)
As of December 31, 2021	86,690	1,205,019	26,143,199	1,084,869	125,427	500,119	29,145,323
Additions	-	-	29,433	-	-	192,055	221,488
Transfers	-	1,171	223,326	4,756	-	(229,253)	-
Transfer of intangible assets, note 14(a)	-	-	-	-	-	36,276	36,276
Transfers	(1,302)	1,302	28,798	(28,828)	30	-	-
Withdrawals and sales, note 30	(2,443)	(52,268)	(103,106)	(3,482)	-	-	(161,299)
As of September 30, 2022	<u>82,945</u>	<u>1,155,224</u>	<u>26,321,650</u>	<u>1,057,315</u>	<u>125,457</u>	<u>499,197</u>	<u>29,241,788</u>
Accumulated Depreciation							
As of January 1, 2021	-	953,326	21,234,927	1,020,958	116,673	-	23,325,884
Depreciation for the period	-	45,372	867,492	20,421	2,251	-	935,536
Transfer of equity block, note 1.3(b)	-	-	(6,540)	(8,967)	(13)	-	(15,520)
Withdrawals and sales, note 30	-	(87,052)	(33,931)	(14)	-	-	(120,997)
As of December 31, 2021	-	911,646	22,061,948	1,032,398	118,911	-	24,124,903
Depreciation for the period	-	33,312	640,389	9,538	1,662	-	684,901
Withdrawals and sales, note 30	-	(35,465)	(103,105)	(3,482)	-	-	(142,052)
As of September 30, 2022	<u>-</u>	<u>909,493</u>	<u>22,599,232</u>	<u>1,038,454</u>	<u>120,573</u>	<u>-</u>	<u>24,667,752</u>
Net amount							
As of December 31, 2021	<u>86,690</u>	<u>293,373</u>	<u>4,081,251</u>	<u>52,471</u>	<u>6,516</u>	<u>500,119</u>	<u>5,020,420</u>
As of September 30, 2022	<u>82,945</u>	<u>245,731</u>	<u>3,722,418</u>	<u>18,861</u>	<u>4,884</u>	<u>499,197</u>	<u>4,574,036</u>

- (b) As at September 30, 2022 and December 31, 2021, the works in progress mainly constituted the construction of networks and the transmission of data, as well as projects to expand coverage, improve the quality of signal reception, increase the capacity of the voice and data transmission network, and software under development, which Management expects to complete in the short term.
- (c) As of September 30, 2022 and December 31, 2021, Management has carried out an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In Management's opinion, no estimate is required at the date of the consolidated statement of financial position.

14 INTANGIBLE ASSETS OTHER THAN CAPITAL GAIN, NET

- (a) The movement and composition of the item, as of the date of the statement of financial position, are detailed below:

	Administrative concessions (b) S/000	Software (c) S/000	Software in development (d) S/000	Total S/000
Cost				
As of January 1, 2021	7,810,328	2,395,668	141,065	10,347,061
Additions	-	-	273,173	273,173
Transfer	-	104,175	(104,175)	-
Transfer to works in progress, note 13(a)	-	-	(36,026)	(36,026)
Transfer of equity block, note 1.3(b)	-	(8,514)	-	(8,514)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	7,810,328	2,490,147	274,037	10,574,512
Additions	-	-	69,228	69,228
Transfer	-	36,958	(36,958)	-
Transfer to works in progress, note 13(a)	-	-	(36,276)	(36,276)
As of September 30, 2022	7,810,328	2,527,105	270,031	10,607,464
Accumulated Amortization				
As of January 1, 2021	6,138,607	2,280,566	-	8,419,173
Amortization for the period	156,794	102,358	-	259,152
Transfer of equity block. Note 1.3(b)	-	(4,868)	-	(4,868)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	6,295,401	2,376,874	-	8,672,275
Depreciation for the period	117,595	60,150	-	177,745
As of September 30, 2022	6,412,996	2,437,024	-	8,850,020
Net amount				
As of December 31, 2021	1,514,927	113,273	274,037	1,902,237
As of September 30, 2022	1,397,332	90,081	270,031	1,757,444

- (b) The concessions include:
- The difference between the share acquisition cost and the fair value of the respective net assets of the Company Peruana de Teléfonos SA (CPT), acquired by the Company in 1994, was allocated to the cost of the concession, which amortizes over a period of 33 years, due in December 2027.
 - Band A 1710-1730 Mhz and 2110-2130 Mhz (4G LTE) in Lima and Provinces, awarded by the MTC in July 2013 for US \$152,229,000, which is amortized over a period of 20 years until the year 2033. It also includes the use of the B band of provinces, the use of the band in Lima and Callao, and the use of the 25 Mhz band corresponding to the 1,900 Mhz band.
 - Block C, of the 700 Mhz band, in Lima and Provinces, signed with the MTC in July 2016, for US \$315,007,700, which is amortized over a 20-year period until 2036.

- (c) The software includes the financial and accounting applications based on the SAP system, as well as the network licenses corresponding to platform software that support the commercial systems. The software activated during 2022 and 2021, corresponds mainly to corporate systems for the commercial area, office applications, control equipment software, and network management, among others.
- (d) As of September 30, 2022 and December 31, 2021, the software under development is mainly made up of support systems for commercial areas, as well as software for control and network management equipment.
- (e) As of September 30, 2022 and December 31, 2021, Management has carried out an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In Management's opinion, no estimate is required at the date of the consolidated statement of financial position.

15 RIGHTS-OF-USE ASSETS

(a) The movement and composition of the item, as of the date of the statement of financial position, are detailed below:

	Rights to use land and natural assets S/000	Rights to use constructions S/000	Rights to use technical facilities and machinery S/000	Other rights for use S/000	total S/000
Cost					
As of January 1, 2021	521,982	597,306	148,452	33,136	1,300,876
Additions (b)	212,144	63,404	54,000	212	329,760
Transfers	(293)	293	-	-	-
Withdrawals	(15,158)	(3,035)	-	(249)	(18,442)
As of December 31, 2021	718,675	657,968	202,452	33,099	1,612,194
Additions (b)	42,624	51,276	3,985	21,050	118,935
Transfers	5,169	-	-	(5,169)	-
Withdrawals	(1,646)	-	-	-	(1,646)
As of September 30, 2022	<u>764,822</u>	<u>709,244</u>	<u>206,437</u>	<u>48,980</u>	<u>1,729,483</u>
Accumulated Depreciation					
As of January 1, 2021	129,568	152,645	40,594	24,271	347,078
Depreciation for the period	102,664	79,579	28,063	3,301	213,607
Withdrawals	(13,949)	(1,762)	-	(116)	(15,827)
As of December 31, 2021	218,283	230,462	68,657	27,456	544,858
Depreciation for the period	(66,821)	(69,658)	26,952	6,739	170,170
Transfers	1,628	-	-	(1,628)	-
Withdrawals	(1,457)	-	-	-	(1,457)
As of September 30, 2022	<u>285,275</u>	<u>300,120</u>	<u>95,609</u>	<u>32,567</u>	<u>713,571</u>
Net amount					
As of December 31, 2021	<u>500,392</u>	<u>427,506</u>	<u>133,795</u>	<u>5,643</u>	<u>1,067,336</u>
As of September 30, 2022	<u>479,547</u>	<u>409,124</u>	<u>110,828</u>	<u>16,413</u>	<u>1,015,912</u>

- (b) During 2021, the lease contracts of sites owned by third parties were transferred to Telxius Torres Perú S.A.C., a related company, increasing the periods of the same based on the end dates of the tower space rental contracts (located in these places). The foregoing thus recognized an increase in the rights of use for this increase of S/78,335,000 and a decrease of S/9,452,000 that corresponds to the initial period signed with the third party. During 2021, sales of assets with subsequent leasing were made, recognizing an addition for the right of use of S/71,062,000.

16 CAPITAL GAIN

- (a) The movement for the item is as follows:

	As of 30 September 2022 S/000	As of 31 December 2021 S/000
Opening balance	959,137	1,215,145
Less, impairment adjustment	<u>-</u>	(<u>256,008</u>)
Closing balance	<u>959,137</u>	<u>959,137</u>

- (b) This corresponds to the higher value paid for the acquisition of 17.44% of shares of Telefónica Móviles Perú Holding SAA and the entire share in Telefónica Empresas Perú SAA, as well as of the subsidiaries Star Global Com SAC and Telefónica Multimedia SAC, over the share of the Company in the fair value of the respective net assets acquired and companies that were absorbed.

The Company has reassessed its business plans, having foreseen a decrease in the OIBDA margin in relation to the business plan of the previous year. As a result of this evaluation, the recoverable amount has been determined using projections of cash flows derived from the financial budgets approved by Senior Management. The aforementioned cover three years (5) and perpetuity. The corresponding discount rate has been determined and is applicable to cash flow projections. Cash flows that go beyond the period indicated in the projections are extrapolated using a specific growth rate that is similar to the long-term average growth rate for the industry in which the Company operates.

As of September 30, 2022, the Company had been complying with the financial objectives set forth in the business plan approved in 2021, so it was not necessary to constitute an additional impairment adjustment. As of December 31, 2021, the amount of capital gain, intangible assets, and property, plant, and equipment, net of operating working capital was compared to the recoverable value, and Management has determined the recording of an impairment adjustment for an amount of S/256,008,000 be allocated to capital gains at the date of the statement of financial position. See note 2.13.

Key assumptions used in calculations of value in use -

The calculation of the value in use for the units evaluated is largely sensitive to the following assumptions:

- (i) Gross margin.
- (ii) Discount rate.
- (iii) Market share during the budgeted period; and
- (iv) Long-term growth rate used to extrapolate cash flows that go beyond the budget period.

Gross Margin -

Is based on the average values recorded in the three years prior to the commencement of the budget period and future projects of each company. It increases during the budget period with the expected improvements in efficiency. In the long term, the Company's gross margin (OIBDA) remains constant at 23.6%.

Discount Rate -

It represents the current market assessment of the Company's specific risks, considering the time value of money and the particular risks of the underlying assets that were not included in the cash flow estimates. The calculation of the discount rate is based on the specific circumstances of the Company, and represents the average cost of capital. This average considers both debt and equity. The cost of equity is based on the return on investment that the Company's shareholders expect to obtain. The cost of the debt is based on the loans that accrue interest that the Company must pay. The specific segment risk is incorporated through the application of individual beta factors. Beta factors are evaluated annually on the basis of market information available to the public.

As of September 30, 2022 and December 31, 2021, the pre-tax discount rate used was 14.47% and the post-tax discount rate was 10.20%.

Market Share -

Using industry information to forecast growth rates is important because Management evaluates how the position of the unit could change in relation to its competitors during the budgeted period. Management expects the Company's market share to remain stable during the budgeted period.

Long-Term Growth Rate -

This rate is based on published market research and trends in the telecommunications sector. The growth rate as of September 30, 2022 and December 31, 2021, which has been considered for the following years is 2.40%.

Sensitivity to Changes in Assumptions -

The valuation is sensitive to the key assumptions used; the increase/decrease in the growth rate and the discount rate may result in maintaining the book value or further impairment. It is estimated that a 0.25% change in the growth rate assumption and a 0.5% change in the discount rate assumption for 2021 (keeping all other assumptions constant) would result in a further impairment of S/160,260,000 and S/436,638,000, respectively. The assumptions used to estimate the value in use of the assets are considered prudent given the current circumstances; therefore no deviations in estimates are expected that could have a significant effect on the Company's financial statements as of September 30, 2022.

17 OTHER FINANCIAL LIABILITIES

(a) The breakdown of the item is presented below:

	<u>As of September 30, 2022</u>			<u>As of December 31, 2021</u>		
	<u>Portion - current</u>	<u>Portion - not current</u>	<u>Total</u>	<u>Portion - current</u>	<u>Portion - not current</u>	<u>Total</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Bonds (17.1)	340,460	2,488,898	2,829,358	282,824	2,723,837	3,006,661
Short-term debt (17.2)	20,290	-	20,290	16,315	-	16,315
	<u>360,750</u>	<u>2,488,898</u>	<u>2,849,648</u>	<u>299,139</u>	<u>2,723,837</u>	<u>3,022,976</u>

(b) The movement of the other financial liabilities as at September 30, 2022 and December 31, 2021, is as follows:

	<u>Cash flow</u>				<u>Changes that do not produce cash flow</u>		
	<u>Opening balance</u>	<u>New loans</u>	<u>Loan Payment</u>	<u>Interest payment</u>	<u>Accrued interest</u>	<u>New debt</u>	<u>Final balance</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
2022							
Other financial liabilities	<u>3,022,976</u>	<u>-</u>	<u>(281,576)</u>	<u>(107,935)</u>	<u>165,924</u>	<u>50,259</u>	<u>2,849,648</u>
2021							
Other financial liabilities	<u>3,097,477</u>	<u>-</u>	<u>(159,810)</u>	<u>(198,082)</u>	<u>219,114</u>	<u>64,277</u>	<u>3,022,976</u>

17.1 Bonds -

(a) As at September 30, 2022 and December 31, 2021, the following bond issues remain in effect:

Program	Issue and series	Date authorized	Amount expiration S/000	Amount used S/000	Total		Current portion		Non-current portion	
					As of 30 September 2022 S/000	As of 31 December 2021 S/000	As of 30 September 2022 S/000	As of 31 December 2021 S/000	As of 30 September 2022 S/000	As of 31 December 2021 S/000
Fourth (*)	19th A	July, 2027	S/150,000	S/60,000	101,070	95,346	781	1,580	100,289	93,766
Fourth (*)	19th B	April, 2028	(**)	S/49,000	79,483	73,792	992	406	78,491	73,386
Fourth (*)	19th C	July, 2028	(**)	S/20,000	31,812	29,978	195	417	31,617	29,561
Fourth (*)	37th A	May, 2028	S/200,000	S/48,000	77,445	71,853	852	241	76,593	71,612
Sixth (f)	11th A	June, 2023	S/400,000	S/260,000	265,304	261,010	265,304	1,010	-	260,000
Sixth	11th B	April, 2024	(**)	S/120,000	123,584	121,723	3,584	1,723	120,000	120,000
Sixth	13th A	July, 2022	S/200,000	S/140,000	-	143,571	-	143,571	-	-
Sixth	14th A	September, 2022	S/200,000	S/100,000	-	101,680	-	101,680	-	-
Sixth	15th A	October 2024	S/135,000	S/135,000	138,381	136,534	3,381	1,534	135,000	135,000
Sixth	16th. A	April, 2025	S/400,000	S/105,120	107,676	106,231	2,556	1,111	105,120	105,120
Sixth	17th. A	May, 2030	S/250,000	S/60,000	72,221	67,012	828	262	71,393	66,750
First (f)	1st. A	October, 2026	S/200,000	S/80,000	82,631	81,177	2,631	1,177	80,000	80,000
First (g)	Int. issue	April, 2027	S/1,700,000	S/1,700,000	1,749,751	1,716,754	59,356	28,112	1,690,395	1,688,642
Total					2,829,358	3,006,661	340,460	282,824	2,488,898	2,723,837

(*) Annual interest rate with constant update value.

(**) The authorized amount is unique for the series (A, B, or C) of the same issue.

