

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS (UNAUDITED)
AS OF JUNE 30, 2023, AND DECEMBER 31, 2022

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 financial position statement and their respective reference to the notes of the financial statements.

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

	As of June 30 2023 S/000	As of December 31 2022 S/000
Trade accounts receivable, net (Note 7)	923,210	1,032,718
Contractual assets (Note 9)	<u>31,292</u>	<u>37,356</u>
	<u><u>954,502</u></u>	<u><u>1,070,074</u></u>

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

	As of June 30 2023 S/000	As of December 31 2022 S/000
Trade accounts receivable, net (Note 7)	1,338	982
Contractual assets (Note 9)	<u>2,057</u>	<u>2,264</u>
	<u><u>3,395</u></u>	<u><u>3,246</u></u>

- Code 1D0317, Short-term "Deferred income", includes:

	As of June 30 2023 S/000	As of December 31 2022 S/000
Deferred income (Note 22)	16,876	26,981
Contractual liabilities (Note 9)	<u>112,710</u>	<u>116,499</u>
	<u><u>129,586</u></u>	<u><u>143,480</u></u>

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

	As of June 30 2023 S/000	As of December 31 2022 S/000
Deferred income (Note 22)	40,508	48,479
Contractual liabilities (Note 9)	<u>34,921</u>	<u>49,818</u>
	<u><u>75,429</u></u>	<u><u>98,297</u></u>

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

	As of June 30 2023 S/000	As of December 31 2022 S/000
Property, plant and equipment (Note 13)	3,947,410	4,532,955
Right-of-use assets (Note 15)	<u>928,447</u>	<u>977,464</u>
	<u><u>4,875,857</u></u>	<u><u>5,510,419</u></u>

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

	As of June 30 <u>2023</u> S/000	As of December 31 <u>2022</u> S/000
Other financial liabilities (Note 17)	187,192	302,885
Financial lease liabilities (Note 18)	<u>396,764</u>	<u>401,086</u>
	<u><u>583,956</u></u>	<u><u>703,971</u></u>

- Code 1D0401, Long-term “Other financial liabilities”, includes:

	As of June 30 <u>2023</u> S/000	As of December 31 <u>2022</u> S/000
Other financial liabilities (Note 17)	2,388,411	2,494,500
Financial lease liabilities (Note 18)	<u>845,180</u>	<u>928,289</u>
	<u><u>3,233,591</u></u>	<u><u>3,422,789</u></u>

Profit and Loss Statement

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 statement.

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

	As of June 30 2023 S/000	As of June 30 2022 S/000
Fixed business income (Note 26)	1,567,335	1,740,160
Mobile business income (Note 27)	<u>1,664,353</u>	<u>1,816,314</u>
Total	<u><u>3,231,688</u></u>	<u><u>3,556,474</u></u>

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

	As of June 30 2023 S/000	As of June 30 2022 S/000
General and administrative expenses (Note 28)	1,892,212	2,085,813
Cost of equipment sales (Note 10(b))	505,012	559,526
Depreciation (Note 13)	386,892	457,727
Staff costs (Note 29)	285,068	286,794
Amortization (Note 14)	134,398	118,171
Right-of-use Depreciation (Note 15)	100,951	109,628
Impairment of fixed assets	<u>51,544</u>	<u>-</u>
Total	<u><u>3,356,077</u></u>	<u><u>3,617,659</u></u>

	As of June 30 2023 S/000	As of June 30 2022 S/000
Administrative expenses (2D0301)	3,327,777	3,581,179
Sales and distribution expenses (2D0302)	<u>28,300</u>	<u>36,480</u>
Total	<u><u>3,356,077</u></u>	<u><u>3,617,659</u></u>

TELEFONICA DEL PERU S.A.A.

NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2023, AND DECEMBER 31, 2022

1 GENERAL INFORMATION

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 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, and paid television services. 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 Jirón Domingo Martínez Luján 1130 Suquillo, Lima, Peru.

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 June 30, 2023, and December 31, 2022, the Company did not have subsidiaries, therefore it has not prepared consolidated financial statements.

1.2 Approval of Financial Statements -

The financial statements as of December 31, 2022 were approved by the General Shareholders Meeting held on March 28, 2023. The financial statements as of June 30, 2023 were approved by the Board of Directors on July 24, 2023.

1.3 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 Status, 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 June 30, 2023, and December 31, 2022, the main concession contracts that have been maintained are the following:

<u>Services</u>	<u>Location</u>	<u>Resolution Ministerial</u>	<u>Term</u>	<u>Start</u>	<u>Expiration</u>
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 process of evaluation by the MTC; the additional period to be renewed would be added to such expiration.

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

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

As of the date of the financial statements, the Group 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 based on baskets of services according to a formula of price 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.

The Supervisory Agency for Private Investment in Telecommunications of Peru (OSIPTEL by its initials in Spanish) established the Productivity Factor to be applied in three-year periods and specifies that it would be implemented in four rate adjustment procedures each year. For the period from September 2022 to August 2025, the Productivity Factor applicable to the rate adjustments corresponding to the quarters from September to November, December to February and March to May of each year will be inflation (no rate adjustments will be made). For the quarter from June to August, a Reference Factor of -2.95% will be applied to the rate adjustment; in this case, only if the annual variation of the Consumer Price Index (CPI) is greater or less than the absolute value of the Reference Factor +/- 1%, the corresponding rate adjustment will be made.

The rates for domestic calls from fixed to mobile phones are regulated by OSIPTEL Resolution No. 044-2011-CD/OSIPTEL, whereby a new rate system for such calls was approved and it was established that the determination of such rates corresponds to the concessionary companies of the Fixed Telephony Service; and by OSIPTEL Resolution No. 160-2011-CD/OSIPTEL, whereby it was determined that rate adjustments are applied every time adjustments are made to any of the charges that constitute such rate. On June 29, 2023, the current rate was published, which amounts to PEN 0.0004 per second, not including general sales tax. The previous rate in force since 2019 was PEN 0.0006 per second, not including general sales tax.

2 DETAIL OF MAIN ACCOUNTING POLICIES

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

2.1 Basis for Preparation -

The attached 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 June 30, 2023, and December 31, 2022.

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, based on the accounting records maintained by the Company, except for derivative financial instruments and other related accounts payable that are measured at fair value. The attached financial statements are presented in Soles (PEN) (functional and presentation currency), and all values have been rounded up to thousands, unless otherwise indicated.

The preparation of the financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. It 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 Regulations, Modifications, and Interpretations -

a) New regulations and modifications in force since January 1, 2023, adopted by the Company

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There have been no regulatory changes of mandatory application for the financial statements as of June 30, 2023 that the Company has considered for the preparation of these financial statements, except for the following:

- Disclosure of Accounting Policies. Amendments to IAS 1 and Practice Statement 2.
- 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 IAS 1. Classification of Liabilities as Current or Non-current.

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 of future years.

b) New standards, amendments to standards, and interpretations that are in force for the financial statements for annual periods beginning on or after January 1, 2023, and that have not been adopted in advance -

Certain regulations and modifications to regulations that have been published are mandatory for the year 2023 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:

- IFRS 17. Insurance Contracts.
- Amendments to IFRS 16. Lease Liability in a Sale and Leaseback.
- 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 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, 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 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 client, and a convergent offer (several aggregated and simultaneous telecommunications services). Thus, it is not applicable to present information on a segment basis.

2.4 Translation of Foreign Currency -

The Company has determined that its functional and presentation currency is the Sol. Transactions in foreign currency are those made in a currency different 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 in foreign currency at the exchange rates on the date of the statement of financial position, are recognized in the section "Net exchange difference (Loss)/ Profit ", in the income statement, except for those exchange differences in foreign currency transactions with cash flow hedges. These are directly recorded in the equity until the disposal of the same, at which time it is 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 interest pooling 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 a comparative basis, are included in the financial statements of the Company that remains 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. If the business model for the management of these assets changes, the Company undertakes reclassifications of its debt instruments

(ii) Recognition and derecognition -

Regular 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 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 consolidated 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 (loss)/profit 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 the purpose of 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 derecognised, 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 remeasured 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, the Company 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 as well as 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") are 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 not qualifying for hedge accounting are recognized immediately in the profit and loss statement.

As of June 30, 2023, and December 31, 2022, 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 (mobile phones, modems, pay television decoders, and fixed telephone equipment) and are valued at average cost. The cost includes the reclassification of the equity of any profit or loss in the hedges of qualified cash flows related to the purchases of inventories but excludes the costs of loans. In case there is a subsidy on the sale price of the mobile terminal equipment, 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 client contract period. As such, terminal equipment is 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 handsets, 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, in which its requirement is determined.

2.10 Property, 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 conditions.

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.

Similarly, 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:

<u>Description</u>	<u>Years</u>
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 that 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	According to the term of the concessions (See Note 1.3 (a))
Software	3 to 5

The period and the amortization method are reviewed periodically. Amortization 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 materialized in 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 gain (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 gain is presented at cost deducting an accumulated permanent impairment loss on its value. See Note 2.13. The Company determines the losses based on impairment tests carried out per each fiscal 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 gain 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 highest between the fair value (less costs to sell) and 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 on capital gain impairment per each presented period. 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 cannot 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 the ones related to cash 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 Associated investments (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 percent 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) Material transactions between the entity and its investee.
- iv) Interchange 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 June 30, 2023 and December 31, 2022, 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. Paid fees are recognized as transaction costs of financial obligations insofar as it is likely that part or all the financing will be carried out. In this case, the rate is postponed until the financing is provided. To the extent that there is no evidence that part or all the financing is likely to be provided, the rate is capitalized as a prepayment for obtaining-financing services and amortized over the period of the financing 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 the purpose of capitalizing financing costs are those whose preparation period exceeds eighteen months.

As of June 30, 2023 and December 31, 2022, the Company did not have assets in progress qualified for the purpose of capitalizing financing costs.

2.18 Staff Benefit -

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 personnel, 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 settle 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 expense.

The amount recorded as a provision is the best estimate, at the closing date, of the disbursement necessary to settle the present obligation. This best estimate will be the amount, valued in a rational manner, that the Company will have to pay to settle 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 possible outcome and financial effect are determined by the Company's judgement, 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 Financial statements.

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 expense. 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, unless 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 Taxes-

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 and 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 compute 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 that is related to items that are directly recognized in net equity. They are also recognized in net equity and not in the income statement. Management evaluates periodically 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 that, when in a business combination, 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 the difference can be used.

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 probable 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 paid television and equipment sales. The products and services can be sold separately or jointly in bundled services.

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 traffic consumed.

Connection and Installation Fees -

Revenue from connection and installation fees, originating from 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 a right material 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 (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) , note 2.9, is recognized when the signal from the equipment 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 bundled services that combine various elements are analyzed periodically to determine the necessity to separate such 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 landline telephones 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 apply. 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, at the expense of the periodic income for the provision of services in subsequent periods. The income is assigned proportionally to each item 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 or services to the customer, 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 incomes, 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 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 has 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 specific period, 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 specific 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 in which equity instruments are issued and some or all 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 gains/(loss) per share have been calculated based on the weighted average of the common shares outstanding as at the date of the financial position statement. As of June 30, 2023 and December 31, 2022, 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 Valuable Measurements -

The Company measures some of its financial instruments, such as other accounts payable to related entities and derivatives 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 assumes 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. Also, 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, 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, considering 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 excess liquidity.

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 several 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 considered. 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 of June 30, 2023			
Unexpired	572,581	43,947	616,528
Expired			
Up to 1 month	164,824	60,530	225,354
From 1 to 3 months	75,818	69,771	145,589
From 3 to 6 months	61,915	111,592	173,507
From 6 to 12 months	38,662	279,474	318,136
More than 12 months	10,748	5,438,724	5,449,472
Total	<u>924,548</u>	<u>6,004,038</u>	<u>6,928,586</u>
As of December 31, 2022			
Unexpired	651,234	45,912	697,146
Expired			
Up to 1 month	199,356	62,564	261,920
From 1 to 3 months	96,939	72,493	169,432
From 3 to 6 months	49,799	110,198	159,997
From 6 to 12 months	28,162	273,137	301,299
More than 12 months	8,210	5,256,316	5,264,526
Total	<u>1,033,700</u>	<u>5,820,620</u>	<u>6,854,320</u>

According to Management's opinion, there are no significant concentrations of credit risk as of June 30, 2023, and December 31, 2022.

As of June 30, 2023, the Company's Management has estimated that the maximum net amount of credit risk to which the Company is exposed amounts to approximately S/1,051,329,000 (S/1,154,184,000 as

of December 31, 2022), which represents the net book value of the accounts receivable and other financial assets.

i) 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 analysis in the following sections refer to positions for the six-month periods ended June 30, 2023 and 2022. Furthermore, they are based on the net amount of debt, the ratio of fixed interest rates, and the position of instruments in foreign currency remaining constant. The sensitivities in the profit or loss statement are the effect of the changes assumed in the respective market risk. This is based on financial assets and liabilities held as of June 31, 2023 and December 31, 2022, including the effect of hedge derivatives.

ii) Exchange Rate Risk -

The exchange rate risk is the fluctuation of the fair value for future cash flows of a financial instrument due to variations in the exchange rates. The Finance Management is responsible for identifying, measuring, controlling, and reporting the exposure to the Company's global exchange risk. The exchange risk arises when the Company presents mismatches between its active and passive positions in the different currencies in 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 June 30, 2023, the weighted average free-market exchange rates for transactions in US dollars were S/3.624 per US \$1 purchasing and S/3.633 for US \$1 selling (S/3.808 per US \$1 purchasing and S/3.820 for US \$1 selling at December 31, 2022) and for transactions in Euros, the rates were S/3.954 for €1 purchasing and S/3.984 for €1 selling (S/3.869 for €1 purchasing and S/4.360 for €1 selling as at December 31, 2022), respectively.

The result of maintaining balances in foreign currency for the Company for the six-month periods ended on June 30, 2023 and 2022, was a net gain/(loss) of approximately S/6,028,000 and S/2,328,000, respectively, which are presented in the item "Net Exchange Differences, see Note 31.

As of June 30, 2023 and December 31, 2022, the Company had the following assets and liabilities in foreign currency:

	As of June 30, 2023		As of December 31, 2022	
	US\$000	Euros000	US\$000	Euros000
Assets -				
Cash and cash equivalents	3,650	429	7,992	724
Trade accounts receivable, net	36,957	1,597	39,959	2,042
Other accounts receivable, net	<u>23,452</u>	<u>-</u>	<u>23,452</u>	<u>-</u>
	<u>64,059</u>	<u>2,026</u>	<u>71,403</u>	<u>2,766</u>
Liabilities -				
Financial lease liabilities	(104,617)	-	(111,098)	-
Trade accounts payable	(187,604)	(13,939)	(257,664)	(14,044)
Other accounts payable	<u>(23,968)</u>	<u>-</u>	<u>(23,992)</u>	<u>-</u>
	<u>(316,189)</u>	<u>(13,939)</u>	<u>(392,754)</u>	<u>(14,044)</u>

Derivatives purchase position (Reference value)	<u>237,814</u>	<u>12,669</u>	<u>326,885</u>	<u>14,819</u>
Monetary position, net	<u>(14,316)</u>	<u>756</u>	<u>5,534</u>	<u>3,541</u>

The Company hedges its exposure to the currency risk 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 exchange rates</u> %	<u>Effect on results before taxes</u>	
		<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>
Devaluation -			
Dollars	5	(2,601)	2,185
Dollars	10	(5,201)	4,370
Revaluation -			
Dollars	5	2,601	(2,185)
Dollars	10	5,201	(4,370)
Devaluation -			
Euros	5	149	(1)
Euros	10	299	(3)
Revaluation -			
Euros	5	(149)	1
Euros	10	(299)	3

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.

iii) Interest rate risk -

The interest rate risk is the fluctuation of the fair value or future cash flows of a financial instrument 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>Variable Rate (*) S/000</u>	<u>Fixed rate S/000</u>	<u>No interest S/000</u>	<u>Total S/000</u>	<u>Average Interest Rate %</u>
As of June 30, 2023					
Financial assets					
Cash and cash equivalents	201,068	-	-	201,068	7.40
Trade accounts receivable, net	-	351,967	572,581	924,548	3.89
Contractual assets	-	-	33,349	33,349	-
Other accounts receivable to related Entities	-	16,569	-	16,569	5.22
Other accounts receivable, net (**)	-	-	126,781	126,781	-
Financial liabilities					
Other financial liabilities	562,743	2,012,356	504	2,575,603	6.45
Financial lease liabilities	396,764	845,180	-	1,241,944	6.09
Trade accounts payable	-	-	1,744,173	1,744,173	-
Other accounts payable to related entities	-	497,032	8,273	505,305	6.46
Other accounts payable	-	-	38,961	38,961	-

As of December 31, 2022

Financial assets					
Cash and cash equivalents	432,987	-	-	432,987	6.15
Trade accounts receivable, net	-	382,466	651,234	1,033,700	3.03
Contract assets	-	-	39,620	39,620	-
Other accounts receivable, net (**)	-	-	120,484	120,484	-
Financial liabilities					
Other financial liabilities	665,760	2,131,121	504	2,797,385	6.53
Financial liability for lease	401,086	928,289	-	1,329,375	4.98
Trade accounts payable	-	-	2,008,234	2,008,234	-
Other accounts payable to related entities	-	380,821	10,236	391,057	7.95
Other accounts payable	-	-	41,667	41,667	-

(*) 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.

(**) Does not include advance payments or taxes.

Shown below is the consolidated income statement's sensitivity, which is due to the possible effect of interest rate changes on pre-tax financial expenses for the period, before income tax, assuming that the financial liabilities on June 30, 2023 and 2022 will be renewed upon expiration, and will be maintained for the remainder of the following year:

<u>Changes in basis points</u>	<u>Effect on results before tax</u>	
	<u>As of June 30, 2023 S/000</u>	<u>As of June 30, 2022 S/000</u>
+(-)50	(-)+1,896	(-)+1,746
+(-)100	(-)+3,792	(-)+3,492
+(-)200	(-)+7,584	(-)+6,984

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 may not be able to meet its payment obligations related to financial liabilities at maturity and replace the funds when they are withdrawn, as well as meet the result of controversies and contingencies, which are presented in the short term as the main proceedings are pending final instance judgment. (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 Group's Management focuses its efforts on maintaining financing sources through the availability of credit lines and the registration of corporate bond programs and commercial papers and, if applicable, requesting financing from its main shareholder, among other alternatives that allow refinancing potential short-term obligations.

The Group maintains a negative working capital generated mainly by short-term classified contingency provisions, most of which have already been resolved. However, its settlement depends on various instances resolutions, both administrative and judicial. See note 33(b). Moreover, as of June 30, 2023, the Group maintained available credit lines for USD 95,434,000. Additionally, the Group obtained loans from Telefónica Hispanoamérica S.A., which were partially capitalized. See notes 23(e) and 25(a) and (b). Likewise, the Company recorded a net loss as of June 30, 2023 and December 31, 2022 due to tax disputes resolutions mentioned in note 33(b) and the high competition in the sector. However, the Group estimated that it will reverse this situation through the growth of revenues and value clients, operational efficiencies and the strengthening of fixed services, considering that the Group had a solid share in the fixed telephony services. In the telecommunications sector, fixed and mobile telephony services usually operate with a negative working capital, given that the average period of payment to suppliers is greater than the average period of collection from clients.

