

TELEFÓNICA DEL PERU S.A.A.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022, AND 2021

INDEPENDENT AUDITOR REPORT

To the Shareholders and Directors of
Telefónica del Perú S.A.A.

Our opinion

In our opinion, the financial statements of Telefónica del Perú S.A.A. (hereinafter the Company) reasonably present, in all material respects, the financial position of Telefónica del Perú S.A.A as of December 31, 2022, its financial performance and its cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

What we have audited

The Company's financial statements comprise of:

- The statement of financial position as of December 31, 2022;
- The income statement for the year ended on that date;
- The comprehensive income statement for the year ended on that date;
- The statement of changes in equity for the year ended on that date;
- The statement of cash flows for the year then ended; and
- Notes to the financial statements, which include a summary of significant accounting policies.

Basis for our opinion

We have carried out our audit in accordance with International Standards on Auditing (ISAs) approved for application in Peru by the Board of Deans of Colleges of Public Accountants of Peru. Our responsibilities in accordance with these standards are described below in the Auditor Responsibilities for Auditing the Financial Statements section of our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, in accordance with the Code of Ethics for Accounting Professionals of the International Standards Board of Ethics for Accountants (IESBA Code of Ethics), as well as with the ethical requirements that are applicable to our audit of the financial statements in Peru. We have complied with the other ethical responsibilities in accordance with these requirements and with the IESBA Code of Ethics.

Our Audit Approach

General Aspects

An audit is designed to obtain reasonable assurance that the financial statements are free from material misstatement whether due to fraud or error. These are considered material if, individually or combined, they could reasonably influence the economic decisions that users make based on the financial statements.

The scope of our audit and the nature, timing, and extent of our procedures was determined by our risk assessment that the financial statements contain material misstatements, whether due to fraud or error.

Key Audit Matters (KAM) are those that, in our professional opinion, were of greater importance in our audit of the financial statements of the current period:

- Recognition of income (Recognized income pending invoicing);
- Valuation for capital gains; and
- Provision for tax litigation contingencies.

As part of our audit design, we have determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we consider cases where management has had to apply critical judgments; for example, with respect to critical accounting estimates that comprise using assumptions and considering future events that are inherently uncertain. We have also addressed the risk of management's breach of internal controls, including, among other issues, the consideration of whether there was evidence of bias that represented a risk of material misstatement to the financial statements due to fraud.

How we designed the scope of the Company's audit

We have designed the scope of our audit to be able to perform sufficient work to issue an opinion on the financial statements as a whole, taking into consideration the Company structure, the accounting processes and controls, and the economic sector in which the Company operates.

Key Audit Matters (KAM)

Key Audit Matters (KAM) are those that, in our professional opinion, were of greatest importance in our current period's audit with respect to the financial statements. These matters were addressed in the context of our financial statement audit as a whole and in forming our opinion thereof; however, we do not issue a separate opinion on these matters.

Key Audit Matters (KAM)

Revenue recognition

(Recognized income pending invoicing)

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, cable television services and sale of devices. Products and services may be sold separately or jointly in commercial packages, are allocated to each identifiable item based on the ratio of the independent sales prices of each individual component to the total price of the package and are recognized as the obligation is deemed satisfied.

For those revenues whose billing cycle does not coincide with the accounting close, Management uses estimates to determine the amount to be recognized for services rendered that are pending invoicing at the end of the year. These estimates are based on various data sources and types of revenue processed by historical information and information systems.

We identified this area as a primary issue in our audit due to the complexity of the process Management uses to estimate recognized revenue pending invoicing, given the diversity of data sources, revenue types, and the number of systems that support the information. This, in turn, involves a high degree of judgement and effort in the design and conduct of our audit procedures (see notes 2.23, 7, 9, and 27 to the financial statements).

How our audit addressed the issue

We have conducted audit procedures using our information technology process and systems specialists on the revenue recognition process, such as:

- Understanding of the process, evaluation and testing of the design and operational effectiveness of key controls, and general information technology (IT) controls on the main systems involved in said process.
- Evaluation of the reasonableness of the criteria used by Management in estimating the recognized income pending invoicing and the accuracy of the data supporting the estimate.
- Detailed tests on the billing made after the end of each month and its consistency with the estimates made, using sampling techniques.
- Analytical test on the reasonableness of the estimates made at the end of the year.

Key Audit Matters (KAM)

Valuation for Capital Gains

The amount recognized as capital gains is S/959,137,000 as of December 31, 2022 (note 16).

To determine if there is impairment, on the cash-generating unit (which is aligned to the definition of a business segment, see note 2.3), Management carries out an impairment assessment on an annual basis or when there are changes in circumstances or events that indicate that the book value may not be fully recoverable. Management calculates the recoverable amount as the greater of fair value less costs to sell and the value in use. In determining the value in use, projected cash flows are based on strategic plans approved by the corporate board of directors.

Projections of cash flows prepared by Management require a high degree of judgment in estimating key assumptions such as long-term OIBDA (Operating Income before Depreciation and Amortization) gross margin, market share, discount rate, and growth rate in perpetuity, which would be significantly affected by future trends in the economy and the competitive, regulatory, and technological environment in which the Company operates.

The sensitivity to variations in the key assumptions is broken down in note 16.

This is a primary issue in our audit because of the significant judgments made by Management in estimating the key assumptions that underpin the recoverable values of the cash-generating unit. This in turn has required a high degree of auditor judgment and effort in evaluating such assumptions.