- (b) The bonds in soles in force as of September 30, 2022 and December 31, 2021, have a respective weighted average annual interest rate of 7.05% and 6.90% respectively. Additionally, the weighted average spread of the VAC bonds in force as of September 30, 2022 and December 31, 2021, is 3.21 %.
- (c) As at September 30, 2022 and December 31, 2021, the bonds issued according to their contractual conditions have the following maturities:

Maturity Year	As of September 30, 2022			As of December 31, 2021		
	Interest	Principal	Total	Interest	Principal	Total
	S/000	S/000	S/000	S/000	S/000	S/000
2022	82,212	-	82,212	42,824	240,000	282,824
2023	-	260,000	260,000	-	260,000	260,000
2024	-	255,000	255,000	-	255,000	255,000
2025	-	671,730	671,730	-	671,730	671,730
2026 onwards	-	1,560,416	1,560,416	-	1,537,107	1,537,107
Total	82,212	2,747,146	2,829,358	42,824	2,963,837	3,006,661

- The resources raised in the bond issue were used to finance working capital, restructuring liabilities, making investments, among others. These bonds are guaranteed with the equity of Telefónica del Perú SAA.
- The amount authorized for the issuance of bonds is up to US\$1,650,000,000, in circulation or its equivalent in national currency, which was extended by the General Shareholders' Meeting of March 29, 2022, of Telefónica del Perú SA, until December 31, 2027.

Furthermore, within the same term, it may issue short-term instruments up to an amount of US \$550,000,000 outstanding with a maximum limit of US \$2,000,000,000 as a whole.

- In June 2016, the issue of Corporate Bonds maturing in June 2023, and for an amount of S/260,000,000 at an issue price at par and a fixed nominal annual interest rate of 6.66%, was finalized. The foregoing was undertaken in order to assume the expenses associated with the Company's participation in the public tender for Block C of the 700 Band. (See note 14(b)(iii)).
- In April 2019, the issuance of an International Bond maturing in April 2027 was finalized for an amount of S/ 1,700,000,000, at a nominal fixed annual interest rate of 7.38%. The resources raised in the placement will be used for the execution of investment projects in capital goods, the re-profiling of some debt operations and other corporate uses. Furthermore, this bond has a covenant not to carry out asset sales operations with subsequent leasing greater than 20% of the consolidated net assets, which are calculated as total consolidated assets excluding capital gain, trademarks, patents and rights, and licenses (without administrative concessions), net of current liabilities. The Company has been complying with this covenant.

17.2 Short-Term Debt -

(a) The breakdown of the item is presented below:

	<u>Currency of origin</u>	<u>As of 30 September 2022</u> S/000	<u>As of 31 December 2021</u> S/000
Ministry of Transport and Communications (b)	S/	18,276	9,592
Phoenix Tower International Peru SAC (c)	S/	<u>2,014</u>	<u>6,723</u>
		<u>20,290</u>	<u>16,315</u>
Debt Composition			
Principal		<u>20,290</u>	<u>16,315</u>
		<u>20,290</u>	<u>16,315</u>

(b) Splitting of the mobile royalty for the period 2022, with monthly maturities until January 2023.

(c) In December 2021, the Company sold 42 towers and 19 properties to Phoenix Tower International Peru SAC for S/56,139,000 by means of a contract. The Company has recognized an income of S/49,416,000 since the purchaser has the obligation to return 10% and 2 premises according to the contract clauses.

18 FINANCIAL LEASE LIABILITIES

(a) The breakdown of the item is presented below:

	<u>As of September 30, 2022</u>		<u>As of December 31, 2021</u>	
	<u>Foreign currency</u> US\$000	<u>Equivalent in national currency</u> S/000	<u>Foreign currency</u> US\$000	<u>Equivalent in national currency</u> S/000
Financial Lease liability in foreign currency	100,368	399,865	123,055	491,974
Financial lease liability in national currency	-	<u>952,379</u>	-	<u>903,549</u>
		1,352,244		1,395,523
Less - non-current portion		(<u>960,557</u>)		(<u>1,066,667</u>)
Current portion		<u>391,687</u>		<u>328,856</u>

(b) Future payments under leases as at September 30, 2022 and December 31, 2021, are as follows:

	<u>As of 30 September 2022</u> S/000	<u>As of 31 December 2021</u> S/000
2022	97,922	366,824
2023	234,368	252,026
2024	218,367	238,317
2025	190,051	214,211
2026 onwards	<u>872,884</u>	<u>528,358</u>
	<u>1,613,592</u>	<u>1,599,736</u>

- (c) The current average annual rate of lease liabilities in soles as of September 30, 2022 is 5.02% and in dollars is 3.15% (5.64% and in dollars is 3.98% as of December 31, 2021).
- (d) As of September 30, 2022, lease payments include the amortization of capital and interest, being S/162,270,000 and S/48,553,000 respectively (S/142,727,000 and S/32,288,000 for the nine-month period ended September 30, 2021) and S/45,319,000 for interest accrued in the nine-month period ended September 30, 2022 (S/35,569,000 for the nine-month period ended September 30, 2021) that are presented in financial expenses.

19 TRADE ACCOUNTS PAYABLE

- (a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Domestic suppliers (c)	719,195	867,061
Accrual of obligations to be invoiced	522,268	587,971
Related companies, note 23(d)	416,820	280,698
Foreign suppliers	103,328	87,023
Contractor guarantee deposits	<u>2,299</u>	<u>2,432</u>
	<u>1,763,910</u>	<u>1,825,185</u>

- (b) Commercial accounts payable are denominated in soles, US dollars, and euros, do not accrue interest, have current maturities, are normally paid in an average period of 60 days, and no guarantees have been granted.
- (c) Domestic suppliers, as of September 30, 2022 and December 31, 2021, represented S/ 255,266,000, and S/454,045,000 respectively in accounts payable that are under assignment of collection rights with Investment Funds, in which TFP SAC (a Company affiliate) provides the management services required for suppliers to access such transactions. The aforementioned collection rights transfer transactions have not involved a change in the trade terms agreed with the suppliers and the Company. As such, their classification as trade accounts payable is maintained.
- (d) The book values of the commercial accounts are considered equal to their fair values due to their short-term nature.

20 OTHER ACCOUNTS PAYABLE

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Remuneration and vacations (b)	155,334	248,644
Taxes payable, note 24(h)	49,167	50,569
Security deposits	12,620	9,998
Dividends and returns payable to shareholders	2,698	2,705
Employee participation, note 24(e)	417	417
Derivative financial instruments, note 8(h)	-	20,662
Other	<u>7,622</u>	<u>11,523</u>
	227,858	344,518
Less - non-current portion (b)	(29,636)	(37,546)
Current portion	<u>198,222</u>	<u>306,972</u>
Financial liabilities classified as other accounts payable	22,940	44,888
Non-financial liabilities classified as other accounts payable	<u>204,918</u>	<u>299,630</u>
	<u>227,858</u>	<u>344,518</u>

(b) During 2022, the Company released 58 employees and 17 executives through the incentive retirement program launched in 2021 for S/17,259,000 and S/7,789,000, respectively, charged to the provision made in said period. As of April 2021, the Company decided to launch voluntary and incentive retirement programs, which 413 employees accepted for S/119,244,000. Furthermore, in December 2020 the Company identified approximately 25 additional positions that were released during the second quarter of 2021.

21 OTHER PROVISIONS

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Litigation and risks, (c) and note 33(b)	671,592	563,717
Tower decommissioning, note 2.19	69,400	53,545
Other (d)	<u>43,107</u>	<u>33,965</u>
	784,099	651,227
Less - non-current portion	(293,452)	(268,163)
Current portion	<u>490,647</u>	<u>383,064</u>

(b) Item movement is detailed below:

	Litigation and Risks	Decommissioning	Others	Total
	S/000	S/000	S/000	S/000
Balances as of January 1, 2021	591,430	45,980	17,143	654,553
Additions	70,186	9,966	39,602	119,754
Disposals	- (	2,401)	(22,780)	(25,181)
Payments	(97,899)	-	-	(97,899)
As of December 31, 2021	563,717	53,545	33,965	651,227
Additions	159,160	18,015	11,956	189,131
Disposals	(17,066)	(2,160)	(2,814)	(22,040)
Payments	(34,219)	-	-	(34,219)
As of September 30, 2022	671,592	69,400	43,107	784,099

c) Includes, mainly, various provisions made by the Company in accordance with the practice described in note 2.19, based on its best estimates of the disbursement that would be required to settle obligations at the date of the statement of financial position.

Management and its internal and external legal advisors consider that the provisions recorded are sufficient to cover the risks that affect the Company's business as of September 30, 2022 and December 31, 2021, as described in note 33(b).

(d) As of September 30, 2022 and December 31, 2021, "Other" includes a provision for reinforcement of towers as a result of towers sold in previous years.

22 DEFERRED INCOME

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Grants, (b) and notes 2.21 and 8(d)	67,658	78,195
Intégrame	1,017	1,395
Other	17,675	17,949
	86,350	97,539
Less - non-current portion	(57,050)	(67,884)
Current portion	29,300	29,655

(b) Deferred revenue from grants mainly includes:

- Lambayeque Project: corresponds to the contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the National Telecommunications Program - PRONATEL), for the non-reimbursable financing of the Project "Integral Broadband Connectivity for Development of Social Activity in the Northern Part of the Country."

The balance for this project as of September 30, 2022 and December 31, 2021 amounts to approximately S/65,722,000 and S/75,917,000, respectively. The Lambayeque project includes the construction of a transportation network for US \$11,613,000. The investment term was extended until 2027.

- Selva [Jungle] Project: corresponds to the contract signed on February 18, 2011, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable financing of the Project "Integration of Rural Areas and Places of Preferential Social Interest to the Mobile Service Network - Selva." The balance for this project amounts to approximately S/ 1,936,000 and S/ 2,278,000 as at September 30, 2022 and December 31, 2021, respectively.

The Company has the obligation to use such financing at its own risk for the design, acquisition of equipment, installation, commissioning, operation and maintenance of a system that will allow the provision of public telecommunications services in beneficiary localities, complying with the conditions foreseen in the technical specifications presented in the financing contract.

<u>Project</u>	<u>Lambayeque</u>	<u>Selva</u>
Investment period	14 months	12 months
Period of operation	120 months	50 months
End of contract	Continue with the obligations stipulated in respective concession contracts	
Amount	US\$47,626,000	US\$14,718,000

For the six-month period ended September 30, 2022 and 2021, the Company accrued income of S/ 10,008,000 and S/ 9,899,000 respectively. These are presented in the caption "Other operating income and expenses" of the consolidated income statement. See note 30(a).

23 TRANSACTIONS WITH RELATED ENTITIES

- (a) During the three-month periods ended September 30, 2022 and 2021, the most significant transactions carried out by the Company with related entities were the following:

	<u>As of 30 September 2022 S/000</u>	<u>As of 30 September 2021 S/000</u>
Revenues with related companies for:		
Rural Traffic Services		
- Internet para Todos SAC	18,280	27,729
Rental of land		
- Telxius Torres Perú SAC	-	267
Expenses with related companies for:		
Rural Traffic Services		
- Internet para Todos SAC	(85,823)	(83,479)
Trademark use fee, note 28(a)		
- Telefónica, SA (b)	(85,294)	(84,401)
Internet and fiber optic linking services		
- Telxius Cable Perú SAC	(63,023)	(67,089)
Systems Service		
- Telefónica Global Technology SAU	(29,894)	(40,340)
Leasing of Towers and Sites		
- Telxius Torres Perú SAC	-	(21,502)
Transfer of management capacity, note 28(a)		
- Telefónica Latinoamérica Holding SL (c)	-	(993)
Transfer of management capacity, note 28(a)		
- Telefónica Hispanoamérica SA (c)	(18,142)	(9,054)

- (b) The Company has a contract with Telefónica, SA, whereby it pays a trademark fee equivalent to 1.6% of monthly income, excluding local operations with related companies, unless the previous

year had a negative balance when deducting depreciation, amortization, and CAPEX for that year from the operating income.

- (c) The Company maintains management capacity transfer agreements with Telefónica Hispanoamérica SA

(d) As at September 30, 2022 and December 31, 2021, the Company maintained the following trade balances with related entities:

	<u>As of September 30, 2022</u>		<u>As of December 31, 2021</u>	
	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>
	<u>receivable</u>	<u>payable</u>	<u>receivable</u>	<u>payable</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Related:				
Media Networks Latin America SAC	19,420	22,209	21,426	33,701
Telefónica Global Solutions SL	15,385	15,615	11,291	12,606
Telxius Cable Perú SAC	9,740	26,476	9,288	28,648
Internet para Todos SAC	7,362	25,908	15,103	38,556
Telefónica Global Solutions Peru SAC	6,131	17,835	5,378	11,369
Telefónica Cybersecurity & Cloud Tech Peru SAC	4,799	109,123	7,349	61,485
Telefónica Digital España SL	3,000	41,947	4,438	23,041
Telefónica, SA	2,612	84,833	69	21,108
Telefónica Ingeniería de Seguridad SA Peruvian Branch	1,728	15,593	1,871	14,994
Fundación de Telefónica del Perú	1,438	-	1,493	-
Telefónica Data USA	501	208	3,062	888
Telefónica Gestión de Tecnología SAU	-	9,006	-	8,393
Telefónica Compras Electrónica	-	2,968	-	3,750
Other	<u>30,028</u>	<u>45,099</u>	<u>20,167</u>	<u>22,159</u>
Commercial accounts receivable and payable related (See notes 7(a) and 19(a))	<u>102,144</u>	<u>416,820</u>	<u>100,935</u>	<u>280,698</u>

(e) As at September 30, 2022 and December 31, 2021, the Company had an account payable to Telefónica SA for an amount of approximately S/5,260,000 and S/9,320,000, corresponding to the fair value of the share options granted by the Parent company in Spain to certain executives of the Company, who may exercise their rights within a maximum term of until 2025 . See note 2.25.

(f) Loans to Staff -

The Company grants loans to its staff and officers for terms of up to 24 months. The interest rates applied are generally below the interest rates existing in the market; however, the other loan terms are substantially the same as those of the market. The balance of the loans to employees was approximately S/ 11,624,000 and S/ 13,069,000 as of September 30, 2022 and December 31, 2021, respectively. The loans are reported in the item "Other accounts receivable, net" of the statement of financial position. See note 8(a).

(g) Remuneration to the Board of Directors and members of Key Management -

Remuneration received by directors and key management personnel amounted to approximately S/ 18,602,000 for the nine-month period ending September 30, 2022 (approximately S/ 18,262,000 for the nine-month period ending September 30, 2021), which include short-term benefits, compensation for time served, and others.

(h) As of September 30, 2022, the Group maintains current accounts in Telfisa Global, BV, for an amount of US\$5,276,000 equivalent to S/20,988,000, which are presented under the heading "Cash and cash equivalents." (As at December 31, 2021, the Company held current accounts in Telfisa Global, BV, for an amount of US \$3,826,000, equivalent to S/ 15,208,000, respectively).

Terms and Conditions of Transactions with Related Parties -

Sales and purchases with related parties are made under market conditions equivalent to those applied to transactions between independent parties. As at September 30, 2022 and December 31, 2021, the Company had not recorded any estimate for doubtful accounts in relation to the balances owed by the related parties. This evaluation is performed annually by examining the commercial position of the related party and the market in which it operates.

In the opinion of Management, accounts receivable and payable classified as current as at September 30, 2022 and December 31, 2021, will be collected and paid in the short term.