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:

	<u>Less than 3 months S/000</u>	<u>3 to 12 months S/000</u>	<u>1 to 5 years S/000</u>	<u>More than 5 years S/000</u>	<u>Total S/000</u>
As of June 30, 2023					
Other financial liabilities	47,535	139,657	2,280,320	108,091	2,575,603
Financial lease liability	114,155	342,124	763,981	214,286	1,434,546
Trade accounts payable	1,744,173	-	-	-	1,744,173
Other accounts payable to related entities	7,687	497,032	586	-	505,305
Other accounts payable	38,961	-	-	-	38,961
Total cash flows from liabilities	<u>1,952,511</u>	<u>978,813</u>	<u>3,044,887</u>	<u>322,377</u>	<u>6,298,588</u>

	<u>Less than 3 months S/000</u>	<u>3 to 12 months S/000</u>	<u>1 to 5 years S/000</u>	<u>More than 5 years S/000</u>	<u>Total S/000</u>
As of December 31, 2022					
Other financial liabilities	42,885	260,000	2,232,808	261,692	2,797,385
Financial lease liability	116,810	330,678	802,224	268,274	1,517,986
Trade accounts payable	2,008,234	-	-	-	2,008,234
Other accounts payable to related entities	5,063	380,821	5,173	-	391,057
Other accounts payable	41,667	-	-	-	41,667
Total cash flows from liabilities	<u>2,214,659</u>	<u>971,499</u>	<u>3,040,205</u>	<u>529,966</u>	<u>6,756,329</u>

The above table does not include the contingency provisions for a value of S/3,463,254,000 and S/4,191,060,000 as of June 30, 2023 and December 31, 2022, respectively, as their settlement is subject to various instances resolutions in the short term as described in 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:

	<u>Less than 3 months S/000</u>	<u>From 3 to 12 months S/000</u>	<u>Total S/000</u>
As of June 30, 2023			
Income	982,626	69,003	1,051,629
Expenses	(1,012,196)	(72,348)	(1,084,544)
Net flow	(29,570)	(3,345)	(32,915)
Discounted net flow	(14,453)	(2,851)	(17,304)
As of December 31, 2022			
Income	1,311,184	1,235	1,312,419
Expenses	(1,334,378)	(1,244)	(1,335,622)
Net flow	(23,194)	9)	(23,203)
Discounted net flow	(18,836)	2)	(18,838)

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 correspond to Equity, as shown in the statement of financial position, plus net debt.

As of June 30, 2023 and December 31, 2022, the leverage indicator was as follows:

	As of June 30, 2023	As of December 31, 2022
	S/000	S/000
Total indebtedness	6,230,054	6,781,084
Minus: Cash and cash equivalents	(201,068)	(432,987)
Net Debt (A)	6,028,986	6,348,097
Total equity (B)	1,551,275	992,620
Leverage ratio (A/B)	3.89	6.40

As of June 30, 2023 and December 31, 2022, there were no changes in the activities and policies of capital management in the Company. The Company's leverage ratio decreased because of the increase in equity due to the capitalization of loans, see note 25.

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 by level of the fair value hierarchy:

	Value of quotation in active markets	Significant observable variables	Significant non-observable variables	
	Level 1	Level 2	Level 3	Total
	S/000	S/000	S/000	S/000
As of June 30, 2023				
Financial liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	17,304	-	17,304
Total financial liabilities	-	17,304	-	17,304
As of December 31, 2022				
Financial liabilities-				
Derivative financial instruments:				
Foreign currency forward	-	18,838	-	18,838
Total Financial liabilities	-	18,838	-	18,838

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 future 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 consider 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 consider 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 June 30, 2023 and December 31, 2022.

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:

	Significant observable variables Level 2 S/000	Liabilities at amortized cost S/000	Total book value S/000	Total fair value S/000
As of June 30, 2023				
Financial liabilities -				
Liabilities from derivative financial instruments	17,304	-	17,304	17,304
Bonds issued and debts and loans that accrue interest	-	2,575,603	2,575,603	2,246,386
Financial liability from leasing	-	1,241,944	1,241,944	1,241,944
Other accounts payable to Related entities	-	505,305	505,305	505,400
Total financial liabilities	<u>17,304</u>	<u>4,322,852</u>	<u>4,340,156</u>	<u>4,011,034</u>
As of December 31, 2022				
Financial liabilities -				
Liabilities from derivative financial instruments	18,838	-	18,838	18,838
Bonds issued and debts and loans that accrue interest	-	2,797,385	2,797,385	2,539,733
Financial liability from leasing	-	1,329,375	1,329,375	1,329,375
Other accounts payable to Related entities	-	391,057	391,057	393,047
Total financial liabilities	<u>18,838</u>	<u>4,517,817</u>	<u>4,536,655</u>	<u>4,280,993</u>

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 similar to its fair value, as trade accounts receivable and other accounts receivable. This assumption also applies to time 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 ESTIMATES AND CRITICAL ACCOUNTING CRITERIA

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make significant judgments, estimates, and assumptions to determine the reported figures of assets and liabilities, the exposure of contingent assets and liabilities on the date of the consolidated financial statements, as well as the reported figures of income and expenses for the six-month periods ended on June 30, 2023 and 2022.

In Management's opinion, these estimates were made based on 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's 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:

- Estimate 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 intangibles other than capital gain (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 and 7(b).
- 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.
- Estimate for uncertainties and judgements 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.

5 FINANCIAL INSTRUMENTS

The classification of financial instruments by category is as follows:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Financial assets at amortized cost per statement of financial position:		
- Cash and cash equivalents	201,068	432,987
- Trade and other accounts receivable (*)	1,051,329	1,154,184
- Contractual assets	<u>33,349</u>	<u>39,620</u>
	<u>1,285,746</u>	<u>1,626,791</u>
Financial liabilities at amortized cost per statement of financial position:		
- Financial obligations	2,575,603	2,797,385
- Finance lease liability	1,241,944	1,329,375
- Trade and other accounts payable (*)	1,765,830	2,031,063

- Other accounts payable to related entities	<u>505,305</u>	<u>391,057</u>
	<u>6,088,682</u>	<u>6,548,880</u>

(*) Does not include advances or taxes.

The maximum exposure to credit risk as of June 30, 2023 and December 31, 2022 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 June 30, 2023	As of December 31, 2022
	<u>S/000</u>	<u>S/000</u>
Fixed funds	323	314
Current and saving accounts (b)	138,789	226,235
Term deposits (c)	15,000	187,000
Trust fund (d)	<u>46,956</u>	<u>19,438</u>
	<u>201,068</u>	<u>432,987</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(i). Saving 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 June 30, 2023 and December 31, 2022, they include deposits in national currency in various national banks. These time deposits are remunerated at current market rates.

(d) It 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 of June 30, 2023 and December 31, 2022, the trust includes only cash.

(e) There were no restrictions on the balances of cash and cash equivalents as of June 30, 2023 and December 31, 2022.

7 COMMERCIAL ACCOUNTS RECEIVABLE, NET

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

	As of June 30, 2023	As of December 31, 2022
	<u>S/000</u>	<u>S/000</u>
Fixed business subscribers	3,231,605	3,104,810
Mobile business subscribers	2,662,987	2,699,011
Data and information technology	513,059	532,270
Distributors, agencies and large areas	161,203	175,454
Wholesaler – Interconnection and correspondents	157,116	153,472

Related companies, Note 23(d)	113,033	92,231
Others	<u>89,583</u>	<u>97,072</u>
	6,928,586	6,854,320
Minus – Estimate for doubtful accounts (c)	(<u>6,004,038</u>)	(<u>5,820,620</u>)
	924,548	1,033,700
Minus – Non-current portion (d)	(<u>1,338</u>)	(<u>982</u>)
Current portion	<u>923,210</u>	<u>1,032,718</u>

- (b) Commercial accounts receivable (net) generate interest after maturity. The items of internet, fixed and public telephony, paid 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 billed in US dollars.

As of June 30, 2023, trade receivables include estimates for unbilled services rendered for approximately S/77,319,000 (S/ 74,259,000 as of December 31, 2022). The Company's Management estimates that these items will be fully invoiced in the first half year of 2023.

As of June 30, 2023, the Company had approximately 1,068,000 fixed and public telephony lines in service, 4,635,000 postpaid mobile telephony lines 1,860,000 connections in broadband service, and approximately 1,071,000 paid television accesses (,235,000, 4,574,000, 1,934,000 and 1,184,000, respectively as of December 31, 2022).

- (c) The estimation movement for doubtful accounts as of June 30, 2023 and December 31, 2022, is as follows:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Opening balance	5,820,620	5,468,244
Allocation for the period, Note 28(a)	233,221	411,365
Punishments	(21,773)	(33,748)
Net Exchange Differences	(<u>28,030</u>)	(<u>25,241</u>)
Closing balance	<u>6,004,038</u>	<u>5,820,620</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 of June 30, 2023 and as of December 31, 2022, the accounts receivable from financed sales of mobile terminals and equipment related to internet, exchange, and paid television services, which have expirations of up to 24 months were included. 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.

8 OTHER ACCOUNTS RECEIVABLE, NET

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

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Collection Rights for Enforcement Actions (b)	142,634	141,992
Subsidies receivable (d)	76,808	85,163
Guarantee deposits	21,250	12,328
General sales tax credit	16,853	7,065
Loans to staff, note 23(g)	12,384	11,993
Compensations, note 30(d)	10,908	-
Sale of assets (f)	3,034	3,412
Loans to third parties	-	3,809
Others	<u>40,466</u>	<u>41,608</u>
	324,337	307,370
Minus – Estimate for doubtful accounts (e)	(<u>168,319</u>)	(<u>167,828</u>)
	283,826	350,212
Minus – Non-current portion	(<u>84,772</u>)	(<u>92,347</u>)
Current portion	<u><u>199,054</u></u>	<u><u>257,865</u></u>
 Financial Assets Classified as		
Other accounts receivable	126,781	120,484
Non-financial assets classified as		
Other accounts receivable	<u>29,237</u>	<u>19,058</u>
	<u><u>156,018</u></u>	<u><u>139,542</u></u>

(b) The collection rights for coercive executions mainly correspond to seizures of Company assets without a court ruling made by several municipalities at a national level. 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) It corresponds mainly to the Lambayeque Project: a contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the National Telecommunications Program – PRONATEL, previously known as Investment Fund in Telecommunications - FITELE), 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 Company'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.

(d) The other accounts receivable is denominated in national and foreign currency and do not generate interest.

(e) The other accounts receivable was 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 cooper and properties mainly with Andean Telecom Partners S.R.L. made in March 2023 and December 2022.

9 ASSETS AND LIABILITIES RELATED TO CLIENT CONTRACTS

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

(a) Contractual Assets:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Sales of terminals. Note 2.23	33,349	39,620
Minus – non-current portion	(2,057)	(2,264)
Current portion	<u>31,292</u>	<u>37,356</u>

(b) Contract liabilities:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Fixed and mobile telephone services. Note 2.23	64,891	54,024
Deferred installation fee. Note 2.23	39,168	51,802
IRU Access Rights (c)	28,417	43,520
Companies Project	13,680	15,494
Others	<u>1,475</u>	<u>1,477</u>
	147,631	166,317
Minus – non-current portion	(34,921)	(49,818)
Current portion	<u>112,710</u>	<u>116,499</u>

(c) It corresponds to the irrevocable rights of unrestricted use (IRU) 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 June 30, 2023 S/000	As of December 31, 2022 S/000
Goods and supplies	201,055	162,306
Inventories receivable	<u>62,949</u>	<u>39,564</u>
	264,004	201,870
Minus – Estimate for Inventory Devaluation (c)	(9,617)	(11,723)
	<u>254,387</u>	<u>190,147</u>

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

- (b) The cost of inventories sold for the six-month period ended on June 30, 2023, was approximately S/505,012,000 (S/559,526,000 for the six-month period ended on June 30, 2022) and is presented in the item "Cost of sale of equipment" in the income statement.
- (c) The movement for the inventory impairment estimate as of June 30, 2023 and December 31, 2022, is as follows:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Opening balance	11,723	13,870
(Recovery) provision for impairment of inventories, net. Note 28	(2,106)	(2,147)
Closing balance	<u>9,617</u>	<u>11,723</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 time is presented below:

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Customer acquisition expense (c)	485,646	413,333
Deferred costs of compliance obligation (b)	330,046	351,876
Maintenance of licenses and computer equipment	43,289	28,778
Annual fee (e)	28,530	-
Insurance paid in advance	13,466	5,247
Advances granted to suppliers	5,213	17,059
Advance Payments for Right of Access (d)	2,585	2,785
Advertising paid in advance	332	3,034
Others	<u>67,678</u>	<u>90,544</u>
	976,785	912,656
Minus – Non.current portion	(402,859)	(402,815)
Current portion	<u>573,926</u>	<u>509,841</u>

- (b) It includes the costs of Pay TV modems and decoders. These devices are provided to the client as part of the service, and which is deferred as they are compliance obligations in client contracts.
- (c) It 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 of June 30, 2023 and December 31, 2022, it includes access rights not classified as a lease under IFRS 16.
- (e) It corresponds to the non-accrued balance due to the use of the radioelectric spectrum, which is accrued during the year.

12 INVESTMENTS IN ASSOCIATED COMPANIES

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

	Activity	Percentage of shareholding in equity		Value of equity shareholding	
		As of June 30, 2023	As of December 31, 2022	As of June 30, 2023	As of December 31, 2022
		%	%	S/000	S/000
In associates:					
Internet para Todos S.A.C. (b)	Operate and provide all types of telecommunications.	54.67	54.67	<u>230,418</u>	<u>222,695</u>
				<u>230,418</u>	<u>222,695</u>
Other Share Investments:					
Wayra Perú Aceleradora de Proyectos 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>230,896</u>	<u>223,173</u>

(b) 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 share capital 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, the Company diluted its share to 54.67% of the IPT shares, and lost control of the subsidiary, thereby becoming an associate.

The following table shows the summary of the main items of the associate financial statements as of May 31, 2023 (closest available information) and as of December 31, 2022.

	<u>As of May 31, 2023 S/000</u>	<u>As of December 31, 2022 S/000</u>
Assets	596,181	584,833
Liabilities	174,711	177,489
Equity	421,470	407,344
Profit/Loss for the year	(8)	(23,744)

13 PROPERTY, PLANT AND EQUIPMENT, NET

(b) 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 other S/000	Furniture and goods S/000	Works in progress and units to be received (b) S/000	Total S/000
Cost							
As of January 1, 2022	86,690	1,205,019	26,143,199	1,084,869	125,427	500,119	29,145,323
Additions	-	-	8,740	-	-	337,164	345,904
Transfers	-	39,113	453,763	5,102	2	(497,980)	-
Transfers of intangible assets. Note14(a)	-	-	-	-	-	78,547	78,547
Others	-	151	167	-	-	-	318
Transfers	(1,302)	1,302	17,536	(28,828)	30	11,262	-
Withdrawals and sales. Note 30	(5,305)	(54,284)	(223,169)	(6,289)	-	-	(289,047)
As of December 31, 2022	80,083	1,191,301	26,400,236	1,054,854	125,459	429,112	29,281,045
Additions	-	-	1,374	-	-	128,702	130,076
Transfers	-	896	331,984	10,542	-	(343,422)	-
Transfers of intangible assets. Note14(a)	-	-	-	-	-	99,264	99,264
Transfers	-	16	(18,701)	(24)	-	27,259	8,550
Available assets for sale (c)	-	-	(676,409)	-	-	(12,623)	(689,032)
Withdrawals and sales. Note 30	(96)	(664)	-	-	-	-	(760)
As of June 30, 2023	<u>79,987</u>	<u>1,191,549</u>	<u>26,038,484</u>	<u>1,065,372</u>	<u>125,459</u>	<u>328,292</u>	<u>28,829,143</u>
Accrued Depreciation							
As of January 1, 2022	-	911,646	22,061,948	1,032,398	118,911	-	24,124,903
Depreciation for the period	-	45,812	827,888	12,681	2,193	-	888,574
Others	-	139	129	-	-	-	268
Withdrawals and sales. Note 30	-	(36,929)	(222,437)	(6,289)	-	-	(265,655)
As of December 31, 2022	-	920,668	22,667,528	1,038,790	121,104	-	24,748,090
Depreciation for the period	-	20,969	359,909	5,237	777	-	386,892
Transfers	-	-	43	(6)	-	-	37
Available assets for sale (c)	-	-	(253,023)	-	-	-	(253,023)
Withdrawals and sales. Note 30	-	(263)	-	-	-	-	(263)
As of June 30, 2023	<u>-</u>	<u>941,374</u>	<u>22,774,457</u>	<u>1,044,021</u>	<u>121,881</u>	<u>-</u>	<u>24,881,733</u>
Accrued impairment							
As of January 1, 2022	-	-	-	-	-	-	-
As of December 31, 2022	-	-	-	-	-	-	-
Impairment of the year (c)	-	-	51,544	-	-	-	51,544
Available assets for sale (c)	-	-	(51,544)	-	-	-	(51,544)
As of June 30, 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net value							
As of December 31, 2022	<u>80,083</u>	<u>270,633</u>	<u>3,732,708</u>	<u>16,064</u>	<u>4,355</u>	<u>429,112</u>	<u>4,532,955</u>
As of June 30, 2023	<u>79,987</u>	<u>250,175</u>	<u>3,264,027</u>	<u>21,351</u>	<u>3,578</u>	<u>328,292</u>	<u>3,947</u>

- (b) As of June 30, 2023 and December 31, 2022, the works in progress were mainly constituted by 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 the Management expects to complete in the short term.
- (c) As of June 30, 2023, the Company classified the fiber-to-the-home (hereinafter "FTTH") network services as assets held for sale, since the Group will sell these services to the Pangeaco S.A.C. (hereinafter "Pangea"). The Company will also execute with Pangea agreements for the granting of rights of use over the infrastructure and the provision of complementary services and others linked to the operations.

The agreements regarding the aforementioned operations are subject to the Company's corporate approvals and will take place in a context where Telefónica Hispanoamérica, S.A. (hereinafter "Telefónica Hispam"), the Company's main shareholder, executed in July 2023 with a subsidiary of Kohlberg Kravis Roberts – KKR & Co, Inc. (hereinafter "KKR") and with Entel Perú S.A. (hereinafter "Entel Perú") agreements for share subscription which allowed both companies to acquire 54% and 10%, respectively, of share capital of Pangea, a wholesale fiber optic company in Peru, thus reducing Telefónica Hispam's share capital to 36%. The aforementioned transaction is subject to the approval of the authority that regulates free competition.

Due to the foregoing, the Company classified said assets as held for sale. These assets are measured at the lower of their carrying amount or their fair value less costs to sell. The criteria for held for sale classification is considered as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision will be withdrawn. Management should be committed to a decision to sell the assets and the sale is expected to be completed within one year from the date of the classification.

The Company estimated to obtain S/ 384,465,000 plus VAT for the sale of the assets. This amount is within the range of fair value according to the report of an independent third party prepared by virtue of literal c) of article 53 of the Securities Market Law. As of June 30, 2023, the net carrying amount of the assets to be transferred amounted to S/ 436,009,000; consequently, an impairment of S/ 51,544,000 was recognized as of said date.

- (d) As of June 30, 2023 and December 31, 2022, Management carried out an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In their view, it was not necessary to establish any estimate as of the date of the statement of financial position, except for the provisions of section (c), Management recognized an impairment for certain assets that constitute the fiber optic network.
- (e) As of June 30, 2023 and December 31, 2022, the Company maintained valid insurance policies to provide reasonable coverage for possible risks on fixed assets that may be affected by exploitation, including adequate limits and coverage, in accordance with the procedures established by the Management.