24 TAX SITUATION

(a) Deferred Taxes -

The movement of the item is as follows:

	As of 1 January 2021 S/000	Credit (Charge) to profit/loss statement S/000	Credit (charge) to the status of financial position S/000	Credit (charge) another comprehensive statement S/000	As of 31 December 2021 S/000	Credit (Charge) to profit/loss statement S/000	Credit (charge) to another comprehensive statement S/000	As of 30 September 2022 S/000
Deferred Assets / (Liabilities)								
Depreciation	359,109	(1,371)	(872)	-	356,866	(1,644)	-	355,222
Estimate for doubtful of doubtful accounts	343,744	27,971	-	-	371,715	(54,193)	-	317,522
Provision for miscellaneous contingencies	34,286	(758)	-	-	33,528	(349)	-	33,179
VAC bonds	26,153	5,707	-	-	31,860	3,949	-	35,809
Staff costs	92,235	(18,260)	(57)	-	73,918	(34,548)	-	39,370
Provision for decommissioning of equipment	(11,047)	4,824	-	-	(6,223)	4,724	-	(1,499)
Others	33,497	(5,676)	-	-	27,821	11,006	-	38,827
Lambayeque Project Grant	39,141	3,899	-	-	43,040	(7,594)	-	35,446
Expenditure with non-residents	60,490	(9,434)	-	-	51,056	18,284	-	69,340
Deterioration of inventories and property, plant and equipment	7,801	(3,595)	-	-	4,206	(746)	-	3,460
Deferred income from sale of towers	574	-	-	-	574	(348)	-	226
Financial lease	(6,800)	-	-	-	(6,800)	6,610	-	(190)
Other deferred income	33	-	-	-	33	3,825	-	3,858
Payroll Capitalization for Plant Construction	(175)	-	-	-	(175)	-	-	(175)
Financial instruments	(339)	-	-	2,563	2,224	148	(2,451)	(79)
Amortization of software licenses	(279)	13,750	(6)	-	13,465	4,048	-	17,513
Allocation of Price Paid by fixed asset	(796)	-	-	-	(796)	796	-	-
Cost attributed to fixed assets	(12,345)	-	-	-	(12,345)	-	-	(12,345)
IFRS 15	(50,470)	(31,115)	-	-	(81,585)	(36,488)	-	(118,073)
IFRS 16	63,841	44,123	-	-	107,964	2,846	-	110,810
Administrative concession	(490,514)	45,571	-	-	(444,943)	34,481	-	(410,462)
Deferred costs and income-Deco	(129,932)	(2,346)	-	-	(132,278)	13,763	-	(118,515)
Income from connection fee	16,668	(3,260)	-	-	13,408	(3,253)	-	10,155
Capitalized financial costs	(4,040)	645	-	-	(3,395)	517	-	(2,878)
Tax loss	1,278	20,907	-	-	22,185	21,639	-	43,824
Total deferred assets/(liabilities), net	<u>372,113</u>	<u>91,582</u>	(<u>935</u>)	<u>2,563</u>	<u>465,323</u>	(<u>12,527</u>)	(<u>2,451</u>)	<u>450,345</u>

- (b) The deferred income tax is determined by its estimated reversal term as shown in the following detail:

	As of 30 September 2022	As of 31 December 2021
	S/000	S/000
Deferred Income Tax Assets:		
Expected reversal in the next 12 months	28,396	63,659
Expected reversal after 12 months	<u>421,949</u>	<u>401,664</u>
Total, deferred income tax	<u>450,345</u>	<u>465,323</u>

- (c) The expense shown for the income tax in the profit or loss statement, is composed as follows:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Current	92,075	526,854
Deferred	<u>12,527</u>	<u>(106,735)</u>
	<u>104,602</u>	<u>420,119</u>

- (d) The reconciliation of effective income tax rate with the tax rate was as follows:

	As of September 30 2022		As of September 30 2021	
	S/000	%	S/000	%
Results before Income tax	(408,401)	100.00	(599,493)	100.00
Income tax according to tax rate (income)	(120,478)	29.50	(176,850)	29.50
Tax impact:				
Contingencies and taxes (non-deductible), notes 21 and 33(b)	125,570	(30.75)	541,986	(90.41)
Taxes from previous years	40,368	(9.88)	21,030	(3.51)
Result in associated companies	2,388	(0.58)	1,872	(0.31)
Non-allowable expenses	10,640	(2.61)	23,577	(3.93)
Derivative instruments	22,042	(5.40)	(15,664)	2.61
Other, net	<u>24,072</u>	(5.89)	<u>24,168</u>	(4.03)
Income tax expenses	104,602	(25.61)	<u>420,119</u>	(70.08)

- (e) The Company is subject to the Peruvian tax regime. The income tax rate as of September 30, 2022 and December 31, 2021, is 29.50% on taxable income, after deducting the staff profit sharing that is calculated at a rate of 10% on the taxable profit.

Legal entities not domiciled in Peru and natural persons are subject to withholding of an additional tax on dividends received.

In accordance with Legislative Decree No. 1261, the withholding of an additional tax on dividends received as of 2017 is 5%, and whose distribution is made as of that date (until 2014, 4.1% and for the periods 2015 and 2016, 6.8%).

- (f) For purposes of the determination of income tax and general sales tax, the transfer prices of transactions with related entities and with companies resident in territories with low or no taxation must be supported by documentation and information on the valuation methods used, and the criteria considered for their determination. Based on the analysis of the Company's operations, Management and its legal advisors believe that, as a consequence of the application of these standards, no material contingencies will arise for the Company as at September 30, 2022 and December 31, 2021.

As at September 30, 2022, the Company recorded a provision for income tax of S/ 9,820,000 that, net of the tax installments payments and the other provisions recorded, resulted in a balance of S/ 195,392,000 (S/ 27,628,000 from income tax payable. The foregoing's net effect of tax installment payments and other recorded provisions resulted in a positive balance of S/ 182,992,000 as at December 31, 2021). The balance is thus presented as an asset. In the nine months ended September 30, 2022, the Company has generated a recovery of the tax loss of S/33,288,000 in addition to the loss generated in 2021 of S/181,844,000 that they expect to recover in the following years in accordance with the management plans described in note 3.1.(iii).

As required by IFRIC 23, uncertainties in the treatment of income tax, the Company has provisions recorded as of September 30, 2022 for S/2,794,079,000 in current income tax and S/51,521,000 in current long-term income tax. (S/2,770,193,000 in current Income Tax and S/24,059,000 in long-term current Income Tax as of December 31, 2021).

1. During 2022, the Tax Court issued a resolution related to the year 2000 of Telefónica Móviles SAC related to the cost of selling the Nortel Plant and exchange difference, thus recording a provision of S/63,086,000 on September 30, 2002.
2. In 2021, the provisions recorded at that date were updated, with an additional S/602,111,000 as a result of:
 - (i) In the second quarter of 2021, a change in the qualification of the contingencies related to the carry-over of the balance in favor of the 1999 financial year. This change was due to the determination of the annual payment and the monthly payments on account of the 2000 financial year income tax, and the consequent adjustment of the provision to S/939,549,000;
 - (ii) Remission of the provision of S/477,577,000 recorded in the first quarter as a result of the ruling issued by the Constitutional Court in the amparo action initiated by the court; and
 - (iii) As a result of the tax year 2013, in December 2021, the Company paid under protest S/140,139,000 related to the income tax of Telefónica Móviles SA. The Company is currently appealing the amount (See note 33(b)(g)).

The sworn declarations on the income tax and the general sales tax for the years 2016 to 2021 are pending inspection by the Peruvian Tax Authority. The tax authorities have the power to review and, if applicable, correct the taxes calculated by the Company.

The sworn declarations of the income tax and general sales tax of the Company's Subsidiaries are subject to verification by the Tax Administration.

These subsidiaries are:

	<u>Period</u>
Servicios Globales de Telecomunicaciones SAC	2017 to December 2021 (*)
Telefónica Multimedia SAC	2017 to January 2018 (*)
Star Global Com SAC	2017 to January 2018 (*)

(*) Date on which these businesses were absorbed by the Company.

Due to the possible interpretations that the tax authorities may hand down on the current legal norms, and per the application of IFRIC 23, the Company has determined that no additional liabilities will result. Any eventual higher tax or additional payment that could result from the fiscal reviews will be applied to the results of the fiscal year in which it is determined. However, in the opinion of the Company's Management and its legal advisors, any possible additional tax settlement will not be significant for the financial statements as of September 30, 2022 and December 31, 2021.

- (h) As of September 30, 2022 and December 31, 2021, the item "Other accounts payable" includes other taxes for approximately S/ 49,167,000 and S/ 50,569,000 respectively.

In accordance with Supreme Decree No. 013-93-TCC, which approves the Single Ordered Text of the Telecommunications Law, and its Regulations, approved by Supreme Decree No. 020-2007-MTC, the Company, as a telecommunications service concessionaire, must pay the following rights and fees:

<u>Item</u>	<u>Beneficiary</u>	<u>%</u>	<u>Calculation basis</u>
Special right for the Program National Telecommunications (PRONATEL)	MTC	1.0	Income invoiced and received for services carriers and finals telephony.
Contributions for supervision services	OSIPTEL	0.5	Revenue invoiced and received by the various services of telecommunications.
Commercial operating fee for Service	MTC	0.5	Services subject to concession and/or authorization.

The amount recorded as an expense for these items amounts to approximately s/79, 548,000 and S/ 69,724,000 for the nine-month periods ending September 30, 2022 and 2021, respectively, and are included in the item "General and administrative expenses" of the consolidated profit or loss statement. See note 28(a).

Likewise, the aforementioned instruments create an annual royalty for the use of radio-electric spectrum.

(i) Regulatory framework - Modifications to the Income Tax Law -

In 2021, certain tax provisions were published. The most significant points are detailed below:

- Supreme Decree No. 271-2021-EF issues regulatory norms that, among other aims, regulate how the percentage of work progress referred to in clause b) of paragraph 3.1 of Article 3 of Legislative Decree No. 1488 will be determined: "Special Accelerated Depreciation Regime", regarding constructions not have not been completed as of December 31, 2022, but are used in the generation of taxable income. Likewise, the depreciation accepted for tax purposes will be that which does not exceed the corresponding maximum percentage, even if the depreciation recorded during the year is lower. Furthermore, tax depreciation will not be accepted if the depreciation of the fixed assets is not recorded during the tax year in the accounting books and records.
- Through Supreme Decree No. 402-2021-EF, the Regulations of the Income Tax Law Modifications in relation to the deduction of net interest are amended. It limits EBITDA to 30% of the previous year regulated in subsection a) of Article 37 of the Income Tax Law:
 - EBITDA is calculated by adding to the net income for the year, after offsetting the losses referred to in Article 50 of the Law, the net interest, depreciation and amortization that would have been deducted to determine such net income.
 - When during a taxable year the taxpayer does not obtain net income or, having obtained such income, the amount of losses from previous years that can be offset against such income is equal to or greater, EBITDA will be equal to the sum of net interest, depreciation, and amortization deducted in the year in question.
 - Net interest is calculated by deducting from the interest expense, which complies with the provisions of the first paragraph of section a) of Article 37 of the Law and which is allocable in the year in accordance with the provisions of the Law and, if applicable, with other regulations that establish special provisions for recognizing the expense, the interest income subject to income tax.
 - The net interest that is not deductible in the taxable year for exceeding the limit of thirty percent (30%) of EBITDA, may be deducted in the four (4) immediately following years, together with the net interest of the corresponding year. In the above assumption, the net interest not deducted must be added to the net interest of the following fiscal year(s) and will only be deductible in the part that does not exceed thirty percent (30%) of the EBITDA.

For the purpose of the aforementioned deduction, the net interest corresponding to the earliest fiscal year is considered, provided that the period of four (4) years counted from the fiscal year following that of the generation of each net interest has not expired.

In December 2021, Law No. 31380 was published, by which Congress delegated to the Executive Branch the power to legislate on various issues, including tax and financial matters. As such, the main tax regulations issued were the following:

- Legislative Decree No. 1518 modifies the Income Tax Law regarding the presumed net income of Peruvian source received by non-resident taxpayers and branches, agencies, or any other permanent establishment in the country of sole proprietorships, companies, and entities of any nature constituted abroad in order to include the extraction and sale of hydrobiological resources.

- For such purposes, the second paragraph is incorporated into Article 48 of the Income Tax Law, which states that it is presumed, without admitting proof to the contrary, that companies not domiciled in Peru, which sell highly migratory hydrobiological resources extracted inside and outside the Peruvian maritime domain to companies domiciled in Peru, obtain net income from a Peruvian source equal to nine percent (9%) of the gross income received from such sale. The Ministry of Production will periodically determine the ratio of said resources. It should be noted that the aforementioned rule enters into force as of January 1, 2022.

In addition to the above, it is worth highlighting the following control points to be considered by taxpayers:

- General Anti-Avoidance Clause (Norm XVI): the Tax Administration may question the operations carried out by the Company, if it considers that the actions are elusive in nature. As such, the Tax Administration may apply the provisions of the second through to fifth paragraphs of Rule XVI within the framework of a definitive audit through a special procedure.
- Final beneficiary: domiciled legal persons, legal entities (e.g. trusts, consortiums, funds, among others), non-domiciled legal persons that have a branch, agency, or other permanent establishment in the country and legal entities constituted abroad that have an administrator in Peru are required to present a final beneficiary declaration. The related obligations do not only involve the presentation, but also the application of a due diligence procedure in order to locate the final beneficiaries of those bound to the Norm.

25 EQUITY

(a) Issued Capital -

As at September 30, 2022 and December 31, 2021, the capital issued by Telefónica del Perú SAA is represented by 3,344,363,158 common shares, fully subscribed and paid, at a nominal value of S/0.63 and S/0.86 respectively. See note 32.

At the General Shareholders' Meeting held on August 25, 2022, a reduction of the share capital was agreed to cover losses up to S/800,000,000, thereby delegating to the Board of Directors the power to determine the amount and date of its execution.

The Board of Directors in the session of August 29, 2022 executed this agreement, reducing the share capital by S/769,204,000, which implied a decrease in the nominal value of the share from S/0.86 to S/0.63; this operation did not suppose any disbursement, nor returns to shareholders.

The capital structure issued as at September 30, 2022 and December 31, 2021, is composed of the following percentages of share classes:

	As of 30 September 2022	As of 31 December 2021
	<u>%</u>	<u>%</u>
Class B		
Telefónica Hispanoamérica, S.A.	98.939	98.939
Other minor shareholders	1.055	1.055
Class C	0.006	0.006
	<u>100.000</u>	<u>100.000</u>

Class "B" and "C" shares enjoy the same rights, privileges, and restrictions, except for the provisions of article 27 of the Company's statutes, related to the appointment of directors, who may not be less than five (5) nor more than nine (9) in number. The class "B" shares choose as many directors as required to complete the number of members set by the General Shareholders' Meeting for each term while

bearing in mind the director that, where appropriate, has the task of designating the shareholders for class "C".

Furthermore, class "C" shares, which correspond to Telefónica del Perú SAA employees, elect one (1) director, provided that they have reached an equity ratio of not less than 3 percent of the subscribed capital. If they do not reach this percentage by the time of the election, one more director of class "B" will be elected, thus completing the required number of Board members.

(b) Issue premiums -

In order to restore the equity balance, the General Shareholders' Meeting held on August 25, 2022 agreed to apply the unrestricted equity accounts to cover accumulated losses of S/679,754,000; S/77,899,000 was applied to the Share Premium item.

At December 31, 2021 corresponds to the incorporation resulting from the merger by absorption of Telefónica Móviles Perú Holding SAA carried out on December 31, 2008, as well as the higher value paid over the nominal value in the acquisition of own stock.