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 under development(d) S/000	Total S/000
Cost				
As of January 1, 2022	7,810,328	2,490,147	274,037	10,574,512
Additions	-	-	244,710	244,710
Transfer	-	52,926	(52,926)	-
Transfer to Works in Progress. Note13(a)	-	-	(78,547)	(78,547)
Withdrawals	-	(10,717)	-	(10,717)
As of December 31, 2022	7,810,328	2,532,356	387,274	10,729,958
Additions	-	-	64,705	64,705
Transfer	-	185,895	(185,895)	-
Transfer to Works in Progress. Note 13(a)	-	-	(99,264)	(99,264)
Transfer	-	(34)	(8,516)	(8,550)
As of June 30, 2023	7,810,328	2,718,217	158,304	10,686,849
Accumulated amortization				
As of January 1, 2022	6,295,401	2,376,874	-	8,672,275
Amortization for the period	156,794	83,387	-	240,181
Withdrawals	-	(10,717)	-	(10,717)
As of December 31, 2022	6,452,195	2,449,544	-	8,901,739
Amortization for the period	78,397	56,001	-	134,398
Transfer	-	(37)	-	(37)
As of June 30, 2023	6,530,592	2,505,508	-	9,036,100
Net value				
As of December 31, 2022	1,358,133	82,812	387,274	1,828,219
As of June 30, 2023	1,279,736	212,709	158,304	1,650,749

(b) The concessions include:

- (i) The difference between the share acquisition cost and the fair value of the respective net assets of the Company Peruana de Teléfonos S.A. (CPT), acquired by the Company in 1994, allocated to the cost of the concession, which are amortized over a period of 33 years, due in December 2027.
 - (ii) Band A 1710-1730 Mhz y 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.
 - (iii) 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 as of June 30, 2023 and December 31, 2022 corresponds mainly to corporate systems for the commercial area, office applications, control equipment software, and network management, among others.
- (d) The software under development is mainly made up of support systems for the commercial areas, as well as software for control and network management equipment.
- (e) As of June 30, 2023 and December 31, 2022, the 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 of use of land and natural assets S/000	Rights of use for constructions S/000	Use rights for facilities for technical and machinery S/000	Others rights of use S/000	Total S/000
Cost					
As of January 1, 2022	718,675	657,968	202,452	33,099	1,612,194
Additions (b)	38,935	80,455	19,106	12,488	150,984
Transfers	(7,186)	9,417	639	(2,870)	-
Withdrawals	(2,422)	-	-	-	(2,422)
As of December 31, 2022	748,002	747,840	222,197	42,717	1,760,756
Additions (b)	(3,842)	51,543	6,770	(2,430)	52,041
Withdrawals	-	(157)	-	-	(157)
As of June 30, 2023	744,160	799,226	228,967	40,287	1,812,640
Accrued Depreciation					
As of January 1, 2022	218,283	230,462	68,657	27,456	544,858
Depreciation for the period	83,711	110,862	39,573	4,704	238,850
Transfers	(601)	1,065	399	(863)	-
Withdrawals	(416)	-	-	-	(416)
As of December 31, 2022	300,977	342,389	108,629	31,297	783,292
Depreciation for the period	38,266	42,818	19,431	436	100,951
Withdrawals	-	(50)	-	-	(50)
As of June 30, 2023	339,243	385,157	128,060	31,733	884,193
Net Value					
As of December 31, 2022	447,025	405,451	113,568	11,420	977,464
As of June 30, 2023	404,917	414,069	100,907	8,554	928,447

- (b) During 2022, sales of assets with subsequent leasing were made, recognizing an addition for the right-of-use of S/10,182,000.

16 CAPITAL GAIN

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

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Opening balance	959,137	959,137
Closing balance	<u>959,137</u>	<u>959,137</u>

- (b) It corresponds to the higher value paid for the acquisition of 17.44% of shares of Telefónica Móviles Perú Holding S.A.A. and the entire share in Telefónica Empresas Perú S.A.A., as well as of the subsidiaries Star Global Com S.A.C. and Telefónica Multimedia S.A.C., 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 increase 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 covers five 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 June 30, 2023, the Company has been monitoring the financial objectives set forth in the business plan approved in 2021, which were reviewed in 2022, so it was not necessary to constitute an additional impairment adjustment.

Key assumptions used in calculations of value in use –

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

- (i) Long-term OIBDA (Operating Income before Depreciation and Amortization) gross margin.
- (ii) Discount rate
- (iii) Market share and
- (iv) Perpetual growth rate used to extrapolate cash flows that go beyond the budget period.

Gross margin -

It 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 Group's gross margin (OIBDA) remained between 24% and 25.7%, upon consideration of the most conservative margin for the impairment test.

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 based on market information available to the public.

As of June 30, 2023 and December 31, 2022, the pre-tax discount rate used was 14.75% and the post-tax discount rate was 10.40%.

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. The Management expects the Company's market share to remain stable during the budgeted period.

Perpetual growth rate -

This rate is based on published market research and trends in the telecommunications sector. The growth rate as of June 30, 2023 and December 31, 2022, 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 carrying 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 2022 (keeping all other assumptions constant) would result in a decline of the recoverable value of S/146,534,000 and S/398,766,000 respectively, in which case it would not generate an impairment in the value of the assets. The assumptions used to estimate the value in use of the assets are considered prudent under the current circumstances, therefore no deviations in estimates that could have a significant effect on the Company's financial statements as of June 30, 2023 are expected.

17 OTHER FINANCIAL LIABILITIES

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

	<u>As of June 30, 2023</u>			<u>As of December 31, 2022</u>		
	<u>Current portion</u>	<u>Non-current portion</u>	<u>Total</u>	<u>Current portion</u>	<u>Non-current portion</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)	156,205	2,388,411	2,544,616	297,812	2,494,500	2,792,312
Short-term debt (17.2)	30,987	-	30,987	5,073	-	5,073
	<u>187,192</u>	<u>2,388,411</u>	<u>2,575,603</u>	<u>302,885</u>	<u>2,494,500</u>	<u>2,797,385</u>

(b) The movement of other financial liabilities as of June 30, 2023 and December 31, 2022 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>Payment of loans</u>	<u>Payment of interest</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>
2023							
Other financial liabilities	<u>2,797,385</u>	<u>-</u>	<u>(281,988)</u>	<u>(92,115)</u>	<u>104,419</u>	<u>47,902</u>	<u>2,575,603</u>
2022							
Other financial liabilities	<u>3,022,976</u>	<u>-</u>	<u>(295,283)</u>	<u>(196,328)</u>	<u>215,760</u>	<u>50,260</u>	<u>2,797,385</u>

17.1 Bonds -

(a) As of June 30, 2023 and December 31, 2022, the following bond issues remain in effect:

Program	Issue & series	Due Date	Authorized amount S/000	Used amount S/000	Total		Current portion As of June 30, 2023 S/000	Non-current portion		As of December 31, 2022 S/000	As of December 31, 2022 S/000
					As of June 30, 2023 S/000	As of December 31, 2022 S/000		As of December 31, 2022 S/000	As of June 30, 2023 S/000		
Fourth (*)	19th A	July, 2027	S/150,000	S/60,000	107,005	103,400	1,770	1,713	105,235	101,687	
Fourth (*)	19th B	April, 2028	(**)	S/49,000	82,808	80,025	446	440	82,362	79,585	
Fourth (*)	19th. C	July, 2028	(**)	S/20,000	33,644	32,511	467	453	33,177	32,058	
Fourth (*)	37th A	May, 2028	S/200,000	S/48,000	80,636	77,922	266	261	80,370	77,661	
Sixth (f)	11th A	June, 2023	S/400,000	S/260,000	-	261,039	-	261,039	-	-	
Sixth	11th B	April, 2024	(**)	S/120,000	121,707	121,732	121,707	1,732	-	120,000	
Sixth	15th A	October, 2024	S/135,000	S/135,000	136,520	136,545	1,520	1,545	135,000	135,000	
Sixth	16th A	April, 2025	S/400,000	S/105,120	106,219	106,239	1,099	1,119	105,120	105,120	
Sixth	17th A	May, 2030	S/250,000	S/60,000	75,203	72,673	290	285	74,913	72,388	
First (f)	1st A	October, 2026	S/200,000	S/80,000	81,155	81,179	1,155	1,179	80,000	80,000	
First (g)	Int. Issue	April, 2027	S/1,700,000	S/1,700,000	1,719,719	1,719,047	27,485	28,046	1,692,234	1,691,001	
Total					2,544,616	2,792,312	156,205	297,812	2,388,411	2,494,500	

(*) Annual interest rate with constant update value.

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

- (b) The bonds in PEN in force as of June 30, 2023 and December 31, 2022 accrued a weighted average annual interest rate of 7.09% and 7.05%, respectively. The weighted average spread of the inflation-indexed bonds in force as of June 30, 2023 and December 31, 2022, was 3.21%. Future interest payments will amount to S/81,929,000 by 2023, S/160,492,000 by 2024, S/ 125,972,000 by 2025, S/81,664,000 by 2026, S/34,426,000 by 2027 and S/10,873,000 thereafter.
- (c) As of June 30 31, 2023 and December 31, 2022, the bonds issued according to their contractual conditions have the following maturities:

Maturity Year	As of June 30, 2023			As of December 31, 2022		
	Interest S/000	Principal S/000	Total S/000	Interest S/000	Principal S/000	Total S/000
2023	36,205	-	36,205	37,812	260,000	297,812
2024	-	255,000	255,000	-	255,000	255,000
2025	-	671,730	671,730	-	671,730	671,730
2026	-	646,610	646,610	-	646,610	646,610
2027	-	664,250	664,250	-	659,468	659,468
2028	-	195,907	195,907	-	189,304	189,304
2029 onwards	-	74,914	74,914	-	72,388	72,388
Total	36,205	2,508,411	2,544,616	37,812	2,754,500	2,792,312

- 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 S.A.A.
- 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 S.A.A., until December 31, 2027.

Furthermore, within the same term, short-term instruments may be issued up to an amount of US \$550,000,000 in circulation 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 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 June 30, 2023 S/000</u>	<u>As of December 31, 2022 S/000</u>
Ministry of Transport and Communications (b)	S/	30,483	4,569
Phoenix Tower International Peru S.A.C. (c)	S/	504	504
		<u>30,987</u>	<u>5,073</u>
Composition of the debt			
Principal		<u>30,987</u>	<u>5,073</u>
		<u>30,987</u>	<u>5,073</u>

(b) Fractionation of the mobile fee for the period 2023, with monthly maturities until January 2024.

(c) In 2022, the Company recognized revenues of S/6,219,000 as established in the agreement entered into with Phoenix Tower International Peru S.A. In December 2021, the Company sold 42 towers and 19 buildings to Phoenix Tower International Perú S.A.C. for an amount of S/56,139,000 under an agreement. The Company recognized revenues of S/49,416,000 since the buyer had the right to return 10% and 2 facilities in accordance with the terms of the agreement.

18 FINANCE LEASE LIABILITIES

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

	<u>As of June 30, 2023</u>		<u>As of December 31, 2022</u>	
	<u>Foreign currency US\$000</u>	<u>Equivalent in national currency S/000</u>	<u>Foreign currency US\$000</u>	<u>Equivalent in national currency S/000</u>
Finance lease liability in foreign currency	104,617	380,074	111,098	424,394
Finance lease liability in national currency	-	<u>861,870</u>	-	<u>904,981</u>
		1,241,944		1,329,375
Minus- Non-current portion		<u>(845,180)</u>		<u>(928,289)</u>
Current portion		<u>396,764</u>		<u>401,086</u>

(b) Future payments per leases as of June 30, 2023 and December 31, 2022, are as follows:

	<u>As of June 30, 2023 S/000</u>	<u>As of December 31, 2022 S/000</u>
2023	456,279	447,488
2024	222,867	241,419
2025	205,690	217,591
2026	170,450	180,243
2027	164,974	162,971
2028	124,538	142,415

2029 onwards	89,748	125,859
	<u>1,434,546</u>	<u>1,517,986</u>

- (c) The current average annual rate of lease liabilities in soles as of June 30, 2023 is 7.41% and in dollars is 3.09% (5.63% and in dollars is 3.58% as of December 31, 2022).
- (d) As of June 30, 2023, the Company also registered non-monetary additions of right-of-use assets for S/52,041,000 (S/150,984,000 for the year ended December 31, 2021); lease payments including capital and interest amortization amounted to S/123,958,000 and S/37,089,000, respectively (S/212,916,000 and S/63,707,000 for the year ended December 31, 2022); and accrued interests of S/37,826,000 for the six-month period ended June 30, 2023 (S/29,531,000 for the six-month period ended June 30, 2022) which are presented in the financial expenses section.

19 TRADE ACCOUNTS PAYABLE

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

	As of June 30, 2023	As of December 31, 2022
	S/000	S/000
Domestic suppliers (c)	744,119	948,520
Accrual of obligations to be billed	586,500	628,296
Related companies. Note 23(d)	333,002	318,855
Foreign suppliers	78,358	109,384
Contractor guarantee deposits	2,194	3,179
	<u>1,744,173</u>	<u>2,008,234</u>

- (b) Commercial accounts payable are denominated in soles, US dollars and euros. They do not accrue interest and have current maturities. Also, they are normally paid in an average period of 60 days, and no guarantees have been granted.
- (c) Domestic suppliers, as of June 30, 2023 and December 31, 2022, include S/268,014,000 and S/318,176,000 respectively in accounts payable that are under assignment of collection rights with Investment Funds, in which TFP S.A.C. (a Company affiliate) provides the management services required for suppliers to access such transactions. The aforementioned collection rights assignment 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 trade 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 June 30, 2023 S/000	As of December 31, 2022 S/000
Remuneration and annual leave (b)	100,568	151,974
Taxes payable. Note 24(h)	23,083	60,975
Derivative financial instruments 8(c)	17,304	18,838
Guarantee deposits	10,272	13,684
Dividends and returns payable to shareholders	2,684	2,696
Employee profit sharing. Note 24(e)	417	417
Others	<u>8,701</u>	<u>6,449</u>
	163,029	255,033
Minus – Non-current portion (b)	(<u>22,137</u>)	(<u>29,709</u>)
Current portion	<u><u>140,892</u></u>	<u><u>225,324</u></u>
Financial liabilities classified as other accounts payable	38,961	41,667
Non-financial liabilities classified as other accounts payable	<u>124,068</u>	<u>213,366</u>
	<u><u>163,029</u></u>	<u><u>255,033</u></u>

(b) During 2022, based on the Program implemented in 2021, the Company released 58 employees and 22 executives through the early retirement program launched in 2021 which totaled S/17,259,000 and S/ 8,939,000, respectively, charged to the provision executed in said period.

(c) As of June 30, 2023, the Group maintained cash flow hedging contracts (forwards) to reduce the exchange rate risk of the disbursements of certain Opex and Capex operations, for a nominal value of US\$39,271,000 that has maturity dates through 2023. As of December 31, 2022, the Company maintained cash flow hedging contracts (forwards) to reduce the exchange rate risk of the disbursements of certain Opex and Capex operations, for a nominal value of US\$460,193,000. The amounts retained in the statement of other comprehensive income are expected to affect the profit or loss statement in each of the future periods until their maturity dates.

21 OTHER PROVISIONS

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

	As of June 30, 2023 S/000	As of December 31, 2022 S/000
Litigation and risks, (c) and Note 33(b)	765,763	836,506
Tower decommissioning. Note 2.19	46,355	72,600
Others (d)	<u>25,546</u>	<u>25,849</u>
	837,664	934,955
Minus – Non-current portion	(<u>394,625</u>)	(<u>323,873</u>)
Current portion	<u><u>443,039</u></u>	<u><u>611,082</u></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, 2022	563,717	53,545	33,965	651,227
Additions.	522,994	21,585	4,053	548,632
Disposals	(23,589)	(2,530)	(12,169)	(38,288)
Payments	(226,616)	-	-	(226,616)
As of December 31, 2022	836,506	72,600	25,849	934,955
Additions.	104,464	-	-	104,464
Disposals	(130,327)	(26,245)	(303)	(156,875)
Payments	(44,880)	-	-	(44,880)
As of June 30, 2023	765,763	46,355	25,546	837,664

(c) It mainly includes various provisions made by the Company in accordance with the practice described in Note 2.19, based on its best disbursement estimates that would be required to settle obligations at the date of the statement of financial position. The additions in 2023 correspond mainly to risks from regulatory contributions.

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 June 30, 2023 and December 31, 2022, as described in Note 33(b).

(d) As of June 30, 2023 and December 31, 2022, "Others" includes a provision for reinforcement of towers as a result of towers sold in previous years.

22 DEFERRED INCOMES

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

	As of June 30, 2023	As of December 31, 2022
	S/000	S/000
Grants, (b) and Notes 2.21 and 8(c)	47,298	60,471
Intégrame	646	893
Others	9,440	14,096
	57,384	75,460
Minus – Non-current portion	(40,508)	(48,479)
Current portion	16,876	26,981

(b) Deferred revenue from grants mainly includes:

- Lambayeque Project includes 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 "Integral Broadband Connectivity for the development of social activity in the northern part of the country" project.

The balance for this project as of June 30, 2023 and December 31, 2022, amounts to approximately S/45,704,000 and S/58,649,000, 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 includes the contract signed on February 18, 2011, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable

financing of the "Integration of rural areas and places of preferential social interest to the network of the mobile service - Selva" project. The balance for this project amounts to approximately S/1,594,000 and S/1,822,000 as of June 30, 2023 and December 31, 2022, 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 areas, complying with the conditions foreseen in the technical specifications presented in the financing contract.

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

For the six-month period ended on June 30, 2023 and 2022, the Company accrued income of S/5,064,000 and S/6,814,000 respectively that are presented in the item "Other operating income and expenses" of the income statement. See Note 30(a).

23 TRANSACTIONS WITH RELATED ENTITIES

- (a) During the six-month period ending on June 30, 2023 and 2022, the most significant transactions carried out by the Company with related entities were the following:

	<u>As of June 30, 2023 S/000</u>	<u>As of June 30, 2022 S/000</u>
Revenues with related companies for:		
Rural traffic services		
- Internet para Todos S.A.C.	10,096	12,578
Expenses with related companies:		
Rural traffic services		
- Internet para Todos S.A.C.	(55,310)	(56,578)
Trademark fee usage. Note 28(a)		
- Telefónica, S.A. (b)	(49,705)	(53,393)
Internet and fiber optic link services		
- Telxius Cable Perú S.A.C.	(43,287)	(41,239)
System service		
- Telefónica Global Technology S.A.U.	(11,982)	(21,699)
Capacity management transfer. Note 28(a)		
- Telefónica Hispanoamérica S.A. (c)	(12,399)	(9,092)

- (b) The Company has a contract with Telefónica, S.A., whereby it pays a trademark fee equivalent to 1.6% of monthly income, excluding 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 capacity management transfer agreements with Telefónica Hispanoamérica S.A.

(d) As of June 30, 2023 and December 31, 2022, the Company maintains the following trade balances with related entities:

	<u>As of June 30, 2023</u>	<u>As of December 31, 2022</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 companies:				
Telefónica Hispanoamérica S.A.	24,927	35,212	16,736	25,226
Telefónica Global Solutions S.L.	11,417	13,332	10,392	17,348
Internet para Todos S.A.C.	11,153	31,975	9,077	26,971
Media Networks Latin América S.A.C.	10,520	15,525	11,309	18,714
Telxius Cable Perú S.A.C.	10,254	21,772	7,056	30,339
Telefónica Cybersecurity & Cloud Tech Perú S.A.C.	8,148	71,315	3,709	87,843
Telefónica Global Solutions Perú S.A.C.	7,583	10,757	5,489	14,095
Telefónica Digital España S.L.	2,733	35,417	2,872	26,927
Telefónica, S.A.	2,204	49,395	1,849	33,192
Telefónica Ingeniería de Seguridad S.A. Sucursal del Perú	1,916	7,237	1,849	8,956
Fundación de Telefónica del Perú	1,399	-	1,509	-
Telefónica Data USA	460	23	481	207
Telefónica Gestión de Tecnología S.A.U.	-	12,539	-	2,342
Telefónica Compras Electrónicas	-	7,693	-	5,336
Other	<u>20,319</u>	<u>20,810</u>	<u>19,903</u>	<u>21,359</u>
Related trade accounts receivable				
And payable, (see notes 7(a) y 19(a))	<u>113,033</u>	<u>333,002</u>	<u>92,231</u>	<u>318,855</u>

- (e) As of June 30, 2023 and December 31, 2022, the Company has had loans payable to Telefónica Hispanoamérica S.A. of S/497,032,000 and S/380,821,000, respectively (S/489,381,000 of principal and S/7,651,000 of accrued interest as of June 30, 2023 and S/377,000,000 of principal and S/3,821,000 of accrued interest as of December 31, 2022) with current maturity. These loans accrued an average interest rate of 9.41% and 8.27%, respectively. These funds were used mainly to comply with tax obligations related to the various proceedings in which the Company is involved, as described in Note 33(b). At the Board meeting held on February 10, 2023, a loan from Telefónica Hispanoamérica, S.A. of up to S/1,000,000,000 was approved. By June 30, 2023, disbursements of S/805,000,000 were made, which were partially capitalized by agreement of that same Board of Directors and, together with the loans received in 2022 and the accrued interest, the capitalization of S/700,000,000 was also authorized (see note 25).
- (f) As of June 30, 2023 and December 31, 2022, the Company had other accounts payable to Telefónica S.A. for an amount of approximately S/8,273,000 and S/10,236,000, 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 until 2025 at the latest. See note 2.25.

(g) 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/12,384,000 and S/11,993,000 as of June 30, 2023 and December 31, 2022, respectively. The loans are reported in the item "Other accounts receivable, net" of the statement of financial position. See Note 8(a).

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

Remuneration received by directors and key management personnel amounted to approximately S/13,355,000 for the six-month period ending on June 30, 2023 (approximately S/13,045,000 for the six-month period ending on June 30, 2022), which includes short-term benefits, compensation for time of service and others.

- (i) As of June 30, 2023, the Group maintains current accounts in Telfisa Global, B.V., amounting to US\$3,570,000 equivalent to S/12,938,000, which are presented under the item "Cash and cash equivalents." (As of December 31, 2022, the Company held current accounts in Telfisa Global, BV, for an amount of US\$7,620,000, equivalent to S/29,017,000, 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 of June 30, 2023 and December 31, 2022, the Company has 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.

According to the Management, accounts receivable and payable classified as current on June 30, 2023 and December 31, 2022, 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 January 1, 2022 S/000	Credit (Charge) to income statements S/000	Credit (Charge) to other comprehensive income S/000	Credit (Charge) to the statement of financial situation S/000	As of December 31, 2022 S/000	Credit (Charge) to income statements S/000	Credit (Charge) to other comprehensive income S/000	As of June 30 2023 S/000
Deferred Assets/(liabilities)								
Depreciation	356,866	(23,551)	-	-	333,315	(20,294)	-	313,021
Estimate for doubtful accounts	371,715	(41,271)	-	-	330,444	(24,036)	-	306,408
Provision for miscellaneous contingencies	33,528	(1,094)	-	-	32,434	(321)	-	32,113
VAC bonds	31,860	5,423	-	-	37,283	3,739	-	41,022
Staff costs	73,918	(30,544)	-	-	43,374	(16,798)	-	26,576
Provision for decommissioning equipment	(6,223)	27,640	-	-	21,417	(5,424)	-	15,993
Other	27,821	17,830	-	-	45,651	7,722	-	53,373
Lambayeque Project Grant	43,040	(7,970)	-	-	35,070	(3,070)	-	32,000
Expenditure with non-residents	51,056	4,860	-	-	55,916	2,108	-	58,024
Inventory, property, plant and equipment impairment	4,206	(748)	-	-	3,458	14,584	-	18,042
Deferred income from tower sales	574	(348)	-	-	226	-	-	226
Finance lease	(6,800)	6,505	-	-	(295)	86	-	(209)
Other deferred income	33	3,825	-	-	3,858	-	-	3,858
Payroll capitalization for plant construction	(175)	-	-	-	(175)	-	-	(175)
Financial instruments	2,224	148	(1,842)	-	530	-	1,319	1,849
Amortization of software licenses	13,465	(6,771)	-	-	6,694	2,664	-	9,358
Allocation of the price paid by fixed asset	(796)	796	-	-	-	-	-	-
Cost attributed to fixed assets	(12,345)	-	-	-	(12,345)	-	-	(12,345)
IFRS 15	(81,585)	(52,556)	-	-	(134,141)	(20,048)	-	(154,189)
IFRS 16	107,964	913	-	-	108,877	(8,328)	-	100,549
Administrative concession	(444,943)	45,975	-	-	(398,968)	22,987	-	(375,981)
Deferred costs and income-Decos	(132,278)	21,543	-	-	(110,735)	2,387	-	(108,348)
Income from connection fee	13,408	(6,234)	-	-	7,174	(3,540)	-	3,634
Capitalized financial costs	(3,395)	695	-	-	(2,700)	364	-	(2,336)
Tax loss	22,185	(13,264)	-	-	8,921	52,012	-	60,933
Total deferred assets/(liabilities), net	<u>465,323</u>	<u>(48,198)</u>	<u>(1,842)</u>	<u>-</u>	<u>415,283</u>	<u>6,794</u>	<u>1,319</u>	<u>423,396</u>

- (b) The deferred income tax is determined by its estimated reversal term as shown below:

	As of June 30, 2023	As of December 31, 2022
	<u>S/000</u>	<u>S/000</u>
Deferred Income Tax Assets:		
Expected reversal in the next 12 months	115,081	108,448
Expected reversal after 12 months	<u>308,315</u>	<u>306,835</u>
Total, deferred income tax	<u>423,396</u>	<u>415,283</u>

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

	As of June 30, 2023	As of June 30, 2022
	<u>S/000</u>	<u>S/000</u>
Current	(2,357)	79,200
Deferred	<u>(6,794)</u>	<u>18,017</u>
	<u>(9,151)</u>	<u>97,217</u>

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

	As of June 30, 2023		As of June 30, 2022	
	<u>S/000</u>	<u>%</u>	<u>S/000</u>	<u>%</u>
Results before tax income	(147,343)	100.00	(250,924)	100.00
Income tax according to tax rate (income)	(43,466)	29.50	(74,023)	29.50
Tax impact:				
Interest on tax refunds	(82,384)	55.91	-	-
Contingencies and Taxes (non- deductible), Notes 21 and 33(b)	2,280	(1.55)	91,426	(36.44)
Taxes from previous years	83,878	(56.93)	41,164	(16.40)
Interest not exempt from taxation	5,414	(3.67)	-	-
Results from associated companies	(2,278)	1.55	1,884	(0.75)
Non-allowable expenses	5,977	(4.06)	9,749	(3.89)
Derivative instruments	16,636	(11.29)	19,827	(7.90)
Debt remission	2,227	(1.51)	-	-
Others, net	<u>2,565</u>	<u>(1.74)</u>	<u>7,190</u>	<u>(2.87)</u>
(Income)Expense from income tax	<u>(9,151)</u>	<u>6.21</u>	<u>97,217</u>	<u>(38.75)</u>

- (e) The Company is subject to the Peruvian tax regime. The income tax rate as of June 30, 2023 and December 31, 2022, is 29.50%, on taxable income, after deducting the employee profit sharing that is calculated at a rate of 10% on the taxable profit.

Legal entities and natural persons that are not domiciled in Peru 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 is 6.8%).

- (f) For purposes of the income tax and general sales tax determination, the transfer prices of transactions with related entities and with companies residing 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, its management and legal advisors believe that, as a consequence of the application of these standards, no material contingencies will arise for the Company as of June 30, 2023 and December 31, 2022.

As of June 30, 2023, the Company recorded an income tax of S/ 60,933,000 which, net of instalment payments, submission of claims against the National Superintendency of Customs and Tax Administration of Peru (SUNAT by its initials in Spanish) for S/ 108,628,000 and other provisions recorded, resulted in a positive balance of S/118,874,000 (S/44,723,000 from income tax payable that, in its net effect of instalment payments, claims against SUNAT for S/108,628,000 and other recorded provisions, resulted in a positive balance of S/304,705,000 as of December 31, 2022). The foregoing is thus presented as an asset. In 2023, the Company recognized an interest income of S/260,913,000 (see note 31) related to the claims against SUNAT and, together with these, had offset them with the liability for income tax and general sales tax. Also, the Group paid S/456,825,000 related to income tax for the years 2000 and 2001.

In October 2022, the Company paid under protest the income tax for the year 2014 determined by SUNAT which amounted to S/ 353,640,000. The Company filed an appeal before the Tax Court since it did not agree with such income tax determination. The Company believes, together with its external advisors, that it has solid evidence to support such appeal and recover S/315,401,000 from the payment executed. Consequently, the Company classified this amount to be recovered as a payment on account of the tax for that year which will be resolved in the long term. In the year ended December 31, 2022, the Group recovered the tax loss of S/151,603,000 in addition to the tax loss generated in 2021 of S/181,844,000 which is expected to be recovered in the following years in accordance with the Management's plans described in note 3.1 (ii).

In accordance with the requirements of IFRIC 23 on uncertainties in the treatment of income tax, the Group maintained provisions recorded as of June 30, 2023 for S/ 2,651,931,000 in current income tax and S/45,560,000 in long-term current income tax. (S/3,289,767,000 in current income tax and S/64,786,000 in long-term current income tax as of December 31, 2022).

During 2022, the Company recorded various provisions, as well as direct charges to results of S/ 970,620,000 due to the revaluation and resolution of the diverse proceedings in which it is involved, as described in note 33(b). The main effects of such provisions are as follows:

(i) Modification of contingencies classification related to the provision for doubtful account due to the ruling of the Supreme Court for the years 2000 and 2001, which was resolved in 2022 and notified on January 17, 2023, whereby the years from 1998 to 2004 were revaluated and a provision of S/ 630,564,000 was recorded.

(ii) Revaluation of contingencies related to Telefónica Móviles S.A.C. for the years from 2001 to 2005, which established a charge to results of S/ 166,496,000 attributed to disallowances of financial charges and exchange difference.

(iii) Tax Court issued a resolution for the year 2000 of Telefónica Móviles S.A.C. regarding the cost of sale of the Nortel Plant and the exchange difference, whereby provision of S/ 63,086,000 was recorded.

(iv) As described above, the Company paid in October 2022 under protest the intendency resolution issued by SUNAT related to the income tax for the year 2014 which amounted to S/354,640,000. Based on this amount, various disallowances were revalued and classified as probable and S/ 38,239,000 was charged to the results.

The affidavits of income tax and general sales tax for the years from 2017 to 2022 are pending inspection by the Tax Authority in Peru. Tax authorities have the power to inspect and, if applicable, correct the taxes calculated by the Company.

The affidavits of the income tax and general sales tax of its Subsidiaries are subject to verification by the Tax Administration.

These subsidiaries are:

	<u>Period</u>
Servicios Globales de Telecomunicaciones S.A.C.	2017 to December 2021(*)
Telefónica Multimedia S.A.C.	2017 to January 2018 (*)
Star Global Com S.A.C.	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 accrue. Any eventual higher tax or additional payment that could accrue 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 legal advisors, any possibility of additional tax settlement will not be significant for the consolidated financial statements as of June 30, 2023 and December 31, 2022.

- (g) As of June 30, 2023 and December 31, 2022, the item "Other accounts payable" includes other taxes for approximately S/23,083,000 and S/60,975,000, 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 National Telecommunications (PRONATEL) Program	MTC	1.0	Invoiced and received income for telephone carriers and final services.
Contributions for supervision services' 11 111111	OSIPTEL	0.5	Invoiced and received revenue by the different services of telecommunications.
Trade operations rate of the service	MTC	0.5	Services subject to concession and/or authorization.

The amount recorded as an expense for these items amounts to approximately S/45,260,000 and S/53,520,000 for the six-month period ending on June 30, 2023 and 2022, respectively, and are included in the item "General and administrative expenses" of the consolidated income statement. See Note 28(a).

Likewise, the aforementioned instruments create an annual fee for radioelectric spectrum use.

- (h) Regulatory framework – Modifications to the Income Tax Law -

In 2022, certain tax provisions were published. The most significant points are detailed below:

- In 2022, Legislative Decree No. 1532 was issued, whereby the procedure for attribution of the subject without operational capacity status (SSCO, by its initials in Spanish) applicable to all invoices issued as of March 20, 2022 was regulated. This status, which has been in force since January 1, 2023, designates those subjects that, although they are registered as issuers of invoices or complementary documents, do not have economic, financial, material resources, among others; or, they are not suitable to carry out the operations for which said documents are issued. The most significant effects derived from the classification as SSCO are detailed below:
 - SSCO may only electronically issue sales tickets and debit notes for a maximum period of 5 years and the physical receipts and complementary documents that it has issued will be invalid.
 - Operations carried out in cooperation with SSCO will not allow to exercise the right to tax credit or support costs or expenses for purposes of Income Tax (hereinafter, "IT").
- In addition, through Legislative Decree No. 1523, various provisions of the Tax Code were modified in order to optimize the regulation of powers granted to SUNAT, as well as the actions between this authority and taxpayers for adaptation to digital transformation. For instance, one modification regarding SUNAT's control faculty establishes that appearance and inspection may be conducted virtually.
- At the end of 2022, relevant regulations such as Law No. 31652 were issued. This law aims to establish, exceptionally and temporarily, specific depreciation regimes so that taxpayers can accelerate depreciation of certain assets, in order to promote private investment and provide greater liquidity in the current economic situation.
- Likewise, Law No. 31662 was enacted with the purpose of modifying and extending certain regulatory provisions. These provisions include the extension, until December 31, 2023, of the exemption from income tax (IT) for the sale of shares via the Lima Stock Exchange, by legal persons and undivided successions. Such exemption applies up to the first 100 Tax Units (UIT by its initials in Spanish) of the capital gain generated in each taxable year.

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

- Partnership Agreements (PA): Regarding the income generated until December 31, 2022, within the framework of a PA, it is not appropriate to consider it as business income, since this income qualifies as dividends or another form of distribution of profits (Report No. 046-2022-SUNAT/7T0000).
- Export of services: Services provided by one company established locally to another company established abroad intended to facilitate the sale of the latter's products abroad to clients domiciled locally, which are paid based on a percentage of the amount effectively collected by the company established abroad for such sales (Report No. 052-2022-SUNAT/7T0000).
- Disposal of shares: In the event of a disposal of shares in which the price in whole or in part is established on the basis of a percentage of the future sale of the goods traded by the acquired company, the income derived from said disposal in whole or in part is considered accrued when said future sale occurs (Report No. 000028-2022-SUNAT/7T0000).

25 EQUITY

(a) Issued Capital -

As of June 30, 2023 and December 31, 2022, the capital issued by Telefónica del Perú S.A.A. is represented by 3,344,363,158 common shares, fully subscribed and paid, at a nominal value of S/0.63 each. See Note 32.

At the General Shareholders' Meeting held on January 19, 2023, it was resolved to delegate to the Board of Directors the power to increase the share capital by the maximum amount of S/2,106,949,000, within a maximum period of five years, on the dates, amounts, terms, conditions and procedures established at each time by the Board of Directors, without prior consultation with the General Shareholders' Meeting.

On February 10, 2023, the Board of Directors agreed to the partial capitalization of loans granted by its parent company which amounted to S/ 700,000,000, allocating S/ 531,325,000 to the issuance of 843,373,494 new registered Class B shares with a nominal value of S/ 0.63 each, which are pending registration, and the remainder sum to a share premium, see section (b).

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

On August 29, 2022, the Board of Directors executed such agreement, the capital share was reduced by S/769,203,000, which caused a decrease in the nominal value of the share from S/0.86 to S/0.63. This operation did not involve any disbursement, nor returns to shareholders.

The capital structure issued as of June 30, 2023 and December 31, 2022, is composed in percentage terms of the following share classes:

	As of June 30, 2023 %	As of December 31, 2022 %
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 bylaws, related to the appointment of directors, who may not be less than five (5) nor more than nine (9) members. 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, if employees of Telefónica del Perú S.A.A, corresponding to class "C" shares, elect one (1) director, they will have reached an equity ratio of not less than 3% 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 -

As a result of the capitalization of credits indicated in the previous paragraph, the remainder amount of S/ 168,675,000 was used to constitute a share premium.

In order to regain equity balance, the General Shareholders' Meeting held on August 25, 2022 agreed to apply unrestricted equity accounts to cover accumulated losses for S/679,754,000. For the share premium, S/77,899,000 was applied.

(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 regain equity balance, the General Shareholders' Meeting held on August 25, 2022 agreed to apply unrestricted equity accounts to cover accumulated losses for S/ 679,754,000; the full amount of the Legal Reserve of S/ 575,230,000 was applied, as well as the full amount of the unrestricted Reserve, which amounted to S/ 26,625,000.

(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, it affects the profit and loss statement as per how it is influenced by the underlying hedge. During the six-month period ending on June 30, 2023 and in 2022, the unrealized (loss)/gain generated by the valuation of hedging derivatives amounts to S/4,472,000 and S/8,807,000, respectively. The net (loss)/gain of its tax effect amounts to S/3,153,000 (S/6,209,000 for the six-month period ending on June 30, 2022). See Note 20(c).

26 FIXED BUSINESS INCOME

(a) The item is comprised as shown below:

	As of June 30, 2023 S/000	As of June 30, 2022 S/000
Services	1,196,001	1,390,654
Data + IT	246,370	216,814
Wholesale	87,178	83,559
Equipment	12,300	21,532
Other	<u>25,486</u>	<u>27,601</u>
	<u>1,567,335</u>	<u>1,740,160</u>

(b) As of June 30, 2023, the Company has approximately 1,068,000 fixed and public telephone lines in service, 1,860,000 broadband service connections, and approximately 1,071,000 paid television accesses (1,235,000, 1,934,000 and 1,184,000, respectively as of December 31, 2022).

27 MOBILE BUSINESS INCOME

(a) The item is comprised as shown below:

	As of June 30, 2023 S/000	As of June 30, 2022 S/000
Postpaid	886,009	921,998
Terminals	437,398	472,068
Prepaid	238,521	279,291
Wholesale	49,088	63,352
Others	<u>53,337</u>	<u>79,605</u>
	<u>1,664,353</u>	<u>1,816,314</u>

(b) As of June 30, 2023, the Company had approximately 4,635,000 postpaid mobile lines in service, as well as 5,360,000 prepaid mobile lines (4,574,000 and 6,176,000, respectively as of December 31, 2022).

28 GENERAL AND ADMINISTRATIVE EXPENSES

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

	As of June 30, 2023	As of June 30, 2022
	S/000	S/000
Services provided by third parties (c)	1,507,238	1,709,368
Taxes and fees (b)	76,714	87,958
Estimate for doubtful accounts and for inventory impairment. Notes 7(c), 8(f) and 10(c), net of recoveries	231,756	211,798
Fee for brand use and transfer of Management capacity. Note 23(a)	62,104	62,485
Miscellaneous management charges	14,400	14,204
	<u>1,892,212</u>	<u>2,085,813</u>

(b) The item "Taxes and fees" corresponds mainly to payments to OSIPTEL and MTC. Note 24(h).

(c) Third-party services include:

	As of June 30, 2023	As of June 30 2022
	S/000	S/000
Fees, commissions and services	702,934	750,818
Maintenance and repair	191,427	205,093
Television signals and circuits	167,345	322,522
Interconnection and correspondent expenses	101,706	114,395
Basic services	89,342	80,369
Capacity services	60,196	71,899
Advertising	28,300	36,480
Transport and storage	24,918	24,112
Rentals	23,015	22,108
"Roaming" expenses	9,847	10,820
Others	108,208	70,752
	<u>1,507,238</u>	<u>1,709,368</u>

29 PERSONNEL EXPENSES

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

	As of June 30, 2023	As of June 30, 2022
	S/000	S/000
Remuneration	255,223	260,783
Social security and welfare	30,268	28,908
Compensation for service time	19,978	18,786
Employee shares	32	-
Other staff cost	9,962	6,970
Payroll capitalization for plant construction	(30,395)	(28,653)
	<u>285,068</u>	<u>286,794</u>

(b) The Company has 3,676 employees as of June 30, 2023 (3,684 as of December 31, 2022).