(c) Other Capital Reserves -

This is composed of the legal reserve, as provided by the General Corporation Law, for which it is required that a minimum of 10% of the distributable annual profit, net of income tax, be transferred to a legal reserve until it is equal to 20% of the capital. The legal reserve can offset losses or can be capitalized; in both cases, there is an obligation to replenish any funds used. The reserve also includes the dividends that the Company declares as prescribed. It also includes freely available reserves.

In order to restore the equity balance, the General Shareholders' Meeting held on August 25, 2022 agreed to apply the unrestricted equity accounts to cover accumulated losses of S/679,754,000, applying the full amount of the Legal Reserve of S/575,230,000, as well as the full amount of the Unrestricted Reserve, which amounted to S/26,625,000.

The legal reserve as of December 31, 2021 amounts to S/ 575,230,000.

(d) Other Equity Reserves -

These correspond mainly to net profits and losses due to changes in the estimated market value of the derivative financial instruments of cash flow hedges. The change in value is initially reflected in equity, and subsequently affects the profit and loss statement as per how it is influenced by the underlying hedge. During the nine-month period ending September 30, 2022 and 2021, the unrealized loss generated by the valuation of hedging derivatives amounts to S/8,309,000 and S/ 413,000 respectively. The net loss of its tax effect amounts to S/5,858,000 (S/ 315,000 for the nine-month period ended September 30, 2021). See note 8(h) and 20(a).

26 FIXED BUSINESS INCOME

(a) The table below presents the breakdown of this item:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Services	2,054,505	2,102,236
Data + IT	337,632	306,375
Wholesaler	127,726	122,424
Teams	(25,775)	54,915
Others	44,479	41,329
	<u>2,590,117</u>	<u>2,627,279</u>

(b) As of September 30, 2022, the Company had approximately 1,288,000 fixed and public telephone lines in service, 1,945,000 broadband service connections, and approximately 1,223,000 paid television accesses (1,549,000, 1,968,000, and 1,334,000, respectively as of December 31, 2021).

27 MOBILE BUSINESS INCOME

(a) The table below presents the breakdown of this item:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Postpaid	1,410,065	1,263,433
Terminals	717,874	723,251
Prepaid	418,072	436,962
Wholesaler	93,535	108,569
Other	132,782	47,272
	<u>2,772,328</u>	<u>2,579,487</u>

(b) As of September 30, 2022, the Company had approximately 4,459,000 postpaid mobile lines in service, as well as 6,266,000 prepaid mobile lines (4,436,000 and 6,907,000, respectively as of December 31, 2021).

28 GENERAL AND ADMINISTRATIVE EXPENSES

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Services provided by third parties (c)	2,549,720	2,580,020
Taxes and royalties (b)	130,765	121,694
Provision for doubtful accounts and for impairment of inventories, notes 7(c), 8(f), and 10(c), net of recoveries	311,863	291,588
Fee for brand use and transfer of management capacity, note 23(a)	103,436	94,448
Miscellaneous management charges	21,018	21,292
	<u>3,116,802</u>	<u>3,109,042</u>

(b) The item "Taxes and royalties" corresponds mainly to payments to OSIPTEL and MTC, note 24(h).

(c) Third-party services include:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Fees, commissions and services	1,131,287	1,147,299
Television signals and circuits	471,219	507,686
Maintenance and repair	296,126	275,967
Interconnection and correspondent expenses	168,284	189,596
Capacity services	110,615	127,076
Basic services	119,651	96,730
Advertising	54,513	70,606
Rentals	37,368	23,793
Transport and storage	38,294	34,800
Roaming expenses	16,536	12,551
Other	105,827	93,916
	<u>2,549,720</u>	<u>2,580,020</u>

29 STAFF EXPENSES

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Remuneration	388,039	386,563
Restructuring expenses, note 20(b)	-	106,163
Social security and welfare	43,895	49,482
Compensation for service time	28,156	28,664
Other staff costs	11,043	12,869
Payroll capitalization for plant construction	(42,980)	(42,005)
	<u>428,153</u>	<u>541,736</u>

(b) The Company has 3,670 employees as of September 30, 2022 (3,664 as of December 31, 2021).

30 OTHER OPERATING INCOME AND EXPENSES

(a) The breakdown of the item is presented below:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Other Operating Income		
Gain on asset disposal (c), (d), and (e)	57,995	19,853
Government grants, notes 8(d) and 22(b)	10,008	9,899
Other	<u>12,247</u>	<u>10,414</u>
	<u>80,250</u>	<u>40,166</u>
Other Operating Expenses		
Other provisions (b)	(32,796)	(23,799)
Other	(11,663)	(14,956)
	<u>(44,459)</u>	<u>(38,755)</u>

(b) The other provisions (See note 21) correspond to those made by the Company in accordance with the practice described in Note 2.19, based on its best estimate of the disbursement that will be required to settle the obligations at the date of the statement of financial position.

(c) As of September 30, 2022 and 2021, asset sales produced a net profit, whose composition is detailed below:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Net Income from Disposal of Assets (d)		
Income from sale of assets	86,429	58,095
Net cost of assets sold (e)	(28,434)	(38,242)
	<u>57,995</u>	<u>19,853</u>

(d) In January 2021, the sale in Peru of Telefónica Cloud Tech Perú SAC (TCTP) for S/41,941,000 was made. It included the assets related to this business line, which was contributed by the

Company on January 1, 2021 for S/29,938,000. This company was established in 2020 with a contribution of S/50,000. The net profit of this operation was S/11,953,000. See note 1.3.(b).

- (e) As of September 30, 2022, it includes the loss due to rights of use of assets sold with a subsequent lease for S/9,690,000 (In 2021, S/2,453,000 due to loss due to rights of use, as well as S/1,360,000 due to reinforcement obligations in assets sold).

31 INCOME AND FINANCIAL EXPENSES

The table below presents the breakdown of this item:

	As of 30 September 2022	As of 30 September 2021
	S/000	S/000
Financial Income		
Interest on accounts receivable	4,358	4,402
Interest on time deposits	8,662	646
Profit from disposal of financial investments	-	23,199
Other	<u>1</u>	<u>53</u>
	<u>13,021</u>	<u>28,300</u>
Financial Expenses		
Interest on bonds and commercial papers	(168,037)	(162,744)
Lease interest	(45,319)	(35,569)
Interest on other debts	(2,594)	(2,349)
Loss from financial instruments due to interest rate hedging	(33,857)	(17,778)
Other	(<u>133,895</u>)	(<u>34,638</u>)
	<u>(383,702)</u>	<u>(253,078)</u>
Net Exchange Differences		
Net gain/(loss) from net exchange differences	11,566	(136,093)
Net (loss)/profit from exchange differences related to derivative financial instruments	(<u>20,970</u>)	<u>148,747</u>
	<u>(9,404)</u>	<u>12,654</u>

32 LOSS PER SHARE

- (a) Earnings per basic and diluted share is calculated by dividing the net profit of the corresponding period to common shareholders by the weighted average of the number of ordinary shares outstanding at the date of the statement of financial position:

	<u>Shares in circulation</u>	<u>Days of validity during period</u>	<u>Weighted average of shares</u>
Fiscal year: 2021			
Balance as of January 1, 2021	<u>3,344,363,158</u>	270	<u>3,344,363,158</u>
Balance as of September 30, 2021	<u>3,344,363,158</u>		<u>3,344,363,158</u>
Financial year: 2022			
Balance as of January 1, 2022	<u>3,344,363,158</u>	270	<u>3,344,363,158</u>
Balance as of September 30, 2022	<u>3,344,363,158</u>		<u>3,344,363,158</u>

- (b) The calculation of the loss per basic and diluted share of the controlling shareholding for the periods of nine months ending September 30, 2022 and 2021, is presented below:

<u>As of September 30, 2022</u>			<u>As of September 30, 2021 (NOT AUDITED)</u>		
<u>Loss (numerator) S/000</u>	<u>Number of shares (denominator)</u>	<u>Loss per share S/000</u>	<u>loss (numerator) S/000</u>	<u>Number of shares (denominator)</u>	<u>Profit per share S/000</u>
(<u>513,003,000</u>)	<u>3,344,363,158</u>	(<u>0.153393</u>)	(<u>1,019,612,000</u>)	<u>3,344,363,158</u>	(<u>0.304875</u>)

33 COMMITMENTS AND CONTINGENCIES

- (a) Commitments -

Surety Letters -

The Company maintains surety letters obtained for its normal commercial activity and guarantees for the different processes of awarding bids in spectrum concessions with third parties, and administrative appeal processes against the Tax Administration. As of September 30, 2022, these surety letters amount to approximately S/1,887,528,000 and US\$86,231,000 (S/1,911,506,000 and US\$84,841,000 as of December 31, 2021).

Operating Lease Commitments - Company as Lessee -

The Company, as a lessee, has signed contracts with third parties. The contracts related mainly to leases of infrastructure, circuits, and spaces. The Company has lease commitments, including for a duration of up to 10 years. See notes 2.24, 15, and 18.

The future minimum payments, as per non-cancelable operating leases, as of September 30, 2022 and December 31, 2021, are as follows (these correspond to leases of less than one year and low-value amounts that are not recognized as part of the implementation of IFRS 16):

	<u>As of 30 September 2022 S/000</u>	<u>As of 31 December 2021 S/000</u>
Less than one year	1,891	8,092
Between one year and less than 3 years	<u>20,408</u>	<u>21,974</u>
	<u>22,299</u>	<u>30,066</u>

(b) Contingencies -

In the normal course of its operations, the Group has been subject to various tax, civil, labor, administrative, regulatory, and customs claims, which are recorded and disclosed in accordance with International Financial Reporting Standards. See note 2.19.

In relation to tax processes, as of September 30, 2022, as set out in notes 2.19 and 2.20, the Company has recorded the provisions required for cases considered probable and that are mainly judicialized, leaving as possible contingencies an amount of S/1,176,813,000 (S/1,128,539,000 as of December 31, 2021). Management and its legal advisors consider that the provisions made are reasonable based on the information available to the Company.

The National Superintendence of Customs and Tax Administration (SUNAT), in the course of the audit activity corresponding to the years 1998 to 2010 and, 2012, has notified the Company of resolutions related to: (I) Income Tax, (II) General Sales Tax, and (III) Withholdings of Income Tax of non-residents.

In some proceedings, the Company has taken the decision to challenge certain decisions of the SUNAT and the Tax Court (TC). In other proceedings, the Company has proceeded to pay the amounts adjudicated on by the competent authorities; and, finally, there are other processes in which it has been SUNAT that has challenged the TC decisions that were favorable to the Company. Below, the detail of the main processes in tax matters:

I. Regarding disputes related to the Income Tax of Telefónica del Perú:

(a) Financial Year 1998:

Specific objections are discussed for concepts related to Internal Public Phones ("IPT"), Provision for Doubtful Collections ("PDC") and Exchange Rate Difference.

In the administrative field, on July 21, 2011, the TC through the Tax Court Resolution (TCR) No. 11450-5-2011 issued a pronouncement on the balance in favor of the Company for the 1998 financial year, for a sum of S/137,706,421.

SUNAT, in complying with the aforementioned TCR, dated October 3, 2011, notified the Company of Intendancy Resolution (IR) No. 0150150001023, which contemplated an amount of S/69,386,327 in favor of the Company.

In disagreeing with the balance in favor determined by SUNAT, the Company filed an appeal, which was resolved by the TC (TCR No. 974-5-2012) in the following terms: (1) revoked the objection to the S/252,989,493 for exchange difference considering that this is an accounting result to which the principle of causality is not applicable; (2) ordered SUNAT to evaluate the effect of the exchange gains with respect to the confirmed amounts in order to obtain a net result; (3) ordered SUNAT to carry out a new determination of the PDC to the extent that there are cases that have not been validated by it that are valid collection procedures; and (4) guaranteed that the "under door" notifications can be considered as collection procedures.

In compliance with this resolution, in November 2012 SUNAT issued IR No. 0150150001152 which determined a balance in favor of the 1998 financial year of S/137,706,421, and thus ending the administrative stage.

For its part, the Company determined a balance in favor amounting to S/291,000,000.

Considering the difference in the balance in favor determined by the Company vis-a-vis that determined by SUNAT, in October 2011 the Company made a legal challenge to TCR No. 11450-

5-2011 requesting partial nullity insofar as SUNAT upholding the objections to: (i) PDC; and (ii) receipts for leases of Internal Public Telephones (IPT).

On March 22, 2013, the Company was notified with the first instance judgment that partially found in favor the Company's claim regarding the objections to: (i) DPC and (ii) IPT, which was upheld by the Superior Court. An appeal was filed against the second instance judgment, by virtue of which the Supreme Court (i) ordered that the Superior Court issue a new ruling regarding PDC, and (ii) definitively and favorably upheld the objection to the IPT for the Company, thereby concluding this matter.

On July 31, 2019, the Company was notified with the new judgment of the Superior Court that declared the appeal regarding the PDC appeal founded, however, only regarding the telephone billing. On August 16, 2022, the Oral Hearing was carried out in the Supreme Court, pending the issuance of the final resolution.

It should be noted that, in the judicial proceedings, the Company obtained a precautionary measure regarding the objections to IPT and PDC, for which it had to deliver the respective judicial bank surety letter issued for 60% of the alleged tax debt. On January 17, 2022, the surety letter was submitted for the amount of S/359,065,459, corresponding to the period 2022-2023.

In relation to the only objection pending pronouncement related to PDC, in the opinion of Management, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

For its part, SUNAT, (i) filed a lawsuit to also question TCR No.11450-5-2011, but insofar as revoking the objection referred to the account for exceptional expenses. In the last instance, on April 24, 2019, the Supreme Court upheld the lawsuit. On November 11, 2019, SUNAT, in executing that ordered by the Supreme Court, gave notification of IR No. 0150160000145 that (i) corrected the balance in favor of the 1998 financial year Income Tax, and (ii) filed a lawsuit against TCR No. 974-5-2012 as it decided to revoke the objections to exchange difference in various accounts. The lawsuit was declared unfounded in the first instance and subsequently upheld by the Superior Chamber on March 21, 2016. By means of the resolution of March 31, 2021, the Supreme Court declared SUNAT's lawsuit unfounded and, consequently, on May 19, 2021, the definite conclusion and filing of the process was ordered in this regard. The legal proceedings were concluded.

Against that resolved by the Supreme Court regarding the aforementioned point (ii), on October 18, 2021 SUNAT filed an amparo request in order to declare the nullity of the supreme resolution that resolved in favor of the Company. SUNAT maintains its claim of the alleged violation of its right to equality, legal certainty, prohibition of arbitrariness, and motive. On October 27, 2021, the Company responded to the lawsuit, and now awaits the scheduling of a single hearing.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(b) 1999 Financial Year:

TCR No. 16603-4-2010, notified on December 23, 2010, terminated the administrative procedure for the 1999 fiscal year. According to the TC, the statute of limitations on the 1999 financial year prevented a new determination from being carried out by SUNAT (ex officio), so the balance set by the Company for the 1999 financial year is the one that had to be taken into account.

Consequently, on April 4, 2012, the Company requested the declaration of the statute of limitations for the fiscal year in question. Said request was declared admissible by means of IR No. 011-020-0000323/SUNAT.

(c) Financial Years 2000 and 2001:

On December 29, 2010, TCR No. 17044-8-2010 (clarified by TCR No. 1853-8-2011) was notified, which confirmed the IR issued by SUNAT regarding the objections to Financial Charges (FC), PDC, IPT, Overheads (costs of fixed assets deducted extra-accountingly as an expense) and Simple Reorganization between the Company and Telefónica Móviles. The total amount that SUNAT intended to collect totaled S/2,379,000,000, which is composed as follows: (i) S/478,000,000 for tax; (ii) S/179,000,000 for fines, and (iii) S/1,722,000,000 for interest.

On 21 March 2011, the Company filed a administrative appeal claim against SUNAT and the TC regarding the above-mentioned objections to the TCR, as well as against the interest corresponding to the payments on account for the year 2000.

In the first and second instance, the lawsuit filed in relation to the IPT's objection was upheld. Secondly, the Company's claim regarding the objections of (i) Simple Reorganization, (ii) Overheads, (iii) Financial Charges was declared unfounded.

In the case of the objection to the PDC, the Superior Court validated the collection management carried out by the Company, though only regarding the telephone receipt insofar as the indication of the outstanding debt is recorded, while dismissing the rest of the collection procedures carried out. Finally, the Court ordered that all receipts be reviewed again.

The parties submitted cassation appeals against the decision of the Superior Court. The Supreme Court ruled in favor of SUNAT in terms of the objections to Overhead, FCs, and Simple Reorganization and, in favor of the Company, regarding the objection to the IPT. With regard to the PDC objection, the Supreme Court ordered the second instance to issue a new judgment. On July 29, 2020, the new judgment of the Superior Court was handed down declaring the PDC objection to this resolution as unsubstantiated, and against which a new appeal was filed. On October 13, 2022, the Oral Hearing was held in the Supreme Court.

In the first quarter of 2019, the Company re-evaluated its contingencies in response to the resolution issued by the Supreme Court and, as a result, the rating changed from remote to probable regarding the objections to FCs, Simple Reorganization, and Overheads. Regarding the TPI appeal, the qualification of the appeal has been maintained as remote, as it was resolved in favorable terms for the Company. Regarding the PDC appeal, the qualification of the case remains remote.

During the aforementioned proceedings, the Company obtained a partial precautionary measure pursuant to which the suspension of the effects of the disputed resolutions was ordered with respect to the following objections: (1) CF, (2) PDC, and (3) TPI. For these purposes, the corresponding Bank Surety Letter was updated for the period 2022-2023, to the amount of S/788,185,150 and was offered and delivered as an injunction bond.

In executing the provisions of TCR No. 17044-8-2010, SUNAT (i) determined an alleged tax debt of S/2,379,451,375. SUNAT conditioned the admissibility of the appeal filed by the Company to the payment of S/1,627,950,109 (reduced by SUNAT to S/619,814,185 by virtue of the cautionary measure obtained). The Company filed a complaint and paid under protest, as coercively required, the sum of S/134,353,008. On January 27, 2012, the payment of S/150,842,142 was demanded by means of through coercive execution for the Income Tax (Profits) fine for the year 2000. Again, despite disagreeing, the Company proceeded to pay the amount under protest and submitted a complaint that was resolved favorably for the Company by means of TCR No. 18209-1-2013. On February 24, 2014, SUNAT by means of Coercive Resolution (CR) No. 0110070101757 annulled the coercive collection procedure, but without pronouncing on the payment made by the Company. On April 23, 2014, the Company requested the return of S/134,353,008 (paid in January 2012) and S/150,842,142 (paid in November and December 2013). SUNAT's Audit Management declared the Company's requests inadmissible and the TC, upon resolving the appeal and ordered SUNAT, when making the final settlement, to determine whether the return of the amounts paid is appropriate.

Regarding the carry-over of the balance in favor of 1999 applicable to the periods 2000 and 2001, the TC (i) upheld that resolved in the first instance by SUNAT and, consequently, considered the ruling on the carry-over correction of the obligation of the tax periods as valid. (ii) protected the Company's request, thereby specifying that SUNAT could not carry out a settlement until the file on payments on account for year 2000 was resolved, as well as the files on the refund of payments made by coercive collection, as these are a component of the tax assessment.

Regarding point (i), the Company filed a administrative appeal claim requesting that it be declared null and void insofar as the points that confirm the objections: (i.1) to the balance in favor of previous years and, (i.2) to the sale of the Nortel analog network. On March 23, 2015, in the first instance, the claim was declared unsubstantiated, and later upheld by the Superior Chamber. On May 25, 2021, the supreme resolution that rejected the Company's cassation appeal was handed down and, consequently, the lawsuit was dismissed. The legal proceedings were concluded.

The Company, when considering the result in the Supreme Court, reassessed its contingencies so the rating of this process changed from remote to probable. Said change was effected in the second quarter of 2021.

On May 12, 2014, SUNAT filed an administrative lawsuit against point (ii). This lawsuit was declared inadmissible at the first and second instances. However, the Supreme Court upheld the cassation appeal filed by SUNAT, and ordered the judge of first instance to re-qualify the action, which was admitted for processing. On December 14, 2021, the first instance judgment declared the SUNAT claim unfounded, and was upheld by the Superior Chamber. To date, the Supreme Court is yet to qualify the cassation appeal filed by SUNAT.

In the opinion of Management, based on the opinion of its internal and external legal advisors, the rating of the contingency for this action is remote.

(d) Amparo action derived from the Income Tax for the Years 2000 and 2001:

On July 3, 2013, the Company filed an application for amparo, by which it requested that Article 33 of the Tax Code, which regulates the default interest on unpaid taxes, be declared inapplicable.

SUNAT, by means of IR No. 0150190000041, thus ordered to continue the collection of the thirteen (13) Determination Resolutions (DRs) and eleven (11) MRs, for the sum of S/2,163,333,920 (updated as of April 1, 2013). This amount includes 73 percent interest and capitalized interest (under the application of Article 33 of the Tax Code) of which a percentage corresponds to interest accrued within the legal term and other interest accrued in the time lapse in excess of the adjudication's legal term.

On February 22, 2021, the Constitutional Court ruled the claim founded and consequently ordered SUNAT to recalculate the interests outside the legal term and that both the tax administration and the Tax Court had to resolve the challenges presented by the Company. To date, the Court does not yet consider that the provisions of the Constitutional Court have been complied with, after the payment request was made May 25, 2022.

Against the judgment of the Constitutional Court, on November 9, 2021, we were notified with an application for amparo, initiated by the TC. On November 22, 2021, we responded to the lawsuit. On September 6, 2022, the single hearing was held and on September 26, 2022, the lawsuit was declared inadmissible, and thus the TC and SUNAT filed an appeal. To date, the appeals are pending to be granted.

In the opinion of Management, based on the opinion of its internal and external legal advisors, the rating of the contingency for this action is remote.

Against the same Constitutional Court ruling, on May 20, 2022 we were notified with the inadmissibility of the lawsuit filed by SUNAT. On August 23, 2022, the Oral Hearing was carried out before the High Court, and the judgment is still pending.

In the opinion of Management, based on the opinion of its legal advisors, the rating of the contingency for this action is remote.

(e) Payments on Account for the 2000 Financial Year:

The TC, through TCR No. 17133-8-2010, notified on December 30, 2010 (clarified by TCR No. 16430-8-2011) ended the administrative procedure corresponding to the payments on account of the Income Tax for year 2000.

On November 17, 2011, SUNAT gave notification of IR No. 0150150001039 that alleged a tax debt of S/678,541,069. The Company filed an appeal against the IR and SUNAT, in order to grant the appeal, required the payment of S/189,297,341.

By means of TCR No. 06671-11-2012, extended by TCR No.08037-11-2012, the TC (1) validated that SUNAT is to re-settle the fine resolutions as long as they had not been revoked; (2) ordered SUNAT to determine the debit balance as it was able to modify the credit balance declared by the Company in 1999, and thus disregard the effects of the statute of limitations.

The Tax Court, in resolving the clarification the Company presented, pointed out that (1) the fines imposed by SUNAT were not invalidated; and (2) the Company is entitled to invoke the statute of limitations for the 1999 financial year in the event that SUNAT modifies the determination of the tax debt corresponding to said financial year. However, it did not express an opinion on the power to change the balance in favour.

However, the Company was notified with TCR No.02569-11-2015, which ruled that SUNAT is entitled to modify the balance in favor of the 1999 financial year despite being subject to the statute of limitations. Subsequently, the TC ordered the suspension of the administrative procedure by virtue of the cautionary measure obtained by the Company in court, and to which we refer in the following paragraphs.

On June 8, 2015, the Company filed a administrative appeal lawsuit against SUNAT and the TC, requesting the nullity of the TCR that states SUNAT is entitled to modify the balance in favor of the 1999 financial year IR that must be applied for payments on account of the 2000 income tax year.

In the first instance, the claim was declared unfounded, but it was revoked by the Superior Court. On June 6, 2022, the supreme resolution declaring the Company's claim unfounded was notified. SUNAT requested the court of first instance to revoke the cautionary measure and, as a consequence, a bank surety letter was provided for a sum of S/45,948,058. The resolution of July 5, 2022 ordered the execution of the surety letter, which materialized in September 2022. The legal proceedings were concluded.

In the second quarter of 2021, taking into consideration that resolved by the Supreme Court detailed in point (c), and based on the opinion of its internal and external legal advisors, the Company determined to vary the classification of contingency from remote to probable.

(f) Amparo Action Derived from the Payments to Income Tax Account 2000 and 2001:

On July 3, 2013, the Company filed an application for amparo, by which it requested that Article 33 of the Tax Code, which regulates the default interest on unpaid taxes, be declared inapplicable. By means of the amparo, the Company questions the interest accrued during the time that the TC and SUNAT exceeded the deadlines for resolving the Company's appeal.

Subsequently, by means of IR No. 015150001202 SUNAT ordered the continuation of the collection of the eight (08) DRs and two (02) FRs for an amount of S/657,405,312 which includes 91% interest and capitalized interest (by virtue of the application of article 33 of the Tax Code).

In the first instance, the claim was partially upheld and, subsequently, the Superior Chamber declared it inadmissible. The Company filed a constitutional complaint with the Constitutional Court. On December 13, 2021, the Constitutional Court declared the lawsuit inadmissible, a decision against which an appeal for annulment was filed, which was subsequently declared inadmissible. The legal proceedings were concluded.

In the first quarter of 2022, Management believes, based on the opinion of its internal and external legal advisors, the classification of the contingency of this process is remote.

(g) Financial Year 2002:

TCR No. 04831-9-2012: (1) revoked the objection relating to the exchange difference considering that this is an accounting result to which the principle of causality does not apply; (2) revoked the objection relating to financial interests and ordered that SUNAT carry out a new review of the documentation that substantiates the Cash Flow Statement, as well as of the reports of third parties presented by the Company; (3) confirmed a part of the objection of PDC, since it considers that the Company was obliged to present the information that substantiates the entire PDC even though SUNAT only required a sample; and (4) recognized the collection management as valid, but only the notifications of termination, and furthermore ordered SUNAT to carry out a new review. It should be noted that, unlike that resolved in the file for the years 2000 and 2001, the Tax Court does not recognize that the PDC that was modified in 2001 may be deducted in 2002 for being greater than 12 months. Likewise, the TC confirmed the objections related to non-business TPI expenses, unsecured credit notes, among others.

On August 3, 2012, the Company filed a contentious administrative claim against TCR No. 04831-9-2012 insofar as it confirms the objections to: (1) PDC; (2) undocumented expenses - submarine cable; (3) expenses unrelated to the business - judicial deposits; (4) deductions requested by the Company, and (5) IPT. On November 12, 2018, the judgment of first instance that declared the claim partially founded was notified, and on July 5, 2019, the Company was notified with the Superior Court decision that declared the disputed claims unfounded, which is why the parties filed an appeal in cassation. On August 16, 2022, the Oral Hearing was carried out in the Supreme Court, pending the issuance of the final resolution.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency (i) regarding the objections related to expenses outside the business – judicial deposits, PDC, and IPT qualifies as remote, and (ii) regarding the deductions requested and expenses without supporting documentation (submarine cable) qualifies as possible.

II. General Sales Tax (GST) for years 1998 to 2002 for Telefónica del Perú

The Company has been notified with the IR issued by SUNAT regarding the GST for the years 1998, 1999, 2000, and 2001. The Company has made the payment corresponding to the SUNAT determination, except for the case relating to the General Sales Tax of 2001 (for which the TC ruled in favor of the Company). By means of TCR No. 04831-9-2012, the Tax Court upheld the deductions made for the General Sales Tax for 2002.

III. Withholdings from the Income Tax of Non-Residents of Telefónica del Perú

The Company has been notified with DR and FR issued by SUNAT regarding withholdings for the years 1999 to 2004, corresponding to income of non-domiciled companies operating a satellite. For SUNAT, such income is considered income from Peruvian sources.

As a result, the TC revoked the resolutions issued by SUNAT that dismissed the claims the Company presented and rendered them null and void. Against this ruling, SUNAT challenged the TCRs in court through five contentious processes for the years 1999 - 2000 (combined in a single action), 2001, 2002, 2003, and 2004.

The five actions initiated by SUNAT concluded unfavorably for the Company. However, as the resolutions issued by the Supreme Court violated the constitutional rights of the Company, five amparo proceedings were initiated to challenge said resolutions, which are explained in the following paragraphs. Likewise, the Company initiated four administrative appeal proceedings against the resolutions issued by the TC to comply with the supreme resolutions.

(a) Financial year 2002:

On October 6, 2020, the first-instance ruling notified that the claim for amparo filed by the Company was deemed unfounded as the constitutional rights in question had not been violated. On October 9, 2020, an appeal was filed. On June 27, 2022, the Superior Chamber scheduled the hearing of the case with an Oral Hearing, held on July 14, 2022. A second-instance judgment is still pending.

During this legal action, the Company requested a cautionary measure aimed at suspending the effects of the supreme resolution of the administrative litigation process initiated by SUNAT. However, the validity of the cautionary measure is currently under discussion in the Superior Court. To guarantee the cautionary measure, the Company presented a surety letter for S/9,500,000, corresponding to 2022-2023.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(b) 2004 Financial Year:

In this process, the Supreme Court followed the same criterion as in 2002 and, consequently, ruled in favor of SUNAT. In qualifying the provision of satellite capacity as a service provided in Peruvian territory, the Court argues it is appropriate that the supplier pays the tax and the Company withholds it. On August 16, 2019, a compliance TCR was notified, against which the Company filed an administrative appeal since it considers that the TC failed to pronounce on that ordered by the Supreme Court. On September 28, 2022, the Oral Hearing was heard in the first instance. The decision is still pending.

Without prejudice to the judicial proceedings, on October 9, 2019, the Company made a payment of S/24,864,916.

On October 29, 2019, the Company appealed IR No. 0150600000143, issued as a result of the compliance TCR. The TC ruled against the appeal. Consequently, on July 6, 2021, the Company filed a second action against the new compliance TCR insofar that it provides for the suspension of interest by applying article 33 of the Tax Code, and against its clarification as it establishes that the application of interest is not suspended for the period of the judicial process to which SUNAT subjected us. On May 17, 2022, the Oral Hearing was heard in the first instance. The decision is still pending.

In view of the fact that the supreme resolution contained vices that affect the constitutional rights of the Company, an amparo process was initiated. On September 28, 2022, the Oral Hearing was heard in the first instance. The decision is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(c) 2003 Financial Year:

On June 3, 2019, the Company was notified with a compliance TCR pursuant to the Supreme Court's ruling. Against the aforementioned TCR, on June 24, 2019, the Company initiated an administrative appeal process, alleging that the TC failed to pronounce itself in the terms of the provisions of the Supreme Court. The TC did not make a ruling on two arguments presented by the Company in administrative proceedings, thus contravening the right of due administrative process. On November 11, 2021, the oral hearing was undertaken in the first instance. The corresponding ruling is still pending.