30 OTHER OPERATING INCOME AND TAXES

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

	Al 30 de junio de 2023	Al 30 de junio de 2022
	S/000	S/000
Other operating income		
Gain on disposal of assets (c), (d) and (e)	21,001	44,754
Compensation (d)	14,599	-
Government grants. Notes 8(d) and 22(b)	5,064	6,814
Other	<u>2,323</u>	<u>3,251</u>
	<u>42,987</u>	<u>54,819</u>
Other operating expenses		
Other provisions (b)	(27,548)	(24,570)
Other	<u>(4,213)</u>	<u>(9,192)</u>
	<u>(31,761)</u>	<u>(33,762)</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 June 30, 2023 and 2022, asset sales occurred, thereby creating a net profit, the composition of which is detailed below:

	As of June 30, 2023	As of June 30, 2022
	S/000	S/000
Net profit from disposal of assets (e)		
Income from sale of assets	21,498	69,649
Net cost of assets sold	(497)	(24,895)
	<u>21,001</u>	<u>44,754</u>

(d) In the second quarter, the Company received a letter from the insurance company Rimac to acknowledge insurance for material damages and loss of profits as a consequence of “El Niño Costero” phenomenon. The amount totaled to US\$4,000,000 (S/ 14,599,000); and in June a sum of US\$1,000,000 (S/ 3,691,000) was collected.

31 INCOME AND FINANCIAL EXPENSES

The item is compromised as shown below:

	As of June 30, 2023 S/000	As of June 30, 2022 S/000
Financial revenues		
Interest on tax refunds, see note 24(f)	279,244	-
Interest on term deposits	2,947	5,602
Interest on accounts receivable	868	2,632
	<u>283,059</u>	<u>8,234</u>
Financial expenses		
Contingency interest, see note 33(b)	(140,083)	(15,594)
Interest on bonds and commercial papers	(102,786)	(110,524)
Lease interest	(37,826)	(29,505)
Interest on other debts	(1,632)	(1,805)
Loss from financial instruments for interest rate hedges	(27,427)	(20,340)
Other	(21,236)	(32,548)
	<u>(330,990)</u>	<u>(210,316)</u>
Net Exchange Differences		
Net gain on net exchange differences	50,680	55,986
Net loss from exchange differences related to derivative financial instruments	(44,652)	(58,314)
	<u>6,028</u>	<u>(2,328)</u>

32 LOSS PER SHARE

(a) Loss per basic and diluted share is calculated by dividing the net loss 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.

	Shares in circulation	Days of valid-to time	Weighted average of shares
Fiscal year: 2022			
Balance as of January 1, 2022	3,344,363,158	180	3,344,363,158
Balance as of June 30, 2022	<u>3,344,363,158</u>		<u>3,344,363,158</u>
Financial year: 2023			
Balance as of January 1, 2023	3,344,363,158	180	3,344,363,158
Balance as of June 30, 2023	<u>3,344,363,158</u>		<u>3,344,363,158</u>

(c) The calculation of the loss per basic and diluted share of the controlling shareholding for the six-month period ending on June 30, 2023 and in 2022, is presented below:

As of June 30, 2023		As of June 30, 2022			
Loss (numerator) S/000	Number of shares (denominator)	Loss per share S/000	Loss (numerator) S/000	Number of shares (denominator)	Loss per share S/000
(138,192,000)	3,344,363,158	(0.041321)	(348,141,000)	3,344,363,158	(0.104098)

33 COMMITMENTS AND CONTINGENCIES

(a) Commitments -

Letters of Guarantee -

The Company maintains letters of guarantee obtained for its normal commercial activity and guarantees for the various bidding allocation processes in spectrum concessions with third parties, and contentious administrative processes against the Tax Administration. As of June 30, 2023, these Letters of Guarantee amount to approximately S/1,752,765,000 and US\$83,957,000 (S/1,889,412,000 and US\$87,640,000 as of December 31, 2022).

Operating lease commitments - Company as lessee -

The Company, as a lessee, signed contracts with third parties, mainly related to leases for infrastructure, circuits, and spaces. There are 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 June 30, 2023 and December 31, 2022, 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):

	As of June 30 2023 S/000	As of December 31 2022 S/000
Under one year	3,611	7,223
Between one year and less than 3 years	13,185	13,185
	<u>16,796</u>	<u>20,408</u>

(b) Contingencies -

In the normal course of its operations, the Company 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 June 30, 2023, as set out in notes 2.19 and 2.20, the Company has recorded the necessary provisions for the cases considered probable, and that are mainly in court, leaving for possible contingencies an amount of S/618,233,000 (S/560,061,000 as of December 31, 2022). 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 decided to challenge certain SUNAT and Tax Court (TC) rulings. In other proceedings, the Company has proceeded to pay the amounts calculated by the competent authorities. Lastly, there are other cases where SUNAT has challenged TC rulings that were favorable to the Company. The details of the main tax matters are as follows:

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

(a) 1998 Fiscal year:

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

In the administrative field, on July 21, 2011, the Tax Court 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 compliance with the aforementioned TCR dated October 3, 2011, notified the Company of Intendancy Resolution (IR) No. 0150150001023, for an amount of S/ 69,386,327 in favor of the Company.

The Company filed an appeal regarding the balance in favor determined by SUNAT, which was resolved by the TC (TCR No. 974-5-2012) in the following terms: (1) revoked the objection to 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 DCP 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, SUNAT issued, in November 2012, IR No. 0150150001152 which determined a favorable balance for the 1998 financial year of S/137,706,421, thereby ending the administrative stage.

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

Considering the difference in the amount of the balance in favor determined by the Company against the amount determined by SUNAT, in October 2011 the Company filed a legal claim against TCR No. 11450-5-2011 requesting partial nullity for the matters for which SUNAT upheld the objections to: (i) DCP; and (ii) receipts for leases of Internal Public Telephones (IPT).

On March 22, 2013, the Company was notified with the first instance resolution that in part upheld the Company's claim based on the challenges to: (i) DCP and (ii) IPT, which was subsequently partially upheld in the Superior Chamber. An appeal was filed against the second instance judgment, by virtue of which the Supreme Court (i) ordered that the High Court issue a new ruling regarding DCP, and (ii) definitively and favorably upheld the objection to the IPT for the Company, thereby concluding this matter.

On July 31, 2019, the Company received a notification regarding the new ruling of the Superior Court that declared the disallowance of the provision for DCP as valid only with respect to the telephone bills. On August 16, 2022, the oral hearing was held before the Supreme Court.

On January 18, 2023, the Supreme Court's resolution was notified whereby it declared the claim inadmissible with regard to the DCP. On May 8, 2023, the file was forwarded to a Court of First Instance. On June 7, 2023, the Court notified and ordered SUNAT to execute the rulings issued by the Supreme Court. On June 12, 2023, a clarification document was submitted to request the Court to require the Tax Court to comply with the ruling instead of directly notified of such compliance to SUNAT.

On June 22, 2023, the Court declared the request for clarification inadmissible. Pursuant to the provisions of the Court, on June 12, 2023, SUNAT issued the Compliance Intendancy Resolution (IR) and on July 10, 2023, it declared its mandate fulfilled. On July 10, 2023, the Court granted us a period of 03 business days to submit a statement regarding the document issued by SUNAT.

However, on June 28, 2023, considering that the Compliance IR was informed directly by SUNAT prior to the notification of the Court, the Company submitted a statement on the Compliance IR issued by SUNAT.

It should be noted that the Company, during the judicial proceedings, obtained a precautionary measure regarding the disallowance of IPT and DCP, for which it had to judicially deliver the respective bank letter of guarantee issued for 60% of the alleged tax debt. On January 24, 2023, the renewal of the bank letter of guarantee corresponding to the period 2023-2024 was submitted. On January 27, 2023, SUNAT requested the execution of the bank letter of guarantee due to the resolution issued by the Supreme Court. Regarding the precautionary record, on January 24, 2023, the Company renewed the updated letters of guarantee for the years 2023-2024 and on January 27, 2023, SUNAT requested the termination of the precautionary measure and, consequently, the execution of the letters of guarantee submitted.

On February 13, 2023, the Company raised objections to SUNAT's request and on April 17, 2023, the Court informed the parties on the request for the execution of the letters of guarantee, as well as on the objection statement and granted the parties a period of 3 working days to issue the corresponding statements. On June 6, 2023, the Court ordered SUNAT to establish the debt (prior to the execution of the letters of guarantee), taking into consideration the resolution of the Supreme Court. On June 9, 2023, SUNAT appealed the resolution that conditioned the execution of the letters of guarantee to the determination of the debt. On June 22, 2023, the Court (i) ordered to consider the debt as established according to the amount settled by SUNAT in the report it submitted; (ii) informed the Company of the report prepared by SUNAT in which the debt was determined (without excluding default interest applied outside the legal term to resolve). On June 28, 2023, the Company questioned the report prepared by SUNAT.

Having unfavorably resolved the proceeding, the contingency was revalued and classified as probable.

Against the supreme enforceable judgment issued in this case, on March 1, 2023 the Company filed a request for defense by which the Company appeals that the invalidity of said supreme enforceable judgment notified on January 18, 2023 be declared. This request for defense was admitted and September 6, 2023 was established as the hearing date.

In the opinion of Management, based on the opinions of its legal advisors, the contingency of this process qualifies as remote.

For its part, SUNAT, (i) filed a lawsuit with the purpose of also questioning TCR No. 11450-5-2011, but in terms of revoking the objection referred to the account of exceptional expenses. In the last instance, on April 24, 2019, the Supreme Court upheld declaring the claim as well founded. On November 11, 2019, SUNAT, in execution of that ordered by the Supreme Court, gave notification of IR No.0150160000145 that (i) corrected the balance in favor of the Income Tax for the 1998 financial year, and (ii) filed a lawsuit against TCR No.974-5-2012 as it decided to revoke the objections to exchange difference of various accounts. The claim was declared unfounded in the first instance and upheld by the Superior Chamber on March 21, 2016. By means of the resolution dated 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. Process concluded.

Against what was decided by the Supreme Court regarding point (ii) above, SUNAT, on October 18, 2021 filed a request for defence in order to declare the nullity of the supreme resolution in favor of the Company and, consequently, requested that the Supreme Court issued a new ruling, but, this time, in favor of SUNAT. SUNTAT claims the alleged violation of its right to equality, legal certainty, and prohibition of arbitrariness and motivation. On January 7, 2022, the Court considered that the Company's claim was answered and declared the default of the Judiciary and the Ministry of Economy and Finance of Peru (MEF), in addition, the schedule of a single hearing was pending.

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

Against the resolution of the Supreme Court regarding the contentious-administrative proceedings filed by the Company, on March 1, 2023, the request for defense was filed in order to declare the

invalidity of the supreme resolution that resolved the disallowances of the DCP against the Company. Accordingly, the Company requested that the Supreme Court issue a new ruling. The hearing date was established for September 6, 2023.

In Management's opinion, based on the opinions of its external legal advisors, the contingency is classified as remote.

(b) 1999 Fiscal Year -

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

Subsequently, on April 4, 2012, the Company requested the declaration of limitation of the fiscal year in question. Said request was declared admissible by means of Intendancy Resolution No.011-020-0000323/SUNAT.

(c) 2000 and 2001 Fiscal Years -

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), DCP, 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 amounted to 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.

Against the TCR, on March 21, 2011 the Company filed an administrative claim against SUNAT and the TC regarding the aforementioned objections, as well as against the interest corresponding to the payments on account for the year 2000.

In the first and second instance, the claim regarding the objection to IPTs 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 DCP, the High Court validated the collection management carried out by the Company, though only regarding the telephone receipt to the extent that 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 appealed against the decision of the High Court. The Supreme Court ruled in favor of SUNAT regarding the objections to Overheads, FC, and Simple Reorganization and, in favor of the Company insofar as the objection to the IPT. With regard to the objection to the DCP, the Supreme Court ordered the second instance to issue a new judgment. On July 29, 2020, the High Court issued a new judgment, declaring the objection to the DCP as unfounded; Against this decision a new appeal was filed. On March 24, 2022, the appeal was declared valid. On October 13, 2022, the oral hearing was held before the Supreme Court. On January 18, 2023, the supreme resolution that declared the lawsuit regarding the disallowance of DCP invalid was notified. On April 3, 2023, the Execution Court considered the file received and ordered the Tax Court to comply with the ruling. In this regard, on April 10, 2023, the Tax Court submitted a clarification for said request to the Court.

On May 3, 2023, the Court declared the compliance ruling invalid and on June 9, 2023, it ordered SUNAT to comply with the supreme resolutions, instead of submitting them to the Tax Court. On June 15, 2023, the Company submitted a document to request that the aforementioned resolution be clarified or subordinately be invalidated. On June 22, 2023, the Company's request for clarification was declared inadmissible, however, the request for invalidity was accepted. SUNAT submitted a document where it declares that it "complies" with the rulings of the Judiciary.

On July 2, 2023, the Company submitted a document to inform the Court that SUNAT did not fully comply with the rulings of the Supreme Court or those of the Constitutional Court determined in the

request for defense resolved in favor of the Company. On July 10, 2023, the Court notified SUNAT on the Company's request for invalidity.

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) FC, (2) DCP, and (3) IPT. For these purposes, the corresponding updated bank letter of guarantee for the period 2022-2023 for the amount of S/ 788,185,150 was submitted as injunction bond. On January 26, 2023, SUNAT requested the execution of the letters of guarantee and on February 10, 2023, the Company raised objections to said request. On March 12, 2023, the Company submitted the updated letters of guarantee for 2023 and required SUNAT to comply with updating the tax debt.

Finally, on April 17, 2023, the Court informed the parties of the documents submitted and resolved that (i) the debt be considered in accordance with the amounts indicated by SUNAT in its update report for the renewal of letters of guarantee; (ii) the execution of the letters of guarantee is conditioned to the issuance of the debt liquidation through the resolution of compliance.

On May 22, 2023, the Company filed an appeal against the aforementioned resolution regarding paragraph (i); while SUNAT filed a similar appeal with respect to paragraph (ii).

On June 08, 2023, the Company's appeal was granted without suspensive effect; while SUNAT was granted the appeal on June 26, 2023. Both appeals are pending resolution in the Superior Court.

On July 5, 2023, the Company submitted a document including statements "to take note" regarding both appeals.

In the third quarter of 2019, the Company revaluated its contingencies in accordance with the resolution issued by the Supreme Court and, consequently, modified the classification from remote to probable regarding disallowances of financial charges, simple reorganization process and overhead. This same revaluation was applied to the disallowance of DCP. Regarding the disallowance of indoor public telephones, contingencies continued to be classified as remote, since this resolution was in favor of the Company.

Against the enforceable judgment detailed in the previous proceeding, on February 28, 2023, the Company filed request for defense whereby the Company appeals that the invalidity of said judgment notified on January 18, 2023 be declared. The hearing date was scheduled for September 4, 2023.

In Management's opinion, based on the opinion of its legal advisors, the contingency of this process was classified as remote.

In execution of 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 precautionary measure obtained). The Company filed a complaint and paid, under protest, the sum of S/134,353,008 that was coercively required. On January 27, 2012, the TC declared that there was no debt coercively enforceable and demanded through enforcement the payment of S/150,842,142 linked to the fine for Income Tax (Profit) for the year 2000. Again, the Company paid the amount under protest and lodged a complaint that was resolved favorably for the Company by means of TCR No.18209-1-2013.

On February 24, 2014, SUNAT through 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, ordered SUNAT, at the time of making the final settlement, to determine whether the return of the amounts paid is appropriate.

Regarding the carry-over of the balance in favor for the year 1999 applicable to the periods 2000 and 2001, the TC (i) upheld the resolution of the first instance by SUNAT and, consequently, considered the correction of the carry-over of the obligation of the tax periods that were prescribed

as valid, and (ii) supported the Company's request by which it stated that SUNAT could not make a liquidation until the file of payments on account for the year 2000 was resolved, as well as the files for the refund of payments made by coercive collection, as these are a component of the tax assessment.

Regarding point (i), the Company filed a contentious administrative claim requesting that it be declared null and void insofar as the points that uphold the objections: (i.1) balance in favor of previous years and, (i.2) sale of the Nortel analog network. On March 23, 2015, in the first instance, the claim was declared unfounded, confirmed by the Superior Chamber. On May 25, 2021, the Supreme Court declared the lawsuit unfounded. Process concluded.

The Company, considering the result in the Supreme Court, reassessed its contingencies so the qualification of this process varied from remote to probable. Said variation was made in the second quarter of 2021.

On May 12, 2014, SUNAT filed an administrative lawsuit against point (ii). This claim was declared inadmissible in the first and second instances. However, the Supreme Court declared founded the cassation appeal filed by SUNAT and ordered the judge of first instance to re-qualify the application, 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. On May 18, 2022, the internal hearing of the appeal filed by SUNAT was held. On November 2, 2022, the appeal in cassation filed by SUNAT was declared admissible. On June 22, 2023, the oral hearing was held before the Supreme Court. Final resolution by the Supreme Court is pending.

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

(d) The protective action derived from the Income Tax for the years 2000 and 2001:

On July 3, 2013, the Company filed a protective proceeding, 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. On February 22, 2021, the judgement of the Constitutional Court that declared the claim founded was notified and, consequently, it was ordered that SUNAT recalculate the interest outside the legal deadline that both the tax administration authority and the Tax Court had to settle the challenges submitted by the Company. On May 22, 2023, the Company requested the Court to order SUNAT to comply with the judgement. On June 7, 2023, SUNAT was notified of the Court's order to comply with the determination of the debt in accordance with the Constitutional Court judgement. On July 4, 2023, the Company submitted a document to indicate that, pursuant to the intendency resolution notified by SUNAT regarding the income tax for the years 2000-2001, SUNAT has failed to comply with the Constitutional Court judgement.

Against the Constitutional Court judgment, on November 9, 2021, the Company was notified of a request for defense filed by the Tax Court. On November 22, 2021, the Company answered the claim. On September 6, 2022, a single hearing was held and on September 26, 2022, the claim filed by the Tax Court was declared inadmissible. On November 29, 2022, Tax Court and SUNAT appeals were submitted to the Supreme Court, and the hearing date before the Supreme Court (hearing on the merits) is pending.

Management believes, based on the opinion of its external legal advisors, the classification of the contingency of this process is remote.

On the other hand, against the same judgment of the Constitutional Court, on May 20, 2022, the Company was notified of the inadmissibility of the claim filed by SUNAT. On August 23, 2022, the hearing before the second instance court was held (hearing of the case). On November 16, the first instance resolution that considered the claim filed by SUNAT as inadmissible was declared invalid and it was ordered to carry out again the claim qualification process. The claim was held admissible and on June 28, 2023 the Company filed an objection of parallel proceedings (lis pendens) exception and answered the claim.

In Management's opinion, based on the opinion of its external legal advisors, the contingency of this process was classified as remote.

(e) Payments on Account of 2000 fiscal 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 the year 2000.

SUNAT, on November 17, 2011, notified IR No.0150150001039 by virtue of which an alleged tax debt was quantified at S/678,541,069. The Company, filing an appeal against the IR and SUNAT to concede, demanded a payment of S/189,297,341.

By means of TCR No. 06671-11-2012, extended by TCR No.08037-11-2012, the TC (1) upheld that SUNAT re-settle the fine resolutions as long as they had not been revoked; (2) ordered SUNAT to carry out the determination of the debit balance, modifying the balance in favor declared by the Company in 1999, and thus ignoring the effects of the lapsing.