Due to the issuance of the compliance TCR, on July 9, 2019, the Company made the payment of S/11,212,971, in accordance with the fine default interest at that date.

As the supreme resolution contained vices that affect the constitutional rights of the Company, an amparo proceeding was initiated. Unlike the other two processes initiated by the Company in the periods 2002 and 2004, said proceeding incorporates and furthers the arguments on the application of Legislative Decree No. 1120 and Supreme Decree No. 22-2017-MTC. On November 9, 2020, the Company filed an appeal against the first-instance judgment that declared the claim unfounded. On April 7, 2022, the Oral Hearing was carried out before the Superior Court. The Superior Chamber declared the Company's claim inadmissible and, on May 13, 2022, the Company filed a constitutional complaint against the aforementioned sentence. On May 30, 2022, the claim entered the Second Chamber of the Constitutional Court.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(d) 1999 and 2000 Financial Years:

On November 14, 2019, the TC issued the compliance TCR, against which, on February 5, 2020, the Company initiated an administrative appeal judicial process. On April 28, 2020, the response to the lawsuit filed by SUNAT and the TC was notified. On December 29, 2021, the Oral Hearing was carried out in the first instance. On June 1, 2022, the Company's claim was declared unfounded. On June 8, 2022, the Company filed an appeal against the aforementioned judgment and the scheduling of the hearing of the case in second instance is still pending. As a result of the issuance of the compliance TCR, on November 26, 2019, the Company paid the sum of S/187,614,698 corresponding to the 1999 financial year, while for the 2000 financial year a sum of S/30,913,192 was paid.

As the supreme resolution contained vices that affect the constitutional rights of the Company, an amparo process was initiated. On November 16, 2021, the Oral Hearing was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(e) 2001 Financial Year:

Against the TCR, issued in compliance with the Supreme Court's ruling, the Company filed an administrative appeal proceeding. On July 29, 2020, the objection of res judicata and SUNAT's response were notified, as well as the TC's response to the action. On October 25, 2021, the oral hearing in the first instance was heard. The corresponding ruling is still pending.

As a result of the issuance of the compliance TCR, on March 6, 2020, the Company paid an amount of S/12,982,365, taking in account the default interest at that date.

As the supreme resolution contained vices that affect the constitutional rights of the Company, an amparo process was initiated. On May 13, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

IV. Income Tax and GST for the years 2003 to 2010, and 2012 of Telefónica del Perú

In the administrative field, between 2008 and 2017, SUNAT resolved the claims filed by the Company for the years 2003 to 2010, and 2012. As we disagreed with the SUNAT ruling, we filed appeals for each of the fiscal years.

(a) Financial Year 2005:

Regarding the GST for the year 2005, on January 9, 2018, the TC ordered SUNAT to carry out a new settlement. The same occurred for 2004 financial year, with a ruling notified on November 14, 2018. The corresponding re-settlement is still pending. In both cases, as the Tax Court decided to withdraw various objections and noted that it must take into account that resolved in the income tax files: Thus, the issuance of a compliance resolution is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the Company has qualified the contingency of both files as probable.

(b) Income tax and GST for the 2003 Financial Year:

Regarding Income Tax and General Sales Tax for the 2003 financial year, on January 25, 2019, Tax Court Resolution No. 10820-4-2018 was communicated, ordering SUNAT to carry out a new settlement after revoking the following objections: i) excess depreciation for difference in computable cost, ii) amortization of training and maintenance, iii) expenses without reliable substantiating documentation, iv) Income Tax and GST on unsecured credit notes, v) documents that do not support expenses, vi) PDC, vii) collection of interest and fines. On February 2, 2019, the administrative litigation filed by the Company was admitted for processing. In the first instance, the claim was declared unfounded and thus the Company filed an appeal. On September 2, 2022, the first-instance judgment on PCD and other objections was confirmed, and the default interest was declared null and void. On September 17, 2022, we filed a cassation appeal, which is still awaiting qualification.

On May 5, 2022, the Oral Hearing was carried out. To date, the issuance of a second-instance judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Additionally, on April 14, 2019, we were notified with an administrative appeal filed by SUNAT against TCR No. 10820-4-2018 but regarding the objections ruled on in favor of the Company in administrative proceedings: i) expenses for unsupported compensation, ii) PDC, iii) amortization of unsubstantiated intangibles, iv) modification of the coefficient. On June 11, 2020, we were notified with the ruling that declared the claims founded insofar as the expenses for compensation without substantiation and the amortization of intangibles. Furthermore, the ruling dismissed the claim in relation to the objections to the PDC and the modification of the coefficient. On December 31, 2020, the hearing judgment that declared SUNAT's claim founded, solely insofar as the reparation of compensation without reliable substantiation was notified. The judgment declared in favor of the Company, declaring the PDC (sampling) and amortization of intangibles as unfounded. The cassation appeals of both parties were declared admissible. The scheduling of an oral hearing in the Supreme Court is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) GST for the 2010 Financial Year:

Regarding the GST for the year 2010, on June 27, 2019, the Company filed an administrative litigation claim requesting the nullity of TCR No. 1858-1-2019 which upheld IR No.0150140013079 that declares the claim made against DR Nos. 012-003-0072541 to 012-003-0072552 and FR Nos. 012-002-0028443 to 012-002-0028454, drawn for the GST from January to December 2010, and for the commission of the infraction addressed by paragraph 1 of art. 178 of the Tax Code. On June 27, 2019, the lawsuit was filed and subsequently admitted. The Oral Hearing was conducted on April 21, 2021. To date, the first instance judgment is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(d) Income Tax for the 2009 Financial Year:

Regarding the Income Tax for the year 2009, on January 16, 2020, the Company initiated an administrative appeal process to request the nullity of the TCR No. 7453-4-2019 insofar as the objections to (i) the lapsing of the term of the start of the collection power, and (ii) excess of recreational expenses. On May 23, 2022, the Company was notified with SUNAT's response. On June 2, 2022, the date for the hearing of the case was set for July 20, 2022. On July 26, 2022, the judgment declaring the claim unfounded was upheld and on August 9, 2022. The Company filed a cassation appeal that to date is pending qualification.

Per TCR No. 7453-4-2019, the Company was notified with the coercive resolution that demanded an amount of S/144,962, which was paid on November 6, 2019. As the Company did not agree with that ordered by SUNAT, on January 20, 2020, it filed an appeal that was ruled on by TCR No.04088-4-2020, which upheld the SUNAT provisions.

Additionally, on August 6, 2020, the Company was notified with DR and FR for the months of March, July, August, September, November, and December. It should be noted that TCR No. 07453-4-2019 declared the values for said periods as null and void.

In view of this, on September 3, 2020, the Company filed a claim against the values mentioned in the preceding paragraph, insofar as the objection to the tax credit for imports from tax havens.

Subsequently, on November 17, 2020, we were notified with IR No. 0150150002575 by means of which the provisions of TCR No. 04088-4-2020 are complied with.

In view of this, on December 4, 2020, we made the payment of S/1,932,798 corresponding to the DRs and FRs for the periods of the months of March, July to September, November, and December.

Subsequently, we were notified with IR No.0150140015914 that declared the appeal filed on September 3, 2020 unfounded. Consequently, the corresponding appeal was filed, which is to date pending resolution.

In the opinion of Management, ratified by the opinion of its external legal advisors, the rating of the contingency of this process is remote.

(e) Income Tax for the 2004 Financial Year:

Regarding the 2004 financial year, on November 9, 2021, the Company filed an administrative appeal requesting the nullity of TCR No. 06587-9-2021 (and TCR No. 7846-9-202 that rejected the

request for clarification and extension) to the extent that it upheld the objections to: (i) rental expenses not substantiated by payment receipts that support their deduction, (ii) expenses for financial interests with related companies, (iii) FC, (iv) PDC, only to the extent that the TC maintained this objection to the universal subject of sampling, (v) excess depreciation for difference in the computable cost, and: (vi) amortization of activated maintenance expenses. The nullity also questions the collection of default interest: a) during the periods of excess in the terms of attention of our claims and appeals, b) capitalization of default interest, which is proscribed in accordance with the precedents issued by the TC, and; c) procedure for calculating default interest between December 25, 2006 and March 15, 2007. On September 13, 2022, the Oral Hearing was carried out in the first instance. A judgment is pending.

In the opinion of Management, based on the opinions of both its internal and external legal advisors, there are legal arguments to rate the contingency referred to the PDC (sampling matter) as remote. In the case of FCs, based on the nullity arguments discussed in this process, the contingency also qualifies as remote. Regarding the objections to rental expenses not substantiated by payment receipts to support their deduction, expenses for financial interests with related companies, excess depreciation for difference in the computable cost, and amortization of activated maintenance expenses, the foregoing qualify as possible.

Against the TCR No. 06587-9-2021, on December 17, 2021, the Company was notified with a SUNAT lawsuit that requests the nullity insofar as that it decided to declare the TC resolutions null and void as rejecting the PDC was not the subject of the sample. On September 8, 2022, the Oral Hearing was carried out in the first instance. The issuance of the sentence is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding the same tax period, on December 17, 2021, the Company filed an administrative appeal requesting the nullity of TCR No. 7509-4-2021 to the extent that it upheld the objections made by SUNAT: (i) depreciation and amortization of the cost of unsubstantiated assets of 2002; (ii) retail package commission - Account 632004; (iii) expenses of previous years invoiced by Beltsouth (enterprise related to the Company); (iv) loss in exchange difference - Account 676001; (v) charges to income accounts for unsubstantiated credit notes; (vi) salaries abroad; (vii) deduction in the Income Tax of the 2004 period for objected expenses; (viii) default interest. To date, the scheduling of the date of the oral hearing in the first instance is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

In compliance with the aforementioned resolution, TCR 02348-4-2022 was issued, against which on July 18, 2022 we filed a new administrative appeal, in which the objections of (i) Depreciation and amortization of the cost of unsubstantiated assets of 2002 were challenged; (ii) Retail package commission - account 632004; (iii) Expenses of previous years invoiced by Bellsouth; (iv) Loss on exchange - Account 676001; (v) Charges to income accounts for unsubstantiated credit notes; (vi) Salaries abroad; (vii) Deduction in IR 2004 for objected expenses; (viii) Default interest. Presently, we are challenging the compliance TCR insofar as it (i) incorrectly determines the amount to be paid for the acceptance of the Incentive Scheme (including the payment of default interest); (ii) updates the debt by applying the Consumer Price Index for a period that does not correspond; (iii) violates due process and incurs an undue motive, by incurring defects of non-existent motive. On July 19, 2022, the lawsuit was admitted and on August 17, 2022, SUNAT responded to the same. To date, the re-scheduling of the oral hearing in the first instance is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(f) Income Tax for the 2005 Financial Year:

Regarding the 2005 fiscal year, on March 21, 2022, a lawsuit was filed requesting the nullity of TCR No. 10121-3-2021 regarding the 2005 RI, in which the elapsing of the power to demand payment was rejected. Likewise, IR No. 0150140009894 was revoked, which was favorable in 26 objections, yet obtaining an unfavorable final result in financial charges, PDC, reversal of provisions, among others. On May 15, 2022, the claim was admitted for processing. SUNAT responded to the claim. An oral hearing has been scheduled in the first instance for March 6, 2023.

Management believes, as ratified by the opinion of its external legal advisors, the contingency has been qualified as remote.

Regarding the same period, on April 20, 2022, we were notified with a SUNAT lawsuit that requests the nullity of TCR No. 10121-3-2021 insofar as it (i) decided to declare the DR and FR null regarding the objection to PDC that was not the subject of the sample verified by SUNAT during the audit procedure, (ii) revoked the IR regarding the objections to: expenses accrued in previous years - Accounts 665110, tax amortization not accepted due to not substantiating the price paid of the intangible, the application of credit for payments on account for the financial year. On May 4, 2022, the Company filed a response. An oral hearing has been scheduled in the first instance for June 15, 2023.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(g) Income Tax for the 2006 Financial Year:

Regarding the period 2006, on September 14, 2022, we filed an administrative lawsuit against TCR No. 04079-2-2022 regarding the following unfavorable objections: (i) Expenses that do not comply with the principle of causality (Expenses recorded in Account 669910); (ii) Unsubstantiated expenses; (iii) IPT; (iv) Expenses for financial interests with related companies; (v) Amortization of unaccepted intangibles (For maintenance expenses and training expenses that do not qualify as assets); (vi) Unaccepted depreciation for not substantiating part of the computable cost of fixed assets that have occurred (related to Financial Charges); (vii) Determination Resolutions; (viii) Fine Resolutions; (ix) Default interest and its capitalization; (x) Statute of Limitations. To date, the claim is pending judgment.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

V. Income Tax and GST of Telefónica Moviles for Financial Years 2000 to 2012:

As a result of the audits of the years 2000 to 2009 on Telefónica Moviles, SUNAT issued various resolutions for alleged Income Tax omissions, withholdings of the Income Tax of non-residents, withholdings of the Income Tax of the fifth category and GST, in the latter case, until the year 2012.

In cases where Telefónica Moviles obtained unfavorable results in administrative proceedings, it filed appeals and, in others, proceeded to pay the amounts requested. The details of these processes are explained in the following sections.

(a) Income Tax for the 2000 Financial Year:

In the administrative field, on 30 March 2007, SUNAT issued an IR ruling on the claim filed by Telefónica Móviles regarding the year 2000 financial year. Disagreeing with the decision, an appeal was presented before the TC.

In July 2020, the TC notified TCR No. 2275-5-2020 that declared the objection made by SUNAT referring to the Nortel Analog Network null and void. Despite this declaration of nullity, on August 3, 2020, SUNAT communicated the IR without complying with that ordered by the TC. Therefore, on August 24, 2020, a new appeal was filed, which is pending resolution in the TC.

On February 7, 2013, the TC notified TCR No. 20274-9-2012, by means of which (i) it resolved unfavorably to the interests of the Company insofar as the following objections: FC, PDC, Overheads, Expenses re-invoiced for PDC, Cell phone sales commission; and, the Voluntary retirement program, (ii) it revoked the objections related to depreciations not accepted for fixed assets transferred in the equity block, and loss due to exchange difference, (iii) it declared the nullity of the objections related to: interconnection expenses, management fee; and, PDC regarding the months of February to June, August, and October to December.

Against the aforementioned TCR, the Company filed an administrative appeal, requesting the nullity of the objections resolved unfavorably for the Company: (i) PDC, (ii) Simple reorganization, (iii) Nortel Analog Network (regarding which the TC suspended the issuance of a ruling under the criminal proceeding related to the objection) (iv) FC, (v) Overheads. In the first and second instance, the claim was declared unfounded. On July 4, 2019, the Supreme Court declared the second-instance judgment null and void regarding the objections to Nortel Analog Network, Simple Reorganization, and PDC, and consequently ordered that the Superior Chamber issue a new judgment. Regarding the challenges to the FC and Overhead, the Supreme Chamber has adjudicated favorably to SUNAT. On September 30, 2019, the High Court issued the new judgment declaring the objection to unaccepted depreciations and PDC unfounded, and the objection of withdrawal of assets of a majority shareholder (Nortel Analogical Network) as inadmissible. Against said judgment, on October 21, 2019, the parties filed a cassation appeal. On September 13, 2022, the Oral Hearing was carried out in the Supreme Court, which is currently awaiting the issuance of the final ruling.

Having ruled on FC and Overhead unfavorably for the Company, in the second quarter of 2019, the Company determined to vary the contingency rating from remote to probable. In the opinion of Management, based on the opinions of its internal and external legal advisors, the contingency of the objections to Red Nortel, Depreciations not accepted, and PDC qualifies as remote.

In compliance with the same TCR, on September 16, 2022, we filed an administrative appeal against TCR No. 03615-5-2022, which resolves the 2000 financial year. This resolution favors the interests of the Company insofar as the objection of Red Nortel; however, we contest the following objections (i) PDC, (ii) difference in exchange, (iii) unaccepted depreciations, (iv) default interest and its capitalization. The claim was admitted on October 10, 2022.

Management believes, based on the opinions of both its legal advisors, the contingency qualifies as remote.

(b) Income tax and GST for the 2001 Financial Year 2001:

Within the framework of the administrative procedure, on October 22, 2007, SUNAT issued an IR ruling on the claim filed by Telefónica Moviles. Disagreeing with the decision, an appeal was presented before the TC.

On January 20, 2017, the TC notified the Company of TCR No. 11549-2-2016, by means of which the objections to (i) management fee and, (ii) amortization of intangibles were ruled on unfavorably. Likewise, the TC ordered a new review of a part of the PDC, and of the loss due to the exchange difference. A new pronouncement from SUNAT is still outstanding. On August 18, 2020, an IR was notified, thereby complying with that ordered by the TC. The Company appealed the ruling on September 8, 2020.

Likewise, the Company appealed IR No. 0150150002773 which declared the refund requests submitted for the overpayments as inadmissible.

On April 19, 2017, the Company filed an administrative appeal against TCR No. 11549-2-2016. On December 6, 2021, a judgment declaring the appeal in all its facets as unfounded was communicated. The same was appealed on December 14, 2021. On April 5, 2022, the case was heard in second instance, and is still awaiting judgment.

Management believes, based on the opinions of its legal advisors, and considering the result of TCRs Nos. 17044-8-2010, 17133-8-2010, and 01853-8-2011, the Company changed the contingency from remote to probable. The change also took into consideration that resolved by the Supreme Court in the administrative litigation processes of the 2000-2001 fiscal year of TDP [Telefónica de Perú] and the 2000 fiscal year of FT with respect to the Overhead and Carve out objections detailed in the previous sections.

Regarding the same TCR, SUNAT filed an administrative appeal challenging the objections of (i) expenses without causation and (ii) expenses assumed by third parties. On April 9, 2019, the first-instance ruling was communicated, stating that the TCR was partially justified and partially invalid. The TC was thus ordered to issue a new resolution, confirming IR No. 0150140006682 insofar as the objections to various expenses transferred by its related party and do not prove causality (a deduction referring to the payments undertaken) and for third-party taxes assumed by the taxpayer. On March 3, 2020, the second-instance judgment was notified, which upheld SUNAT's claim in all its aspects. On May 19, 2020, the Company filed a cassation appeal against the aforementioned ruling. On October 11, 2022, the Oral Hearing was carried out before the Supreme Court, which is currently pending the issuance of the final ruling.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income tax and GST for the 2002 Financial Year:

Within the framework of the administrative procedure, on January 23, 2008, SUNAT issued an IR ruling on the claim filed by Telefónica Móviles. Disagreeing with the decision, an appeal was presented before the TC.

In this regard, on September 15, 2017, TCR No. 12003-8-2016 was communicated which dismissed the objections to: (i) Management fee; and, (ii) amortization of intangibles; declared the nullity of a part of the objection to the PDC and ordered a new review of the objection related to financial interests (Carve out).

Against the aforementioned TCR, on December 15, 2017, the Company filed an administrative appeal regarding the unfavorable rulings. On October 24, 2019, the oral hearing was carried out in the first instance. The judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency related to the objection to PDC qualifies as remote. As for the objections to (i) Management fee; and, (ii) amortization of intangibles, they rate as possible.

On December 2, 2020, the Company was notified with IR No. 0150150002588, through which SUNAT, in alleged compliance with TCR No. 12003-8-2016, re-settled the Income Tax, the payments on account from January to December 2002, and the GST for the periods of February, May, and September to December 2002, as well as the fine resolutions. The Company appealed the IR, pending resolution by the TC.

Furthermore, related to the 2002 tax period, the Company filed an application for amparo seeking to stop calculating interest that exceeds the legal deadlines that the administration has for resolving the objections to and fines related to the year 2002 Income Tax. The first-instance judgment declared the claim partially founded and, in the second instance, the claim was declared

inadmissible and null and void. Against the decision of the Superior Court, the Company filed a constitutional complaint before the Constitutional Court, which to date is pending a ruling.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

SUNAT also judicially challenged TCR No.12003-8-2016, regarding the objections that were resolved in favor of the Company. In the first instance, the claim was upheld, and thus the Company filed an appeal. On May 13, 2022, the Oral Hearing was carried out in second instance where SUNAT's claim was upheld. On September 26, 2022, we filed a cassation appeal.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

On October 24, 2018, SUNAT challenged TCR No. 05108-1-2018 by means of which the TDP request for a refund of S/35,000,000 was declared inadmissible. On December 24, 2019, the Company was notified of the first-instance judgment that upheld SUNAT's claim; however, in the second instance the claim was declared inadmissible. Therefore, SUNAT filed a cassation appeal and on October 6, 2022, the Oral Hearing was carried out in the Supreme Court.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(d) Income tax and GST for the 2004 Financial Year :

Within the framework of the administrative procedure, on August 29, 2009, SUNAT issued an IR resolving the claim filed by Telefónica Móviles for the year 2004 Income Tax and GST. Disagreeing with the decision, an appeal was presented before the TC.

On January 29, 2018, the TC notified TCR No. 10997-1-2017, by means of which (i) the PDC claim was declared null and void by the part that was not subject to SUNAT's review, (ii) the objection to interest on debt with the Company was revoked, so that a new review of the evidence was carried out, (iii) the objection to amortization of intangibles was revoked, (iv) and the TC ordered that SUNAT recognize the requested deductions, if applicable and upheld other matters. Currently, the issuance of the IR that complies with the provisions of the TC is pending.

Regarding the objections that were upheld unfavorably for Company interests: i) PDC, ii) expenses recorded by credit line granting contracts Account 671110, iii) depreciation of cost of assets, and (iv) modification of the coefficient of the payments on account, on April 27, 2018, an administrative appeal was filed. In the first instance, the claim was declared: (i) unfounded regarding objections to the PDC, expenses recorded by contract for the granting of credit line Account 671110, depreciation of asset costs and calculation of default interest between December 25, 2006 and March 15, 2007, and (ii) inadmissible insofar as the objection to modifying the coefficient of payments on account.

The Superior Court declared the claim regarding the objection to the PDC to be founded, only to the extent of the telephone bills. Against the decision of second instance, the parties filed cassation appeals. On September 13, 2022, the Oral Hearing was carried out in the Supreme Court, which is currently awaiting the issuance of the final ruling.

Management believes, based on the opinions of its legal advisors, the contingency for the objection to PDC qualifies as remote. Meanwhile, the contingency for the objections to expenses recorded by credit line contracts Account 671110, depreciation of asset costs, and modification of the ratio of payments on account, qualify as possible.

Additionally, on February 14, 2020, the Company was notified with TCR No. 10982-9-2019, which upholds the objection to financial expenses for the credit line granting contract, while the objection

to financial expenses by mutual loan contract was ordered to be ruled on per the terms of TCR No. 10997-1-2017, as cited above.

As a result of the foregoing, on February 27, 2020, the Company was notified with Coercive Execution Resolution No. 01100-0059983, which requires the Company to pay the amount of S/3,052,111, and which was paid on March 4, 2020.

After the payment made by the Company, on October 1, 2020, the Company was notified with IR No. 0150140015607 through which SUNAT, in alleged compliance with TCR No. 10982-9-2019, dismissed the appeal filed by Telefónica Móviles against FR No. 012-002-0015547, issued per the alleged commission of the offense contained in paragraph 1 of article 178 of the Tax Code regarding GST for the period of June 2004.

Since the Company disagrees with that resolved in the IR, on October 21, 2020, the Company filed an appeal. By means of the ruling contained in TCR No. 03230-9-2021, the appeal was declared unfounded.

In relation to TCR No. 03230-9-2021, on March 12, 2020, the Company was notified with an administrative appeal filed by SUNAT. The TCR disputes the partial nullity of the TCR insofar as SUNAT decided to revoke IR No. 0150140009010 in relation to the objection to the tax credit for "Financial expenses due to mutual contract" (Carve out) in the related DR and FR. Both the TC and the Company responded to SUNAT's claim. By virtue of the exception of non-exhaustion of the administrative route argued by the Company, on August 12, 2021, the Court ordered the proceedings to be closed. The legal proceedings were concluded.

On April 23, 2018, SUNAT made a legal challenge to TCR No. 10997-1-2017, questioning the following modifications: i) PDC (as they were not sampled) (S/9,603,804), ii) Expenses recorded by mutual contract Account 671110 - TDP debt interest (S/ 717,765) (interest on debt transferred by TDP using the Carve out method) (S/22,273,212), and iii) Modification of the coefficient of payments on account of Income Tax for January and February 2004. On March 8, 2019, the first-instance ruling that deemed the claim filed by SUNAT as invalid was communicated. On July 27, 2019, the second-instance judgment was notified, which revoked the first-instance decision, upholding it insofar as the Carve out objection, and upheld the result regarding the PDC objections and modification of the coefficient. Against the judgment of the Superior Court, the parties filed cassation appeals, which were finally ruled on as follows: (i) favorable the objection of modification coefficient, (ii) unfavorable in Carve out (orders the TC to rule on the causality or not of loans and assets), and (iii) null in PDC. On May 13, 2022, the case was heard at a second instance. On October 6, 2022, the ruling was notified with the following result: two votes upholding the judgment of first instance; that is, the claim of SUNAT regarding the PDC is declared unfounded; and one vote because the objection of PDC is declared unfounded. On October 14, 2022, the final decision hearing was held.

In the opinion of Management, based on the opinions of its legal advisors, the contingency qualifies as remote regarding the PDC, and also for the modification of the coefficient of payments on account of Income Tax for January and February 2004. As for the objection to Carve out, the rating of the contingency is probable.

For the same tax period (2004), the Company initiated an amparo action in order to waive the interest that exceeds the legal deadlines that the administration has to resolve the objections to and fines on the Income Tax. On January 10, 2020, the Company received notification of the first-instance judgment that declared the claim filed by the Company partially founded, stating that there is a violation of the reasonable period. On April 26, 2021, a ruling notified that the Superior Court had declared the exception of lack of exhaustion of the administrative remedy filed by SUNAT as founded and, consequently, the claim was inadmissible and all the proceedings were annulled. On May 10, 2021, the Company filed a constitutional complaint for the Constitutional Court to rule on the Company's claim. On December 28, 2021, Chamber 1 of the Constitutional Court resolved to declare the Company's claim as inadmissible. Against that resolved by Chamber

1 of the Constitutional Court, the Company has appealed for nullity, which to date is pending a ruling.

Per Management's opinion, based on the opinions of its legal advisors, in the second quarter of 2022, the Company determined to vary the contingency rating from remote to probable.

VI. Income Tax and GST of Telefónica Móviles for the 2003 to 2010 financial years

As a result of the audits on Telefónica Móviles for the years 2000 to 2010, SUNAT issued various resolutions for alleged Income Tax omissions, withholdings of the Income Tax of non-residents, withholdings of the Income Tax of the fifth category and GST, in the latter case, until the year 2007. In some cases, Telefónica Móviles filed appeals and, in other cases, proceeded to pay the tax calculations received, which are explained below.

(a) Income tax and GST for the 2003 Financial Year

Regarding the Income Tax for the 2003 financial year, on October 30, 2010, Telefónica Móviles filed a claim requesting the nullity of TCR No. 5018-1-2019 in relation to the following objections: (i) for maintenance and repair of equipment and booths - Account 634003, (ii) the objection to Account 635001 "Rental of office properties," (iii) Objection to the depreciation and/or amortization of assets, (iv) Rejection of challenge to the carry-over loss, (v) Rejection of recognition of the payments made against the IR of GST - February and March 2003, (vi) Undue calculation of default interest, (vii) Objections to the expense accounts 621002, and (viii) Non-application of interest for justified delay. The court of first instance declared the claim filed by the Company to be unfounded. The Superior Court, following the Oral Hearing made on June 10, 2021, declared the first-instance judgment null and void, and ordered that the court of first instance issue a new ruling. To date, the ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Additionally, on April 4, 2022, the Company received notification of TCR No. 2097-1-2022 that recalculates and complies with the TCR 5018-1-2019, which contains: (i) the incorrect ruling on the lapsing of the tax debt, noting that it is not lapsed, (ii) the undue rounding of the amounts of the arrears interest update, as the tax regulations do not contemplate the same, (iii) the validity of the Compliance IR, which violates the right to the due motive of the administrative resolutions regarding the debt update procedure, and (iv) the serious defects of motive incurred by the TCR. In this sense, on July 4, 2022, an administrative appeal was filed regarding the above-mentioned objections. The appeal was admitted and to date it is pending the convening of an Oral Hearing in the first instance.

Management believes, based on the opinions of both its legal advisors, the contingency qualifies as remote.

Furthermore, regarding the Income Tax and GST for the 2003 financial year, on February 7, 2020, the Company challenged TCR No. 6575-10-2019 judicially, questioning the objections to: (i) depreciation of the cost of assets and of assets without documentary support, (ii) PDC, (iii) loss of difference in exchange, (iv) fines linked to those objections, and (v) default interest that was ruled upon against the Company in the first instance. On June 10, 2021, the Oral Hearing was carried out in second instance. On March 22, 2022, the appeal filed by the Company was admitted. The Superior Court declared the first-instance judgment null and void and ordered a new ruling to be issued. A preliminary hearing in the first instance has been scheduled for November 11, 2022.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Furthermore, on January 10, 2010, we were notified of a SUNAT claim questioning the objections to: (i) Management fee, (ii) Expenses for management services and business management consultation, (iii) Intangibles deducted and not paid for the 2003 period, (iv) PDC, (v) Financial expenses recorded in Accounts 637110 and 671110; (vi) Loss of exchange difference from forward contract and mutual contract, (vii) Recovery of PDC, (viii) Modification of the coefficient applicable to payments on account, (ix) Objection to the tax credit for management expenses and business management consultation, (x) Objection to the tax credit for reimbursement of interest expenses, ruled on by the Tax Court in TCR No. 6575-10-2019. On January 24, 2020, we submitted our response to the lawsuit. The court of first instance declared SUNAT's claim as founded. The Superior Court declared the first-instance judgment null and void and ordered a new ruling to be issued. An oral hearing has been scheduled for November 11, 2022.

Management, based on the opinion of its legal advisors, believes that the contingency is remote.

Subsequently, on March 2, 2021, the Company was notified with IR No. 0150150002700 by means of which SUNAT is in alleged compliance with TCR No. 6575-10-2019. However, the Company disagreeing with the provisions of SUNAT, on March 23, 2021, filed an appeal, which is pending resolution.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as probable regarding the PDC, while Carve out is possible.