The Tax Court, in resolving the clarification presented by the Company, pointed out that (1) the fines imposed by SUNAT were not rendered null and void; and (2) the Company is entitled to invoke the elapsing of 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 amend the balance in favor.

However, the Company was notified with TCR No. 02569-11-2015, by which it is resolved that SUNAT is entitled to modify the balance in favor of the 1999 financial year despite having lapsed. Subsequently, the TC ordered to suspend the administrative procedure by virtue of the precautionary measure obtained by the Company in court, and to which we will refer in the following paragraphs.

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

In the first instance, the claim was declared unfounded, but it was revoked by the High 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 precautionary measure and, as a consequence, the execution of the letter of bank guarantee offered and delivered for a sum of S/45,948,058. On June 16, 2022, the Company objected to the SUNAT's request and, the court granted SUNAT a period to rule on the Company's objection. The Resolution of July 5, 2022, ordered the execution of the letter of guarantee, on July 13, 2022, ordered the delivery of the letter of guarantee to SUNAT. Process 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 varied the classification of the contingency from remote to probable.

In compliance with the resolution of the Supreme Court regarding the contentious-administrative proceeding detailed in paragraph 4 above, the Tax Court issued Tax Court Resolution No. 05707-9-2022. Against this resolution, on November 30, 2022, the Company filed a contentious-administrative claim regarding the decision that resolves to validate the calculation of default interest for the years in which SUNAT exceeded the legal deadlines established to resolve the claims, appeals and issue a compliance resolution, in relation to the payments on account of Income Tax for the year 2002, filed by the Company.

On March 8, 2023, the claim was declared inadmissible and on March 14, 2023, an appeal was filed. On June 6, 2023, the hearing before the second instance court was held (hearing of the case). On June 26, 2023, the second instance judgment was issued, whereby the first instance judgement was declared invalid and, consequently, it was ordered to the Court to hold the claim filed by Telefónica admissible, taking into account the precedents issued by the Tax Court. In this case, the Company questions the application of interest derived from payments on account for the year 2000.

In Management's opinion, based on the opinion of its external legal advisors, the contingency of this process was classified as remote.

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

On July 3, 2013, the Company filed an amparo proceeding in which it requested the Court to declare non-application to the specific case of article 33 of the Tax Code that regulates the default interest of unpaid taxes. Through the amparo proceeding, the Company questioned the interest accrued during the time that the TC and SUNAT exceeded the deadlines for resolving the Company's appeal.

SUNAT thus, by means of IR No. 015150001202, ordered to continue collecting the eight (08) DRs and two (02) Fine Resolutions (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 declared partially founded 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 claim inadmissible and an appeal for invalidity was filed against this resolution, which was subsequently declared inadmissible. The proceeding was completed. Since no resolution on the merits regarding the interests was issued, the Company filed a legal challenge as detailed in paragraph (e) above.

In the first quarter of 2022, in Management's opinion, based on the opinion of its external legal advisors, the contingency classification of this process changed to probable.

Since the Constitutional Court did issue a resolution on the merits of the dispute, the Company questioned the default interest applied outside the legal deadline through a contentious-administrative claim that is specified in paragraph (e) above.

(g) Fiscal year 2002:

TCR No. 04831-9-2012: (1) revoked the objection related to the exchange difference considering that this is an accounting result to which the principle of causality does not apply; (2) revoked the objection related to financial interests and ordered that SUNAT carry out a new review of the documentation that supports the Cash Flow Statement, as well as of the reports of third parties presented by the Company; (3) partially upheld the objection to DCP, since it considered that the Company was obliged to present the information that supports the entire DCP even though SUNAT only required a sample; and (4) recognized only the collection management for termination notifications as valid, thus ordering 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 DCP that was modified in 2001; However, in 2002 it can be deducted for being greater than 12 months. Likewise, the Tax Court confirmed the modifications related to non-business IPT 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) DCP; (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 declaring the claim partially founded was served, and on July 5, 2019, the Company was served with the judgment of the High Court declaring the objections unfounded. Finally, it upheld the ruling of first instance regarding the non-validation of the procedure for calculating the interest used by SUNAT between December 25, 2016 and March 15, 2017. On May 11, 2020, the appeals filed by the parties were declared admissible. On August 16, 2022, the oral hearing was held before the Supreme Court. On January 18, 2023, the supreme resolution was notified including details of the majority votes of the members of the Supreme Court, whereby the Company's appeal in cassation was declared partially founded with respect to the disallowance of IPT, and dismissed the disallowance of expenses without supporting documentation, non-business expenses, DCP, requested deductions. Similarly, the resolution confirmed a favorable outcome regarding default interest and interest capitalization. On March 16, 2023, the Court ordered SUNAT and the Tax Court to comply with the provisions of the supreme enforceable judgment and, consequently, to issue a new resolution by the Tax Court so that SUNAT carry out the reassessment of the debt. On June 14, 2023, the Court granted SUNAT the extension request and approved a period of 60 additional business days to comply with the resolution of the Supreme Court.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of IPT was classified as remote.

In accordance with the resolution of the Supreme Court, the classification of the contingency related to disallowance of expenses without supporting documentation, non-business expenses, provision for doubtful accounts, requested deductions changed to probable.

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

The Company has been notified with the IR issued by SUNAT regarding the VAT for the years 1998, 1999, 2000, and 2001. The Company made the payment corresponding to the SUNAT determination, except for the case related to the General Sales Tax of 2001 (in which the Tax Court ruled in favor of the Company). Regarding the VAT for 2002, by means of Tax Court Resolution No. 04831-9-2012, the Tax Court upheld the objections submitted for this matter.

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 from the years 1999 to 2004, corresponding to income of non-domiciled companies operating a satellite. SUNAT considers such income as income from Peruvian sources.

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

The five processes 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 protective proceedings were initiated to challenge said resolutions, which are explained in the following paragraphs. Furthermore, against the resolutions issued by the TC in compliance with the supreme resolutions, the Company initiated 4 contentious administrative proceedings.

(a) 2002 financial year:

Regarding the 2002 fiscal year, on October 6, 2020, the instance judgment declared the amparo claim filed by the Company unfounded, as it considered that constitutional rights 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 report, held on July 14, 2022. The Superior Court declared the claim unfounded; therefore, on January 4, 2023, the Company filed a constitutional grievance appeal. The date of the oral hearing before the Constitutional Court is pending.

In the course of the procedure, the Company requested a precautionary measure aimed at suspending the effects of the supreme resolution of the contentious administrative claim procedure SUNAT initiated. However, the validity of the precautionary measure is currently under discussion in the High Court. To guarantee the precautionary measure, the Company presented a letter of guarantee for the amount of 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 case, the Supreme Court followed the same criterion as in 2002 and, consequently, ruled in favor of SUNAT. Qualifying the provision of satellite capacity as a service provided in Peruvian territory and therefore, the Court argued it was appropriate that the supplier paid the tax and the Company withholds it. On August 16, 2019, the compliance TCR was notified, against which the Company filed an contentious administrative claim process since it considered that the TC failed to pronounce on what was ordered by the Supreme Court. On September 28, 2022, the oral hearing was held, and on March 3, 2023, the Company was notified of the judgment that declared the claim unfounded. On March 13, 2023, the appeal was filed. On May 23, 2023, the oral hearing was held before the Superior Court and the second instance judgement is pending.

Without prejudice to the judicial questioning, 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 TCR compliance. The TC declared the appeal unfounded. Consequently, on July 6, 2021, the Company filed a second lawsuit against the new compliance TCR insofar as that it provides for the suspension of interests in applying article 33 of the Tax Code and its clarification insofar as it establishes that the application of interest is not suspended for the period of the judicial process to which SUNAT took us. On May 17, 2022, the oral hearing was held. The first instance judgement issued by the Court declared the claim unfounded. Against this resolution, the Company filed an appeal, which was declared unfounded by a resolution notified on November 11, 2022. On November 18, 2022, the Company filed an appeal in cassation against the second instance judgment. On December 6, 2022, the case file was submitted to the Supreme Court. On May 3, 2023, the Company's appeal in cassation was declared admissible. The oral hearing before the Supreme Court was scheduled for August 29, 2023.

Finally, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. On September 10, 2019, the oral hearing was held before a first instance court and the claim was declared unfounded. On December 6, 2022, the appeal is granted. On March 27, 2023, the case file was forwarded to the Second Constitutional Chamber of the Superior Court. The oral hearing was scheduled for August 1, 2023.

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

(c) Financial year 2003:

On June 3, 2019, the Company was notified with the compliance TCR pursuant to the Supreme Court's ruling. Against the aforementioned TCR, on June 24, 2019, the Company initiated an administrative contentious judicial action, alleging that the TC failed to pronounce itself in the terms of the provisions of the Supreme Court, and consequently did not pronounce on two arguments presented by the Company via administrative settlement, thus contravening the right to due administrative procedure. On November 11, 2021, the oral report was heard in the first instance. On January 24, 2023, the first instance judgment was notified whereby the Company's claim was declared unfounded. On January 30, 2023, the appeal was filed. On May 18, 2023, the oral hearing was held before a second instance court. On June 7, 2023, the judgment that declared the claim unfounded was notified. On June 14, 2023, the Company filed an appeal in cassation.

As a result of the issuance of the compliance TCR, on July 9, 2019, the Company made a payment of S/11,212,971 considering the default interest at that date for fines.

In view of the fact that 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 furthered 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 lawsuit unfounded. On April 7, 2022, the oral report was carried out before the High 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 file was submitted to the Second Chamber of the Constitutional Court, and is pending qualification. Management believes, based on the opinions of its external legal advisors, the contingency qualifies as possible.

(d) Financial years 1999 and 2000:

On November 14, 2019, the TC issued the compliance TCR, against which on February 5, 2020, the Company initiated an contentious administrative judicial procedure. On April 28, 2020, the response to the lawsuit filed by SUNAT and the TC was notified. On December 29, 2021, the oral report 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 the sum of S/30,913,192 was paid.

In parallel, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. On November 16, 2021, the oral report was heard in the first instance, and on July 19, 2022, the claim was declared unfounded. The Company filed an appeal and on December 7, 2022 this appeal was granted, and the date of the oral hearing is pending.

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

(e) Financial year 2001:

Against the TCR, issued in compliance with the Supreme Court's ruling, the Company filed an contentious administrative claim. On July 29, 2020, the objection to res judicata and the response of the SUNAT were notified, as well as the response of the TC. On October 25, 2021, the oral report was heard in the first instance, The claim was declared partially founded. On April 18, 2023, the hearing before the second instance court was held (hearing of the case) and on May 9, 2023, the judgment that declared the claim unfounded was notified. On May 15, 2023, the Company filed an appeal in cassation.

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

In parallel, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. On Mat 13, 2021, the oral report was heard in the first instance, and on July 4, 2022, the claim was declared unfounded. On August 31, 2022, the Company filed an appeal. On April 11, 2023, the hearing before the second instance (hearing of the case) of the Superior Court was scheduled for November 7, 2023.

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

IV. Income Tax and VAT 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) 2005 Financial Year:

Regarding the VAT for the year 2005, on January 9, 2018, the TC ordered SUNAT to carry out a new settlement. Likewise, for the 2004 financial year, a decision was notified on November 14, 2018, with the new settlement 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 its external legal advisors, the Company has qualified the contingency of both files as probable.

(b) Income tax and VAT for the year 2003:

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 VAT on unsecured credit notes, v) documents that do not support expenses, vi) DCP, vii) collection of interest and fines. On February 2, 2019, the contentious administrative claim 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 Superior Court declared the appeal filed by the Company unfounded and, consequently, the first instance judgment regarding the disallowance of DCP and other disallowances was confirmed. In relation to the questioning of default interests, the first instance judgement was declared invalid. On February 24, 2023, the Court considered the proceedings of the Superior Chamber as received. On September 17, 2022, the Company filed an appeal in cassation, which was subsequently declared admissible. By resolution dated September 19, 2022, the Supreme Court ordered to suspend the processing of the appeal in cassation until the court (first instance) issues a new resolution regarding the capitalization of default interests, taking into account that the Superior Court declared the invalidity of the first instance judgment. To date, the issuance of the new first instance judgment regarding the capitalization of default interest is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of DCP was classified as probable. Regarding the other disallowances, contingencies were classified as possible.

On the other hand, on April 14, 2019, we were notified with a contentious administrative claim filed by SUNAT against the same TCR No. 10820-4-2018, but insofar as the objections resolved in favor of the Company via administrative settlement: i) expenses for unsupported compensation, ii) DCP, iii) amortization of unsupported intangibles, iv) modification of the coefficient. On June 11, 2020, the claim was declared partially founded regarding the claims for expenses for unsubstantiated compensation and amortization of intangibles; Furthermore, the claim was declared unfounded in relation to the DCP claims and modification of the coefficient. On December 31, 2020, the hearing judgment declared SUNAT's claim founded only insofar as the objection to compensation without reliable substantiation was notified, declaring the DCP (sampling) and amortization of intangibles unfounded and favorable for the Company. The appeals of both parties were declared admissible. On January 19, 2023, the oral hearing was held before the Supreme Court. On March 9, 2023, the Company was notified of the supreme enforceable judgment that declared the appeals in cassation of the Company and the Tax Court unfounded and the appeal in cassation of SUNAT founded, and consequently declared as (i) unfounded the disallowance of provision for DCP subject to sampling. On March 15, 2023, the Company filed an appeal for annulment against the supreme enforceable judgment regarding the disallowance of provision for DCP subject to sampling since it was based on an erroneous fact. On March 27, 2023, SUNAT acquitted the appeal for annulment. On April 4,

2023, the request for annulment filed by Telefonica del Perú was declared inadmissible; and the supreme enforceable judgment that determined the appeal in cassation filed by the Tax Court to be unfounded was declared groundless. In addition, the judgement regarding the disallowance of provision for doubtful accounts subject to sampling was reserved and it was ordered that the Superior Chamber complete the omissions incurred in the judgment hearing regarding said disallowance. On May 8, 2023, the oral hearing was held before the Superior Court regarding the disallowance of modification of coefficient. On June 6, 2023, the second instance judgement was notified, which clarified the sampling mechanism applied to the provision for doubtful accounts and confirmed the resolution issued against the Company, in addition, it declared the SUNAT's claim regarding the disallowance of modification of coefficient unfounded. Against the resolution of the Superior Court, on June 14, 2023, the Company filed an appeal in cassation. The admissibility of the appeal in cassation is pending.

The Company, based on the opinion of its legal advisors, classified the contingency related to the disallowance of expenses for compensation without supporting evidence as probable. Regarding the other disallowances, contingencies were classified as remote.

Against the resolution of the Supreme Court regarding the contentious-administrative proceeding initiated by SUNAT, specified in the previous section; on March 1, 2023, the Company filed a request for defense in order to declare the invalidity of the supreme resolution that resolved against the Company the disallowance of DCP (questioning the application of the sampling mechanism for the extrapolation of the disallowance income). On May 5, 2023, the claim was hold admissible and the single hearing was scheduled for September 22, 2023. On June 15, 2023, the response and the plea for lack of capacity to act filed by SUNAT were notified.

In Management's opinion, based on the opinion of its external legal advisors, the contingency was classified as remote.

Against the same judgement of the Supreme Court, on May 17, 2023, the request for defense filed by SUNAT was notified and on May 31, 2023, the Company submitted the plea for lack of capacity to act and answered the claim. On June 23, 2023, the plea for lack of capacity to act filed by the Company was declared unfounded; however, the claim filed by SUNAT was declared inadmissible.

(c) VAT for the year 2010:

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

In Management's opinion, based on the opinions of its external advisors, the contingency related to fines was classified as remote. Regarding disallowance of statute of limitations, the contingency was classified as probable; and regarding the disallowance of excess recreational expenses, the contingency was classified as possible.

(d) Income Tax for the 2009 fiscal year:

Regarding the Income Tax for the year 2009, on January 16, 2020, the Company initiated an administrative contentious judicial process by means of which it requests 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 that declared the claim unfounded was confirmed and on August 9, 2022, the Company filed an appeal in cassation, which was subsequently declared inadmissible.

In accordance with the resolution of the Supreme Court, the Company, together with its external legal advisors, revaluated the contingency and modified the classification to probable.

In execution of TCR No. 7453-4-2019, the Company was notified with the coercive resolution which demanded an amount of S/144,962, paid on November 6, 2019. Since the Company did not agree with that ordered by SUNAT, on January 20, 2020, an appeal was filed, which TCR No. 04088-4-2020 resolved upholding 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 null and void.

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

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

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

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

Management believes, based on the opinion of and its legal external advisors, the qualification of the contingency of this process is remote.

(e) Income Tax for the 2004 fiscal year:

Regarding the 2004 financial year, on November 9, 2021, the Company filed an contentious administrative claim requesting the nullity of the TCR No. 06587-9-2021 (and the 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 vouchers that support their deduction, (ii) expenses for financial interests with related companies, (iii) FC, (iv) DCP, 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 demand also encompasses the questioning of 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 prohibited in accordance with the precedents issued by the TC, and; c) the procedure for calculating default interest between December 25, 2006 and March 15, 2007. On September 13, 2022, the oral hearing was held before a first instance court and the issuance of the judgment is pending. On March 17, 2023, the Court indicated that the binding precedent MAXCO will be applied (regarding the non-application of default interest due to the delay in resolving challenges filed by SUNAT and the Tax Court), and by virtue whereof, it requested the parties to inform (i) whether SUNAT and the Tax Court have applied default interest after the expiration of the legal deadline to resolve the challenges filed by the Company, and (ii) the current status of the tax debt. On March 27, 2023, the Company submitted a compliance document and SUNAT submitted an additional deadline to comply with the resolution, and this term was granted. On May 18, 2023, the court notified the Company of SUNAT's compliance document regarding SUNAT's request. On June 15, 2023, it was notified of the first instance judgment that declared the claim unfounded in all its aspects with the exception of the disallowance of DCP subject to pre-judicial collection mechanism. On June 21, 2023, SUNAT filed an appeal regarding the disallowance of DCP subject to pre-judicial collection mechanism and on June 22, 2023, the Company filed an appeal regarding the disallowances that were unfavorable to the Company.

In Management's opinion, based on the opinions of its legal advisors, the contingency related to disallowance of DCP was classified as probable. Regarding disallowance of statute of limitations, the contingency classification was modified to probable. Regarding the disallowance of IPT, amortization of maintenance expenses and default interest was classified as remote. Regarding other disallowances, contingencies were classified as possible.

Against the same TCR No. 06587-9-2021, on December 17, 2021, the Company was notified with a SUNAT lawsuit by means of which it requests the nullity insofar as that it decided to declare the TC resolutions null and void as rejecting the DCP was not the subject of the sample. On September 8, 2022, an oral report was carried out in the first instance. On May 16, 2023, the first instance judgment that declared SUNAT's claim unfounded was notified. On May 19, 2023, SUNAT filed an appeal and on June 26, 2023, this appeal was granted. The oral hearing before a second instance court was scheduled for July 25, 2023.

The Company, based on the opinion of its legal advisors, qualified the contingency for all disallowances as remote.

Regarding the same tax period, on December 17, 2021, the Company filed an administrative lawsuit requesting the nullity of TCR No. 7509-4-2021 to the extent that it confirmed 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 (company 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, it is pending that an oral report date is set.

The Company, based on the opinion of its legal advisors, classified as remote the contingencies related to disallowances of salaries abroad, default interests, expenses from previous years, loss from exchange difference. Regarding other disallowances, contingencies were classified as possible.

In compliance with the resolution specified above, Tax Court Resolution No. 02348-4-2022 was issued. On July 18, 2022, the Company filed a new contentious-administrative claim against such resolution, whereby the Company challenged the compliance Tax Court Resolution regarding the provisions that (i) incorrectly determine the amount to be paid for the application of the incentive regime (including the payment of default interest); (ii) update the debt based on the consumer price index corresponding to a different year; (iii) infringe due process and commit undue reasoning by incurring in non-existent defects in the reasoning. On July 19, 2022, the claim was held admissible and on August 17, 2022, SUNAT submitted its defense to the claim. On April 13, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its external legal advisors, the contingencies related to all disallowances were classified as remote.