(b) Generals Sales Tax for 2010 Financial Year

Regarding the GST for the year 2010, on December 23, 2010, the Company challenged TCR No.7639-9-2010, after which the following objections were ruled on unfavorably: (i) lapsing of the term of commencement of the collection power of DR Nos. 012-003-0076597 to 012-003-0076608 and FR No.012-002-0029133, and (ii) excess recreational expenses that are not deductible according to Income Tax rules. On October 01, 2021, the oral hearing was heard in the first instance. The corresponding ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income tax for the 2009 Fiscal Year

On February 27, 2020, the Company received notification of TCR No. 12147-4-2019, by means of which the TC withdrew the following objections: (i) expenses accrued in the year invoiced and/or received extemporaneously, (ii) roaming services supported by payment vouchers received extemporaneously, and (iii) deduction not accepted for operations not accrued according to the IAS, while the TC maintained the following objections: (i) unsubstantiated credit notes linked to the El Pacífico Peruano - Switzerland Cia - others, (ii) expenses for ITF that does not comply with the principle of causality, and, in addition, (iii) incidence of objections made to Telefónica Móviles for depreciation of fixed assets. As the Company does not agree with that resolved by the TC, on May 27, 2020, it filed an administrative appeal. On September 9, 2021, the Oral Hearing was carried out. A decision on the same is still pending.

Management believes, based on the opinions of its legal advisors, the contingency qualifies as remote.

(d) Income Tax for the 2004 Financial Year

Regarding the Income Tax for the 2004 financial year, on May 24, 2020, the Company filed an administrative appeal requesting the partial nullity of TCR No. 10982-9-2019 insofar as that it decided to revoke IR No. 0150140009010 in relation to: (i) inadmissibility of the review appeals Nos. 012-003-0019178 and 012-003-0019180; (ii) tax credit linked to the expenses recorded by a credit line contract (with a base of S/51,072); and (iii) default interest; which were unfavorable to

Company interests. On October 28, 2021, a first-instance judgment declared the claim for default interest to be founded and unfounded regarding the tax credit. The Company and SUNAT filed appeals for the corresponding unfavorable adjudications. To date, the scheduling of the Oral Hearing in the Supreme Court is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding the same year, the TC notified the Company of TCR No. 02663-1-2020 by means of which: (i) it declared the appeal filed on the application regarding elapsing as unfounded, and (ii) it upheld the IR insofar as the objection to the tax credit for excess recreational expenses. On October 22, 2020, the Company filed an administrative appeal against the aforementioned TCR. On August 24, 2022, the Oral Hearing was heard in the first instance. The decision is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as probable.

(e) Income Tax for the 2005 Financial Year

On October 16, 2020, the Company filed a lawsuit against the declaration of nullity of TCR No.01849-1-2020, which resolved the following objections unfavorably to Company interests: (i) expenses for unaccepted depreciation related to the cost of works in progress and other fixed assets transferred by the Company, (ii) PDC that was not the subject of the sample analyzed by SUNAT, (iii) interconnection expenses originating from calls with prepaid cards 147, and (iv) payments on account. On October 16, 2020, the Company filed an administrative appeal. On May 28, 2021, SUNAT responded to the lawsuit. The Oral Hearing was carried out in the first instance on June 23, 2022. The ruling on the same is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding TCR No. 01849-1-2020, SUNAT filed an administrative appeal regarding the objection of PDC that was not the subject of the sample. On October 01, 2021, the oral hearing was carried out in the first instance. The judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(f) Income Tax for the 2002 Financial Year

On October 6, 2021, the Company filed an administrative appeal against TCR No. 5586-4-2021 insofar as it dismissed the objections to: (i) expenses for "Depreciation and undue amortization" for allegedly not having credited the value of the cost; (ii) expenses for payments for commission services of sales of telephones, refunds, and related reclassifications, included under the expense "Retail Package Commission"; (iii) expenses for payments for miscellaneous services, refunds, and related reclassifications, included under the expense "Services provided by third parties - deduction for INTERCON"; (iv) maintenance and repair of equipment and cabins; and (v) miscellaneous local fees, local and others, fixed monthly charge, requested deductions, VAT for expenses that do not comply with causality. On December 6, 2021, SUNAT responded to the lawsuit. The Oral Hearing is scheduled for June 27, 2023.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Furthermore, on March 28, 2022, the Company received notification of TCR No. 1863-4-2022 that re-calculates and complies with TCR No. 5586-4-2021, which: (i) unduly applies the legal regime applicable to the acceptance of the incentive regime and makes various errors in the calculation of

the debt to be paid (uncontested debt), required as a condition for said acceptance, (ii) breaches the legal regime established for updating debts by applying the Consumer Price Index (CPI), and (iii) also presents various defects of due process and motive. As such, on June 28, 2022, an administrative litigation appeal was filed, and the lawsuit is pending a judgment.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(g) Income Tax for the 2005 Financial Year

On November 30, 2021, the Company filed an administrative appeal lawsuit against TCR No. 7061-3-2021 that upheld the following objections: (i) interim payments; (ii) modification of the coefficient; (iii) recognition of payments made in excess; and (iv) Fine Resolutions. On December 20, 2021, the exception of non-exhaustion of administrative means filed by SUNAT was notified, which was declared unfounded. On September 15, 2022, the Oral Hearing was heard in the first instance. The decision is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors overseeing the process, the contingency must be qualified as remote.

With regard to the same TCR, SUNAT filed a complaint against the objections that were ruled upon unfavorably: (i) modification of the coefficients applied for the determination of the payments on account of the Income Tax from January to December 2005, and (ii) recognition of the overpayments made in the months of March to May 2005, applied against the Income Tax of 2005, as well as the related fines. On December 31, 2021, the Company responded to the lawsuit. On October 13, 2022, the Oral Hearing was carried out in the first instance.

From the analysis carried out and ratified by the legal opinion of the external advisors overseeing the process, the contingency must be qualified as remote.

Regarding the same year, 2005, on January 4, 2022, the Company filed an administrative appeal against TCR No. 8157-4-2021 regarding the following objections: (i) unaccepted depreciation expense referring to the cost of the assets (with registration date of December 31, 2000) transferred by the Company and not substantiated by documents; and (ii) unaccepted tax depreciation expense referring to the cost of the assets not substantiated by documents, transferred by the Company. Additionally, we requested a ruling on the elapsing of the collection action in application of that resolved in the constitutional judgment of the case of Industrial Paramonga SAC. TDP also requested the non-application of default interest capitalized for the excessive period that it took the tax administration and the Tax Court to rule on the foregoing. On May 31, 2022, SUNAT responded to the lawsuit. On October 11, 2022, the Oral Hearing was carried out in the first instance.

From the analysis carried out and ratified by the legal opinion of the legal advisors, the contingency must be qualified as remote.

Regarding the same period, on February 4, 2022, the Company was notified with a SUNAT lawsuit requesting the nullity of TCR No. 08157-4-2021 corresponding to IR 2005-TM insofar as the decision to revoke IR No. 0150140009387 of November 30, 2020 regarding DR No. 012-003-0020174 on the challenge to "Amortization of intangibles not accepted." On May 18, 2022, the exception of lack of legitimacy to act that we filed was declared unfounded. On May 24, 2022, the Company filed an appeal against the resolution that rejects the exception of lack of legitimacy to act. On June 8, 2022, an Oral Hearing was scheduled for March 6, 2023 in the first instance.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

For its part, SUNAT filed an administrative appeal against TCR No. 1097-4-2022 regarding the IR for the 2006 financial year. On May 20, 2022, the lawsuit received a response and an exception was filed for lack of legitimacy to act actively by SUNAT insofar as the claim of full jurisdiction. An Oral Hearing was scheduled in the first instance for April 20, 2023.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

VII. Mobile Royalty

On February 27, 2012, the MTC notified the Company of the settlement of the annual payment of the mobile royalty for using the radio-electric spectrum corresponding to that year as per the General Regime, arguing that the Special Regime, to which Telefónica Móviles was subject at the time, was no longer applicable given its temporary nature.

As a consequence of the MTC's claim to apply the General Regime, the Company proceeded to: (i) file a claim before the MTC arguing that the Special Regime was the one that legally applied; and (ii) submit a complaint to INDECOP, arguing that the calculation methodology contained in the General Regime constituted a bureaucratic barrier.

The appeals lodged by the Company for the years 2012, 2013, and 2014 before the MTC were dismissed. Consequently, the Company filed appeals before the Tax Court, which are awaiting determination. The MTC is reluctant to make the files available. Furthermore, for the years 2015 and 2016, the Company filed claims before the MTC, which are pending determination by the TC.

The claim of bureaucratic barriers was ruled on in the last administrative instance on February 19, 2016 that declared that the calculation methodology contained in the General Scheme constituted a bureaucratic barrier and therefore was inapplicable for Telefónica. This determination applies not only for the year 2012, but also for subsequent financial years.

In the case of the mobile royalties corresponding to the years 2012, 2013, and 2014, the Company made the payments under protest per the calculations the MTC formulated. This occurred as the payments corresponding to the years 2015 and 2016 were not made due to obtaining a cautionary measure for the procedure of bureaucratic barriers and as a consequence of the definitive determination from INDECOP, respectively.

However, on January 18, 2017, the Company received notification of the requirement the MTC formulated for the payment of the royalties corresponding to the years 2015 and 2016. The decision was based on the existence of a cautionary measure ordering INDECOP to suspend the effects of the ruling that calculates the royalties according to the General Scheme that constituted a bureaucratic barrier. The same specified the requirement that if the payment was not made within the term granted, the respective coercive collection actions would proceed.

On January 27, 2017, the Company responded to the aforementioned requirement stating that (i) as at that date, it had not been notified of any cautionary measure; (ii) it had not received any INDECOP resolution that ordered the suspension of the effects of its determination; and (iii) pursuant to the provisions of Articles 136 and 115 of the Tax Code, Article 16, subparagraph e) of the Coercive Enforcement Procedure Act, and paragraph 28, Article III4 of the Directive approved by Supreme Decree No. 036-2010-MTC, it was not possible to initiate any coercive collection action as the Company had submitted, within the established legal deadlines, claims before the MTC for the years 2015 and 2016.

On 7 March, the coercive enforcer suspended the enforcement proceedings. However, in order to avoid a possible allegation by the Ministry that Telefónica would not be paying the royalties and thus starting a procedure to lose the concession, Telefónica proceeded to pay the 2015 and 2016 periods for the corresponding amounts of S/ 50,787,968 and S/ 52,107,136.

On September 24, 2020, the Supreme Court declared the MTC's cassation appeal founded, and consequently the judgment of the Superior Court was overruled. On February 3, 2021, the judgment of the Superior Court declared the claim as unfounded. On February 18, 2021, we learned that the MTC had filed a cassation appeal (we have not yet been notified). On September 1, 2022, the Oral Hearing was held before the Supreme Court.

Company Management and its legal advisors estimate that there are legal arguments to indicate that the final determination issued in the administrative appeal process promoted by the MTC against the INDECOPi decision will be favorable. If so, any favorable result derived from the aforementioned administrative appeal proceeding will not have a significant impact on the Company's financial statements.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

VIII. Telefónica Multimedia Income Tax for the 2007, 2010, 2012, 2013, and 2014 Financial Years

As a result of the audits of Telefónica Multimedia for the years 2007, 2010, 2012, 2013, and 2014, SUNAT issued various resolutions at the administrative level for alleged omissions to the RI for the aforementioned periods.

Since it disagreed with SUNAT's decision, Telefónica Multimedia filed a claim and, in other cases, proceeded to pay the amounts received.

(a) Income tax for the 2012 Financial Year

As for the 2012 financial year, on June 17, 2015, SUNAT issued DR Nos. 012-003-0059229 to 0059241, and FR Nos. 012-002-0025995 to 0025997. The main remedy undertaken by SUNAT corresponds to the expenses that are supported with documentation and that were received after the presentation of the sworn statement. Not agreeing with what was handed down in the DRs and FRs, Telefónica Multimedia filed an appeal that was dismissed.

In ruling on the appeal filed by the Company, the TC: (i) voided the main objection, linked to the expenses that are substantiated by receipts received after the sworn statement, and (ii) the remaining objections were upheld and are awaiting the issuance of the SUNAT compliance resolution.

Against the aforementioned TCR, on December 11, 2020, the Company filed an administrative appeal regarding the following objections that were resolved unfavorably for the Company: (i) income considered unduly deferred and that accrued in 2012; (ii) provision of expenses not accepted as they had not been substantiated; (iii) default interest on account payments from March to December 2013; and (iv) Fine Resolutions regarding Income Tax and its payments on account. On January 18, 2022, the Oral Hearing was heard in the first instance. The ruling is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors overseeing the process, the contingency must be qualified as remote.

Subsequently, within the same administrative procedure, on December 1, 2020, the Company was notified with IR No.0150150002586 issued in compliance with the TCR detailed in the previous paragraph. However, as the Company disagreed with SUNAT, it lodged an appeal with the TC. Consequently, on July 21, a payment amounting to S/8,745,678 was made.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(b) Income Tax for the 2014 Financial Year

Regarding the 2014 financial year, on April 24, 2019, the Company filed an administrative appeal challenging TCR No. 149-4-2019 by which IR No. 0150140014378 was upheld. The IR declared the claim made against payment orders No. 011-001-0123981 to 011-0123989 drawn for the payments on account of the Income Tax from January to July, October and December 2014 to be unfounded.

On August 20, 2020, the Oral Hearing was carried out. On November 2, 2020, the first-instance judgment upheld the Company's claim, and consequently the TCR became null and void. As such, the payment of default interest due to the modification of the coefficient is not longer required. However, the Superior Court reversed the first-instance judgment by virtue of the SUNAT appeal, and declared our claim unfounded. On January 12, 2021, an appeal was filed against said judgment, which was declared admissible. The scheduling of the oral hearing is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income Tax for the 2007 Financial Year

On October 21, 2020, the Company received notification of a lawsuit filed by SUNAT by means of which it disputes the objections to financial expense for execution of a surety letter and expenses for payment of a cash promotion for the years 2005, 2006, and 2007. On January 13, 2022, the oral hearing was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Furthermore, the Company has several legal (labor and administrative), regulatory, and customs lawsuits that are being undertaken by its external and internal legal advisors. As of September 30, 2022, as stated in note 2.19, the Company has recorded the provisions required for the cases considered probable, leaving as possible contingencies an amount of S/789,285,000 (S/749,917,000 as of December 31, 2021). See note 21. Management and its legal advisors estimate that the individual outcome of the claims should not have a significant impact on the Company's financial statements.

34 SUBSEQUENT EVENTS

On December 31, 2021, the Company was notified with resolutions determining the income tax for the 2014 financial year. After evaluation by both internal and external legal advisors, these contingencies were qualified as possible. On September 14, 2022, we were notified with an IR where the tax administration confirmed a tax debt of S/401,253,000.

The meeting of the Board of Directors on October 3, 2022 approved the payment, under protest, of the contingencies related to the income tax for the period 2014. This was done in order to benefit from the gradual regime of discount in the fines, reducing the fines by 40%. On that date the amount of S/353,640,000 was paid, which includes tax, fines, and interest accrued up to the date of payment. Without prejudice to this fact, on October 4, 2022, the Company appealed this resolution since the payment made in October has not been recognized in the financial statements as of September 30, 2022.

Between September 30, 2022 and the date of approving the financial statements, there have been no significant subsequent events that in the opinion of Company management require any additional disclosure or any adjustment to the balances presented in the financial statements.