(f) Income Tax for the 2005 fiscal 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, obtaining an unfavorable final result in financial charges, DCP, reversal of provisions, among others. On May 15, 2019, the claim was admitted for processing. SUNAT responded to the complaint. The oral hearing before a first instance court was scheduled for November 28, 2023.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of DCP modified its classification to probable, in accordance with the data provided in the Supreme Court cases query system regarding the appeals in cassation filed in the proceedings addressed in Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). Regarding the disallowance of statute of limitations, the contingency classification was also modified to probable. Regarding the disallowance of financial charges, contingency classification was modified to possible. Regarding other disallowances, contingencies were classified as remote.

Regarding the same period, on April 20, 2022, we were notified with a SUNAT lawsuit by means of which it requests the nullity of TCR No. 10121-3-2021 in the extreme that (i) it decided to declare

the DR and FR null with respect to the objection to DCP that was not the subject of the sample verified by SUNAT during the audit procedure (ii) it revoked the IR with respect to the objections to: expenses accrued in previous years - Accounts 665110, tax amortization not accepted since it had not substantiated the price paid of the intangible, nor the application of credit for payments on account for the year. On May 4, 2022, the Company filed a response. On June 15, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

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

(g) Income tax for fiscal year 2006

On September 14, 2022, the Company filed a contentious-administrative claim against Tax Court resolution No. 04079-2-2022, regarding the following unfavorable disallowances: (i) expenses that do not comply with the principle of causality (expenses recorded in account 669910); (ii) expenses without supporting documentation; (iii) IPT; (iv) financial interest expenses with related companies; (v) unaccepted amortization of intangibles (for maintenance expenses and training expenses that do not qualify as assets); (vi) unaccepted depreciation for not supporting part of the incurred calculated cost of fixed assets (related to financial charges); (vii) resolutions on determination; (viii) resolutions on fines; (x) default interest and its capitalization; (xi) statute of limitations. On October 20, 2022, the claim was held admissible. The date of the oral hearing before a first instance court is pending.

In Management's opinion, based on the opinion of its legal advisors, contingencies related to disallowances of statute of limitations, expenses that do not comply with the principle of causality and expenses without supporting documentation were classified as possible. Regarding other disallowances, contingencies were classified as remote.

On the other hand, SUNAT challenged the same Tax Court resolution regarding the provision that revokes the intendency resolution on the disallowances of (i) unaccepted amortization of intangibles for not supporting the price paid for intangibles, (ii) modification of coefficient of payments on account, (iii) resolutions on fines, and (iv) request for refund of excess payments. On October 31, 2022, the Company submitted its defense to the claim. The oral hearing before a first instance court is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as remote.

(h) Income tax for fiscal year 2007

On October 11, 2022, the Company was notified of a claim filed by SUNAT whereby it questions Tax Court Resolution No. 04357-9-2022 regarding the provision that revokes the intendency resolution on the disallowances of (i) unaccepted amortization of intangibles for not supporting the price paid for intangibles, (ii) modification of coefficient of payments on account, (iii) resolutions on fines, and (iv) request for refund of excess payments. On October 31, 2022, the Company submitted its defense to the claim. The oral hearing before a first instance court is pending.

In Management's opinion, based on the opinion of its legal advisors, contingencies related to disallowances of statute of limitations were classified as probable and contingencies related to recalculation of payments on account were classified as possible. Regarding other disallowances, contingencies were classified as remote.

(i) Income tax for fiscal year 2008

On November 2, 2022, the Company filed a contentious-administrative claim against Tax Court Resolution No. 05258-1-2022 regarding the disallowances of (i) statute of limitations, (ii) IPT, (iii) connection fee, (iv) payments on account, (v) tax credit for excess recreational expenses. On November 3, 2022, the claim was held admissible and on November 22, 2022, a defense to the claim was submitted. The date of the oral hearing is pending.

In Management's opinion, based on the opinion of its legal advisors, contingencies related to disallowances of income improperly considered as deferred and IPT were classified as remote. Regarding the statute of limitations, contingency classification was modified to probable. Regarding other disallowances, contingencies were classified as remote.

On November 22, 2022, the Company was notified of a claim filed by SUNAT against the same Tax Court Resolution regarding the disallowances of (i) modification of coefficient of payments on account of the income tax for January-December 2008, and (ii) credit balance of the previous offset year. On December 6, 2022, the Company submitted its defense to the claim, and the date of the oral hearing is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to disallowances of modification of coefficient was classified as possible. Regarding the disallowance of credit balance of the previous year, the contingency was classified as remote.

V. Income Tax and VAT of Telefónica Móviles for the years 2000 to 2012:

As a result of the audits of the years 2000 to 2009 on Telefónica Móviles, 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 Móviles obtained unfavorable results in administrative settlements, it filed appeals and, in others, proceeded to pay the tax calculations received. The details of these processes are explained in the following paragraphs.

(a) Income tax for the year 2000:

In the administrative field, on 30 March 2007, SUNAT issued an IR resolving the claim filed by Telefónica Móviles regarding financial year 2000. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

In July 2020, the TC notified TCR No.2275-5-2020 by means of which it 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 notified 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, DCP, Overheads, Expenses re-invoiced for DCP, Cellular 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, DCP regarding the months of February to June, August, and October to December.

Against the last TCR, the Company filed a contentious administrative claim, requesting the nullity of the objections resolved unfavorably for the Company: (i) DCP, (ii) Unaccepted depreciation (linked to 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 of Nortel Analog Network, Simple Reorganization and DCP, and consequently ordered the High Chamber to issue a new judgment. Regarding the objections to Financial Charges and Overheads, the Supreme Court has adjudicated in favor of SUNAT. On September 30, 2019, the High Court issued the new judgment declaring the objection to unaccepted depreciations and DCP unfounded, 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 an cassation appeal, which were declared admissible. On September 13, 2022, the oral hearing was held before the Supreme Court. On January 18, 2023, a notification was submitted on the supreme resolution that declared (i) the invalidity of the judgment of the Superior Court regarding the disallowance of

unaccepted depreciations and (ii) the disallowance of DCP unfounded. On April 18, 2023, the oral hearing was held before a second instance court regarding the disallowance of unaccepted depreciations. On April 27, 2023, the first instance judgment in that regard was declared invalid. The oral hearing before a first instance court was scheduled for September 12, 2023.

Since the disallowances of financial charges and overhead were resolved unfavorably for the Company, in the second quarter of 2019, the contingency classification was modified to probable.

In accordance with the resolution of the Supreme Court regarding the disallowance of unaccepted depreciations, the contingency was classified as remote. Regarding the disallowance of DCP, the contingency classification was modified to probable

In compliance with the same Tax Court Resolution, on September 16, 2022, the Company filed a contentious-administrative claim against the Tax Court Resolution No. 03615-5-2022 for the year 2000. This resolution resolved the disallowance of Red Nortel in favor of the Company; however, the Company challenged the following disallowances: (i) DCP, (ii) exchange difference, (iii) unaccepted depreciations, (iv) default interest and its capitalization. On October 10, 2022, the claim was held admissible. On November 29, 2022, the defenses to the claim submitted by SUNAT and the Tax Court were notified. On July 10, 2023, the Court notified the Company of the resolution that ordered the hearing of evidence to be dismissed. The issuance of the first instance judgment is pending.

The Company, based on the opinion of its legal advisors, reassessed the contingency classification regarding the disallowance of DCP and modified its classification to probable, in accordance with the appeals in cassation filed against Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). Regarding the disallowance of default interest, the contingency was classified as remote. Regarding other disallowances, contingencies were classified as possible.

(b) Income tax and VAT for the year 2001:

Within the framework of the administrative procedure, on 22 October 2007, SUNAT issued the IR, thereby resolving the claim filed by Telefónica Moviles. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

On January 20, 2017, the TC notified the Company of RTC No. 11549-2-2016, by means of which the objections to (i) management fee and, (ii) amortization of intangibles were resolved unfavorably. Furthermore, the Tax Court Resolution ordered a new review of a part of the doubtful collection provision, and of the loss due to the exchange difference, which is currently pending a new pronouncement by SUNAT. On August 18, 2020, the IR was notified, thereby complying with that ordered by the TC. The Company subsequently appealed this resolution on September 8, 2020.

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

On April 19, 2017, the Company filed a contentious administrative claim against TCR No. 11549-2-2016. On December 6, 2021, the judgment that declared the claim in all its facets unfounded was notified, which was appealed on December 14, 2021. On April 5, 2022, the case was heard in second instance. On January 19, 2023, a resolution was issued to revoke the first instance judgment that declared unfounded the claim regarding the disallowances of DCP, payments on account and calculation of default interest. This resolution declared said judgment founded. However, it declared the claim unfounded with respect to the other disallowances. The parties filed an appeal in cassation against said resolution. On March 27, 2023, the Superior Court rejected the appeal in cassation filed in accordance with the Cassation Plenary's resolution whereby such appeals filed against decisions issued by first and second instance court in the same sense (double conformity principle) must be declared inadmissible. In view of this situation, the Company filed an appeal against the resolution that rejected the appeal in cassation. On June 26, 2023, an "internal" hearing regarding such appeal against the resolution was held before the Supreme Court. On July 10, 2023, the Company was notified of the resolution that declared such appeal founded. The submission of the case file to the Supreme Court is pending.

The Company, based on the opinion of its legal advisors and in accordance with Tax Court Resolutions No. 17044-8-2010, No. 17133-8-2010 and No. 01853-8-2011, in the second quarter of 2019, modified the contingency classification to probable, in compliance with the resolution of the Supreme Court on the contentious-administrative proceedings of 2000-2001 fiscal year of Telefónica del Perú and of 2000 fiscal year of TM regarding the disallowances of overhead and carveout. Regarding the disallowance of cost depreciation and undue depreciation, the contingency was classified as probable.

The Company, based on the opinion of its legal advisors, reassessed the contingency classification regarding the disallowance of provision for doubtful accounts and modified its classification to probable; in accordance with the data provided in the Supreme Court cases query system regarding the appeals in cassation filed in the proceedings addressed in Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). Regarding other disallowances, contingencies were classified as remote.

Regarding the same TCR, SUNAT filed a contentious administrative claim challenging the objections to (i) expenses without causation and (ii) expenses assumed by third parties. On April 9, 2019, the first-instance ruling was communicated, stating that the Tax Court Resolution was partially justified and partially invalid. The Tax Court was thus ordered to issue a new resolution, confirming Intendancy Resolution No. 0150140006682 insofar as to the objections to various expenses transferred by its related party for those that 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. On May 19, 2020, the Company filed an appeal against the aforementioned judgment, which was declared admissible. On October 11, 2022, the oral hearing was held before the Supreme Court and on December 13, 2022, the supreme resolution that declared SUNAT's claim founded was notified. On March 13, 2023, the Court informed the parties of the of the tax court resolutions issued in compliance with the provisions of the supreme enforceable judgment. On April 5, 2023, the Court considered the mandate fulfilled and ordered to close the case. Since the proceeding has concluded, it will no longer be recorded in the next report.

Based on the opinion of its legal advisors and the resolutions issued, the Company modified the contingencies classification related to all disallowances to probable.

In compliance with Tax Court Resolution detailed above, the Tax Court issued the Tax Court Resolution No. 6015-4-2022. Against this resolution, on December 13, 2022, the Company filed a contentious-administrative claim regarding the decision that resolves to validate the calculation of default interest for the years in which SUNAT exceeded the legal deadlines established to resolve the claims, appeals and issue a compliance resolution. On January 13, 2023, the defense to the claim filed by SUNAT and the Ministry of Economy and Finance of Peru (MEF) was considered submitted. The oral hearing was scheduled for March 22, 2024.

The Company, based on the opinion of its legal advisors, classified the contingency as remote.

(c) Income tax and VAT for the year 2002:

Within the framework of the administrative procedure, on January 23 2008, SUNAT issued the IR, thereby resolving the claim filed by Telefónica Mviles. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

In this regard, on September 15, 2017, TCR No. 12003-8-2016 was notified which withdrew the objections to: (i) management fee; and, (ii) amortization of intangibles; declared the partial nullity of the objection to the DCP, and ordered a new review of the objection related to financial interests (carveout).

Against the aforementioned TCR, on December 15, 2017, the Company filed an contentious administrative claim regarding the unfavorable objections. On October 24, 2019, the oral submission was carried out in the first instance. The judgement of the first instance is still pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of DCP was classified as probable. Regarding other disallowances, contingencies were classified 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 VAT for the periods of February, May, and September to December 2002, as well as the fine resolutions. The Company appealed the IR, which is now pending resolution by the TC.

Furthermore, related to the tax period of 2002, the Company filed a protective proceeding seeking to stop calculating interest that exceeds the legal deadlines that the administration has for resolving the objections to and fines of the Income Tax for 2002. The judgment of first instance declared the claim partially founded and, in 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 is pending resolution.

In Management's opinion, based on the opinion of its external legal advisors and the latest resolutions issued by the Constitutional Court, the contingencies classification was modified to probable.

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 held before a second instance court and SUNAT's claim was declared founded. On September 26, 2022, the Company filed an appeal in cassation, which was declared inadmissible on March 28, 2023. On May 9, 2023, the Court, in compliance with the hearing judgment, forwarded the case file to the Tax Court in order to issue a new tax court resolution. On June 9, 2023, at the request of the Tax Court, an additional period of 15 days was granted in order to issue a new tax court resolution. On July 10, 2023, the Company was notified of the resolution that informed on the compliance tax court resolution and was granted a period of 3 business days to issue a statement.

The Company, based on the opinion of its legal advisors, reassessed the contingency classification regarding the disallowance of DCP and modified its classification to probable, in accordance with the data provided in the Supreme Court cases query system regarding the appeals in cassation filed in the proceedings addressed in Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). Regarding the disallowance of third-party tax borne by the taxpayer, the contingency classification was also modified to probable. Regarding other disallowances, contingencies were classified as possible.

On October 24, 2018, SUNAT legally challenged Tax Court Resolution No. 05108-1-2018 by means of which the request for a reimbursement of S/35,000,000 filed by TDP was declared inadmissible. On December 24, 2019, the Company was notified with the judgment of first instance that declared SUNAT's claim founded, however, in second instance the claim was declared inadmissible. Therefore, SUNAT filed a cassation appeal on January 27, 2022, and was declared admissible. On October 6, 2022, the oral hearing was held before the Supreme Court. On November 23, 2022, the supreme resolution that declared SUNAT's appeal unfounded was notified. The proceeding was completed.

In accordance with the resolution of the Supreme Court, the Company, based on the opinion of its external legal advisors, modified the contingency classification to remote.

On December 13, 2017, the Company filed a request for defense whereby it requested to cancel the calculation of interests outside the legal deadlines that the tax administration authority had to resolve disallowances and fines of income tax and VAT for the year 2002. The first instance judgement declared the claim partially founded and the second instance judgment declared the same claim inadmissible and, consequently, all proceedings were declared invalid. Against the resolution of the Superior Court, the Company filed a constitutional grievance appeal before the Constitutional Court, which is pending judgement.

In Management's opinion, based on the opinion of its legal advisors, the contingency was classified as remote.

Against the resolution of the Supreme Court regarding the contentious-administrative proceeding (related to Tax Court Resolution No. 12003-8-2016) filed by SUNAT; on May 15, 2023, the Company filed a request for defense in order to declare the invalidity of the supreme resolution that resolved against the Company. The issuance of judgement is pending.

In Management's opinion, based on the opinion of its external legal advisors, the contingency was classified as remote.

(d) Income tax and VAT for the year 2004:

Within the framework of the administrative procedure, on August 29, 2009, SUNAT issued the IR resolving the claim filed by Telefónica Móviles for the year 2004 Income Tax and VAT. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

On January 29, 2018, the TC notified TCR No. 10997-1-2017, by means of which (i) the DCP claim was declared null and void by the party 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 for 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) DCP, 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 contentious administrative claim was filed. In the first instance, the claim was declared: (i) unfounded regarding objections to the DCP, expenses recorded by contract for the granting of credit line Account 671110, depreciation of the cost of assets 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 High Court declared the complaint regarding the objection to the DCP to be founded, only insofar as the telephone bills. Against the decision of second instance, the parties filed cassation appeals. On September 13, 2022, the oral hearing was held before the Supreme Court. On January 18, 2023, a notification was submitted on the supreme enforceable judgment that declared the Company's claim unfounded regarding the disallowances of DCP, expenses or credit line agreements, cost depreciation, default interest from December 25, 2006 to March 15, 2007, modification of coefficient of payments on account. The proceeding was completed.

The Company, based on the opinion of its legal advisors, reassessed the contingency classification regarding the disallowance of provision for doubtful accounts and modified its classification to probable, in accordance with the data provided in the Supreme Court cases query system regarding the appeals in cassation filed in the proceedings addressed in Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998).

On February 14, 2020, the Company was notified with TCR No. 10982-9-2019, by means of which the objection to financial expenses by credit line granting contract is maintained, while the objection to financial expenses for loan contract was ordered to be resolved 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 required the Company to pay S/3,052,111, which was paid on March 4, 2020.

After the payment made by the Company, on October 1, 2020, SUNAT notified the Company with IR No. 0150140015607, and in alleged compliance with TCR No. 10982-9-2019, declared the appeal filed by Telefónica Móviles against FR No. 012-002-0015547 as unfounded, issued by the alleged commission of the offense typified in numeral 1 of article 178 of the Tax Code regarding the VAT 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, which was resolved by TCR No. 03230-9-2021, declaring it unfounded.

In relation to TCR No. 03230-9-2021, on March 12, 2020, the Company was notified with an contentious administrative claim filed by SUNAT which 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" (Carveout) in the DR and related FR. Both the TC and the Company responded to the SUNAT claim, while the Company filed an exception for non-exhaustion of the administrative means. On August 12, 2021, the Court upheld the exception of the Company filed on the failure to exhaust the administrative means and, consequently, ordered the closure of the procedure. Process concluded.

On April 23, 2018, SUNAT made a legal challenge to Tax Court Resolution No. 10997-1-2017, questioning the following modifications: i) DCP (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 Carveout 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, notification was made of the ruling of first instance that deemed the claim filed by SUNAT as invalid. On July 27, 2019, the judgment upheld the SUNAT claim based only on the objection to the Carve Out, and unfounded regarding the objections to the DCP and coefficient modification. Against the judgment, the parties filed cassation appeals, which was finally resolved as follows: (i) favorably for the objection to the modification coefficient, (ii) unfavorably for Carve Out (orders the TC to rule on the causality and not on loans and assets), and (iii) for DCP, declared the nullity of the decision issued by the Superior Court. On May 13, 2022, the hearing before the second instance court was held (hearing of the case). On October 6, 2022, the resolution was notified: 2 votes to confirm the first instance judgement, that is, to declare SUNAT's claim unfounded regarding the DCP; and 1 vote to declare the disallowance of DCP unfounded. On October 14, 2022, the resolution hearing was held. On December 14, 2022, the second instance judgment was notified declaring SUNAT's claim unfounded regarding the disallowance of DCP (in this case, the dispute refers to the application of the sampling mechanism, which was not verified by SUNAT during inspection procedure). SUNAT filed an appeal in cassation against the second instance judgment, which was dismissed on March 16, 2023. Against this resolution, SUNAT filed an appeal in order to be granted the appeal in cassation, and this appeal was declared founded. On July 3, 2023, the case file was held admissible before the Supreme Court.

The Company, based on the opinion of its legal advisors, classified the contingency regarding the disallowance of DCP (not subject to sampling) as remote. Regarding the disallowance of carveout, the contingency was classified as probable; and regarding the disallowance of modification of coefficient, the contingency was classified as remote.

For the same tax period (2004), the Company initiated a protective proceeding in order to waive the interest that exceeds the legal deadlines that the administration has to resolve the objections and fines on the Income Tax. On January 10, 2020, the Company received notification of the judgment of first instance that declared the claim filed by the Company partially founded, stating that there is a violation of the reasonable period. On April 26, 2021, High Court upheld the exception of non-exhaustion of the administrative means presented by SUNAT, consequently, the lawsuit was inadmissible, and all actions were null and void. On May 10, 2021, the Company filed a constitutional complaint for the Constitutional Court to rule on the Company's lawsuit. On December 28, 2021, Chamber 1 of the Constitutional Court resolved to declare the Company's lawsuit as inadmissible. Against the resolution of the Chamber 1 of the Constitutional Court, the Company filed an invalidation appeal, which was declared inadmissible. The proceeding was completed.

The company, based on the opinion of its legal advisors qualified the as probable.

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

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 VAT, 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 VAT for the year 2003

Regarding the Income Tax for the year 2003, on October 30, 2010, Telefónica Móviles filed a lawsuit 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 VAT - 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 Company's claim as unfounded. The High Court, following the oral report made on June 10, 2021, declared the judgment of first instance null and void, and ordered that the court of first instance issue a new judgment. The oral hearing was scheduled for September 26, 2023.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to the disallowance of maintenance expenses and overseas salaries were classified as probable. Regarding the disallowance of rental expenses, contingency was classified as remote. Regarding the disallowances of asset depreciation and loss carryforward, contingencies were classified as possible. Regarding other disallowances, contingencies were classified 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 motivation of the administrative resolutions, with respect to the debt update procedure, and (iv) the serious defects of motivation incurred by the TCR. In this regard, on July 4, 2022, the Company filed a contentious-administrative claim regarding the disallowances detailed above, which was held admissible. The oral hearing was scheduled for January 29, 2024.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of statute of limitations was classified as probable. Regarding other disallowances, contingencies were classified as possible.

Furthermore, regarding the Income Tax and VAT for the year 2003, 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 assets without documentary support, (ii) DCP, (iii) loss of difference in exchange, (iv) fines linked to those objections, and (v) default interest that were resolved against the Company in the first instance. On June 10, 2021, the oral report was carried out in second instance. On March 22, 2022, the appeal filed by the Company was granted. The High Court declared the judgement of first instance null and void and ordered a new judgement to be issued. On March 24, 2023, the Company submitted the documents requested to the parties by the Court regarding the precedent case MAXCO (non-application of interests outside the legal deadlines that SUNAT and the Tax Court had to issue resolution). On May 2, 2023, SUNAT complied with the Court's decision. To date, the Court's decision on the documents submitted by the parties and the issuance of judgement are pending.

The Company, based on the opinion of its legal advisors, classified the contingency related to the disallowance of interest on debt transferred as probable. Regarding the disallowance of modification of coefficient, the contingency was classified as possible. Regarding other disallowances, contingencies were classified as remote.

On January 10, 2020, the Company was notified of SUNAT's claim that objects the following disallowances regarding the VAT for the year 2003: (i) management fee, (ii) expenses for management and business advisory services, (iii) deducted and unpaid intangibles for the year 2003, (iv) DCP, (v) financial expenses recorded in accounts 637110 and 671110; (vi) loss from exchange difference attributed to forward and loan for consumption contracts; (vii) recovery of DCP, (viii) modification of coefficient applicable to payments on account, (ix) disallowance of tax credit for expenses for management and business advisory services, (x) disallowance of tax credit for reimbursement interest expenses; all of which were resolved by the Tax Court through Tax Court Resolution No. 6575-10-2019. On January 24, 2020, the Company submitted its defense to the claim. The first instance court declared SUNAT's claim founded. The Superior Court declared the first instance judgement invalid and ordered that a new judgment to be issued. On November 17, 2022, the oral hearing was held before the first instance court. On March 17, 2023, the Court decided that the binding precedent issued by the Constitutional Court regarding the MAXCO case (non-application of interests due to the delay to resolve) will be applied, and requested the parties to inform (i) whether SUNAT and the Tax Court have applied default interest after the expiration of the legal deadline to resolve the administrative appeals, and (ii) the current status of the tax debt. On March 24, 2023, the Company submitted the documents requested to the parties by the Court regarding the precedent case MAXCO (non-application of interests outside the legal deadlines that SUNAT and the Tax Court had to issue resolution). On May 2, 2023, SUNAT complied with the Court's decision. To date, the Court's decision on the documents submitted by the parties and the issuance of judgement are pending.

The Management, based on the opinion of its legal advisors, reassessed the contingency classification regarding the disallowance of DCP and modified its classification to probable, in accordance with the data provided in the Supreme Court cases query system regarding the appeals in cassation filed in the proceedings addressed in Tax Court Resolutions No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). Regarding the disallowance of statute of limitations, the contingency classification was also modified to probable. Regarding other disallowances, contingencies were classified as remote.

Subsequently, on March 2, 2021, the Company received notification of IR No. 0150150002700 by means of which SUNAT allegedly complies with TCR No. 6575-10-2019. However, the Company agreeing with the provisions of SUNAT, on March 23, 2021, filed an appeal, which is pending resolution.

(b) General Sales Tax for the 2010 Fiscal Year

Regarding the VAT for the year 2010, on December 23, 2010, the Company challenged TCR No.7639-9-2010, by which the following objections were resolved 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 1, 2021, the oral report was heard in the first instance. The ruling is still pending.

In Management's opinion, based on the opinions of its legal advisors, the contingency classification related to the disallowance of statute of limitations was modified to probable. Regarding the disallowance of excess expenses, contingency was classified as possible. Regarding the disallowance of fines, contingency was classified 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. The Company, in not agreeing with that resolved by the TC, on May 27, 2020, filed an contentious administrative claim. On September 9, 2021, the oral report was carried out. On January 5, 2023, a notification was submitted on the first instance judgment that declared partially founded the claim regarding the disallowance of expenses for financial transactions tax that does not comply with the principle of causality, and declared unfounded the claim regarding the other disallowances. On January 12, 2023, the Company filed an appeal in cassation. On April 11, 2023, the hearing before the second instance court was held (hearing of the case), and the issuance of the second instance judgment is pending. On June 22, 2023, a notification was submitted on the second instance judgment that declared the claim unfounded. On July 7, 2023, the Company filed an appeal in cassation, and the admissibility of such appeal in cassation is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to the disallowances of credit notes, income modification and modification of coefficient were classified as possible. Regarding the disallowance of expenses for financial transactions tax, the contingency was classified as remote. Regarding the disallowance of assets depreciation, the contingency was classified as remote.

(d) Income Tax for the 2004 Fiscal Year

Regarding the Income Tax for the 2004 year, on May 24, 2020, the Company filed an contentious administrative claim requesting the partial nullity of the 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, a notification was submitted on the judgment that declared founded the claim regarding the default interest and declared unfounded the claim regarding tax credit, which was confirmed by the Superior Court. On June 9, 2022, the Supreme Court declared the appeals in cassation submitted by both parties admissible. On April 27, 2023, the oral hearing was held before the Supreme Court. To date, the issuance of the supreme resolution is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of financial expenses due to credit line contracts was classified as probable. Regarding the disallowance of admissibility of the determination resolutions, the contingency was classified as possible. Regarding other disallowances, contingencies were classified 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 with respect to the application regarding elapsing as unfounded, and (ii) it confirmed the IR insofar as the objection to the tax credit for excess recreational expenses. On October 22, 2020, the Company filed a contentious-administrative claim against the aforementioned tax court resolution. On August 24, 2022, the oral hearing was held before the first instance court. On April 18, 2023, the Court requested SUNAT to submit a report on default interests, in accordance with the precedent case MAXCO. On June 20, 2023, SUNAT complied with the Court's request. The issuance of the first instance judgment is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of depreciation on the cost of assets was classified as probable. Regarding the disallowance of determination resolutions, the contingency was classified as possible. Regarding other disallowances, contingencies were classified as remote.

(e) Income Tax for the 2005 Fiscal 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) DCP 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 lawsuit. On May 28, 2021, SUNAT responded to the lawsuit. The oral report was carried out in the first instance on June 23, 2022, which is currently pending the issuance of a judgment.

The Company, based on the opinion of its legal advisors, classified the contingency related to the disallowance of statute of limitations as probable. Regarding the disallowance of excess of recreational expenses, the contingency was classified as possible. Regarding other disallowances, contingencies were classified as remote.

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

The Company, based on the opinion of its legal advisors, classified the contingency as remote.

(f) Income Tax for the 2002 Fiscal Year

On October 6, 2021, the Company filed an administrative lawsuit 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. On June 27, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to the disallowances of non-application of interest and capitalization of interest were classified as remote. Regarding the disallowance of statute of limitations, the contingency was classified as probable. Regarding other disallowances, contingencies were classified as possible.

Furthermore, on March 28, 2022, the Company received notification of TCR No. 1863-4-2022 that recalculates and complies with TCR No. 5586-4-2021, which: (i) unduly applies the legal regime applicable to the acceptance of the incentive regime and incurs 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 incurs various defects of due process and motivation. In this regard, on June 28, 2022, the Company filed a contentious-administrative claim and SUNAT submitted its defense to such claim. The oral hearing before the first instance court was scheduled for January 24, 2024.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as remote.

(g) Income Tax for the 2005 Fiscal Year

On November 30, 2021, the Company filed a contentious administrative claim 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 held before the first instance court and the issuance of judgement is pending. On March 13, 2023, the Court requested SUNAT to report within 10 business days on the application or not in good or bad faith of the binding precedent issued (constitutional case MAXCO on the non-application of excess interest). SUNAT requested an additional period for compliance, which was subsequently granted.

In Management's opinion, based on the opinion of its legal advisors, the contingencies related to the disallowances of capitalization of interest and default interest were classified as remote.

Regarding the disallowance of statute of limitations, the contingency was classified as probable. Regarding other disallowances, contingencies were classified as possible.

With regard to the same TCR, SUNAT filed a complaint against the objections that were resolved 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 held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of resolutions on fines was classified as remote and regarding the disallowance of statute of limitations, the contingency was classified as probable.

Regarding the same year, 2005, on January 4, 2022, the Company filed an administrative lawsuit against TCR No. 8157-4-2021 regarding the following objections: (i) unaccepted depreciation expense referring to the cost of the assets (with registration date as 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, requesting the declaration of the elapsing of the collection action in application of that resolved in the constitutional judgment of the case of Industrial Paramonga SAC. The Company also requested the non-application of default interest capitalized for the excessive period that it took the tax administration and the Tax Court to resolve. On May 31, 2021, SUNAT responded to the lawsuit. On May 31, 2022, SUNAT submitted its defense to the claim. On October 11, 2022, the oral hearing was held before the first instance court.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of statute of limitations was classified as probable. Regarding other disallowances, contingencies were classified as remote.

For its part, with respect to the same period, on February 4, 2022, the Company was notified with a SUNAT lawsuit by which it requests 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, as regards DR No. 012-003-0020174, with respect to the repair for "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 March 6, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of intangibles was classified as remote. Regarding the disallowance of statute of limitations, the contingency was classified as probable.

For its part, SUNAT filed an administrative claim against TCR No. 1097-4-2022 regarding the IR for the year 2006. On May 20, 2022, the lawsuit was answered and an exception was filed for lack of legitimacy to act actively by SUNAT insofar as the claim of full jurisdiction. On April 20, 2023, the oral hearing was held before the first instance court and the issuance of first instance judgement is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of amortization of intangibles was classified as remote. Regarding the disallowance of loss carryforward, the contingency was classified as possible.

Regarding the income tax for year 2007, on November 22, 2022, the Company was notified of a contentious-administrative claim filed by SUNAT that requested the invalidity of Tax Court Resolution 4443-1-2022 regarding (i) unaccepted deduction for amortization of intangibles derecognized in 2005 which expenses has not been accredited, (ii) calculation of the coefficient for payments on account from March to December 2007, (iii) credit balance of the previous offset year,

(iv) statute of limitations. On December 6, 2022, the Company submitted its defense to the claim. The oral hearing was scheduled for March 22, 2024.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of unaccepted deductions was classified as remote. Regarding the disallowance of statute of limitations, the contingency was classified as probable. Regarding other disallowances, contingencies were classified as possible.

Regarding the payments on account of income tax for year 2009, on January 9, 2023, the Company was notified of a claim filed by SUNAT that requested the invalidity of Tax Court Resolution No. 06392-9-2022 which resolved to revoke the intendency resolution on the disallowances of modification of coefficients for payments on account of income tax for January and February 2009, as well as its corresponding fines. On January 31, the Company submitted its defense to the claim and the date of the oral hearing before the first instance court is pending.

In the Company's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as possible.

Regarding the payments on account of income tax for year 2008, on January 9, 2023, the Company was notified of claim filed by SUNAT that requested the invalidity of Tax Court Resolution No. 06867-9-2022 which resolved to revoke the intendency resolution on the disallowances of modification of coefficients for payments on account of income tax from January and December 2008, as well as its corresponding fines. On January 31, the Company submitted its defense to the claim and the oral hearing was scheduled for October 10, 2023.

In the Company's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as possible.

Regarding the income tax for the year 2003, on April 3, 2023, the Company was notified of a claim filed by SUNAT that requested the invalidity of Tax Court Resolution No. 08644-5-2022 corresponding to TM for the year 2003, which resolved to revoke the Intendency Resolution No. 150150002700 of March 2, 2021, the resolutions on determination and the resolutions on fines related to the income tax of the year 2003, the modification of coefficients for payments on account of income tax from January to December 2003, as well as its corresponding fines. On April 19, 2023, the Company submitted its defense to the claim. The date of the oral hearing before the first instance court is pending.

In the Company's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as possible.

Regarding the income tax for the year 2002, on April 19, 2023, the Company was notified of the claim filed by SUNAT against Tax Court Resolution No. 07839-8-2022, whereby it requested the invalidity of the intendency resolutions and the resolutions on fines. On May 3, 2023, the Company submitted its defense to the claim. The date of the oral hearing before the first instance court is pending.

In the Company's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as possible.

Regarding the income tax for the year 2004, on April 19, 2023, the Company was notified of the claim filed by SUNAT against Tax Court Resolution No. 09335-1-2022, whereby it requested the invalidity of the intendency resolutions and the resolutions on fines. On May 22, 2023, the Company was notified of the claim and, on June 5, 2023, the Company submitted its defense to the claim. The date of the oral hearing before the first instance court is pending.

In the Company's opinion, based on the opinion of its legal advisors, the contingencies related to all disallowances were classified as possible.

VII. Mobile royalties -

On February 27, 2012, the Ministry of Transport and Communications (MTC) notified the Company of the settlement of the annual payment of the mobile royalties for the use of the radioelectric spectrum corresponding to that year per the General Scheme, arguing that the Special Regime, which Telefónica Móviles acquired 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 INDECOPI, 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 pending determination. The MTC is reluctant to make the files available. Likewise, for the years 2015 and 2016, the Company filed claims before the Ministry of Transport and Communications of Peru, which were resolved unfavorably to the Company. The Company filed a contentious-administrative claim against the aforementioned resolution.

The claim of bureaucratic barriers was decided on in the last administrative instance on February 19, 2016, declaring 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 for subsequent fiscal years.

In the case of the mobile royalties corresponding to the years 2012, 2013, and 2014, the Company made the payments under protest according to the calculations formulated by the MTC. While the payments corresponding to the years 2015 and 2016 were not made as a precautionary measure was obtained in the procedure of bureaucratic barriers and, as a consequence of the definitive determination from INDECOPI, respectively.

However, on January 18, 2017, the Company received notification of the requirement formulated by the MTC for the payment of the royalties corresponding to the years 2015 and 2016, based on the existence of a precautionary measure ordering INDECOPI to suspend the effects of the ruling that declared that the calculation of the royalties as per the General Scheme constituted a bureaucratic barrier, specifying in 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 precautionary measure; (ii) it had not been notified with any INDECOPI 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 claims with the MTC for the years 2015 and 2016 within the established legal deadlines.

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 upheld the MTC's appeal for annulment, and consequently the judgment of the Superior Court was null and void. On February 3, 2021, a Superior Court judgment declared the claim as unfounded. On February 18, 2021, we learned that the MTC filed a cassation appeal (we have not yet been notified). On September 1, 2022, the oral hearing was held before the Supreme Court and, on December 28, 2022, a notification was submitted on the supreme resolution that declared founded the appeal in cassation filed by the Ministry of Transport and Communications of Peru and that resolved that the National Institute for the Defense of Competition and Protection of Intellectual Property of Peru (INDECOPI by its initials in Spanish) issue a new resolution regarding the bureaucratic barriers proceeding. On February 14, 2023,

INDECOPI, in compliance with the Supreme Court resolution, resolved to revoke the first instance resolution and declared the claim on the bureaucratic barriers unfounded.

Against the supreme enforceable judgment detailed above, on February 8, 2023, a request for defense was filed to demand the invalidity of the judgment. On March 21, 2023, the Superior Chamber held the claim admissible. On April 21, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its external advisors, the contingency classification was modified to possible.

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

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

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

(a) Income tax for the 2012 Fiscal 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 objection made by SUNAT corresponds to the expenses that are supported with documentation that were received after the submission of the sworn statement. Not agreeing with what was resolved in the DR and FR, Telefónica Multimedia filed an appeal which was declared unfounded.

In resolving 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 rest of the objections were upheld and is awaiting the issuance of the SUNAT compliance resolution.

On December 7, 2020, the Company filed a claim. Both SUNAT and the Tax Court submitted their defense to such claim. On March 28, 2023, the oral hearing was held before the first instance court and the issuance of judgement is pending.

In Management's opinion, based on the opinion of its legal advisors, the contingency related to the disallowance of payments on account was classified as possible. Regarding other disallowances, contingencies were classified as remote.

Subsequently, within the same administrative procedure, on December 1, 2020, the Company received IR No. 0150150002586, issued in compliance with the TCR detailed in the previous paragraph. However, as the Company disagreed with SUNAT, an appeal was lodged 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 Fiscal Year

Regarding the 2014 financial year, on April 24, 2019, the Company filed an contentious administrative claim 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 November 2, 2020, a notification was submitted on the first instance judgment that declared the Company's claim founded and, consequently, declared the invalidity of the Tax Court Resolution. Therefore, the payment of default interest based on the modification of the coefficient is not applicable. However, the Superior Court revoked the first instance judgment and declared the Company's claim unfounded. On January 12, 2021, the Company filed an appeal in cassation

against said resolution. On January 13, 2023, the Supreme Court judgement was issued declaring the claim unfounded. The proceeding was completed.

In Management's opinion, based on the opinion of its legal advisors, the contingency was classified as probable.

(c) Income Tax for the 2007 Fiscal Year

On October 21, 2020, Telefónica Multimedia was notified of the claim filed by SUNAT that requested the invalidity of Tax Court Resolution No. 018491850-1-2020, whereby the tax court resolution is challenged regarding the disallowances for financial expenses due to execution of bank letter of guarantee and expenses for promotion payment in cash for the years 2005-2006-2007. On January 13, 2022, the oral hearing was held before the first instance court and the issuance of judgement is pending. On August 2, 2022, a notification was submitted on the first instance judgment that declared the claim founded. This same resolution was confirmed by the Superior Chamber on October 28, 2022. On April 3, 2023, the appeal in cassation was declared inadmissible. The proceeding was completed.

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

In the same way, the Company has various legal (labor and administrative) regulatory and customs claims being carried out by its external and internal legal advisors. As of June 30, 2023, as stated in Note 2.19, the Company has recorded the necessary provisions for the cases considered probable, leaving as possible contingencies an amount of S/890,506,000 (S/792,302,000 as of December 31, 2022). 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

Between June 30, 2023 and the date of approval of 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.