How our audit addressed the issue

We have carried out audit procedures, with the collaboration of our valuation experts, on the process Management carried out to determine the recoverable amount of the cash-generating units, including:

- Understanding of the process, evaluation, and testing of the design and operational effectiveness of key controls over the impairment assessment process to determine the recoverable amount of the cash-generating unit.
- Checking the consistency of the data used in the calculation of the recoverable value vis-a-vis the strategic plans approved by the corporate board of directors.
- Analysis of budgetary compliance.
- Evaluation of the key assumptions used for determining the recoverable value, for which we have carried out key hypothesis contrast tests according to market and sectoral information.
- Sensitivity analysis on key assumptions.
- Evaluating the disclosures included in the financial statements in accordance with the applicable regulations.

Key Audit Matters (KAM)

Provision for tax litigation contingencies

The amount recognized as provisions for contingencies for tax litigation is S/3,354,553 (note 33 (b) and 24 (f)) as of December 31, 2022, which are presented in the short term as the main processes are in the final stages. The contingencies are related to litigation for which Management considers that the loss is probable, and the amount of the loss has been reliably estimated.

Management does not recognize a provision when, after evaluating the available information, it concludes that a loss is not likely to be incurred in pending litigation. In notes 33(b) and 24(f) the Company breaks down the financial statements contingencies in which there is no probable risk of loss, but a possible risk remains that such loss will end up occurring, and in the case of income tax-related contingencies, when it is considered likely that the tax authority will accept the uncertain tax treatment.

This is a primary issue in our audit because of the significant judgments made by Management to determine the amount and likelihood that litigation will result in a loss. The foregoing has required a high degree of auditor judgment and effort to evaluate Management's judgments in estimating losses from tax litigation.

How our audit addressed the issue

We have conducted audit procedures with the participation of our tax experts, on the process established by the Company to identify and evaluate litigation and claim actions, including:

- Understanding, evaluating and verifying the relevant internal controls related to the process of identifying and registering contingencies.
- Obtaining and evaluating letters of response to the request for information to the internal and external advisors with whom the Company works.
- Evaluating the reasonableness of the estimate made by Management on whether an unfavorable outcome for a given matter may be possible or probable, is reasonably estimated, and the effect that this result could have on the other processes undertaken by the Company.
- Evaluating the disclosures included in the financial statements in accordance with the applicable regulations.

Responsibilities of Management and Corporate Governance for the financial statements.

Management is responsible for preparing and fair presentation of financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for internal control that Management considers necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, business continuity matters and using the going concern accounting principle, unless Management intends to liquidate the Company or cease operations, or has no realistic alternative but to liquidate or cease operations.

Those charged with the Company's Corporate Governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements.

Our objectives are to obtain reasonable assurance that the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit opinion that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect material errors where they exist. Errors may arise from fraud or error that are considered material if, individually or in aggregate, they could reasonably influence the economic decisions that users make based on the financial statements.

As part of an audit in accordance with ISAs, we exercise our professional judgment and maintain professional skepticism throughout the audit. Furthermore:

- We identify and assess the risks of material misstatements in the financial statements, whether due to fraud or error, and design and apply audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material error that results from fraud is higher than not detecting one that arises from an error, since fraud can involve collusion, forgery, intentional omissions, false statements, or violation of internal control.
- We obtained an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluated the adequacy of the accounting policies applied and the reasonableness of the accounting estimates and respective information disclosed by Management.
- We provided conclusions on the proper use of the going concern accounting principle by Management and, based on the evidence obtained, we concluded on whether or not there is significant uncertainty related to events or conditions that may raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is significant uncertainty, we are required to draw attention in our audit opinion to the respective information disclosed in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our findings are supported by the audit evidence obtained to date from our audit opinion. However, future events or conditions may result in the Company no longer being able to continue as a going concern.
- We evaluated the overall presentation, structure, and content of the financial statements, including the disclosed information and whether the financial statements represent the respective transactions and events in a manner that achieves their reasonable presentation.

We communicate with those charged with Corporate Governance regarding, among other things, the planned scope and timing of the audit and significant audit findings, as well as any significant deficiencies in internal control that we identify in the course of our audit.

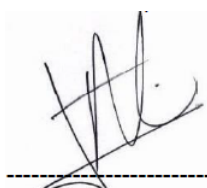
We also provide those responsible for Corporate Governance with a statement that we have complied with the relevant ethical requirements regarding independence and have communicated to them about any relationship and other matters that could reasonably affect our independence and, as appropriate, including the respective safeguards.

From the matters communicated to those responsible for Corporate Governance, we determine those matters that were of greatest importance in the financial statement audit of the current period and are, therefore, the key audit matters. We have described these matters in our audit opinion unless applicable laws and regulations prohibit public disclosure on the matter or where, in extremely unusual circumstances, we determine that a matter should not be disclosed in our audit opinion because it can reasonably be expected that the potential adverse consequences of doing so could outweigh the benefits in the public interest of such disclosure.

February 10, 2023

Steve's Apéris, Inc.

Endorsed by



----- (socio)

Juan M. Arrarte
Contador Público Colegiado Certificado
Matrícula No.01-020621

TELEFONICA DEL PERU S.A.A.

STATEMENT OF FINANCIAL POSITION

ASSET

Note	As at December 31	
	2022 \$/000	2021 \$/000
CURRENT ASSETS		
Cash and cash equivalents	6	432,987
Commercial accounts receivable, net	7	1,032,718
Contractual assets	9	37,356
Other accounts receivable, net	8	57,369
Inventories	10	190,147
Other non-financial assets	11	509,841
Income tax assets	24(f)	304,705
Total current assets		2,565,123
NON-CURRENT ASSETS		
Commercial accounts receivable	7	982
Contractual assets	9	2,264
Other accounts receivable, net	8	82,173
Investments in subsidiaries and associates	12	223,173
Property, plant, and equipment, net	13	4,532,955
Intangible assets other than capital gains, net	14	1,828,219
Rights of use assets	15	977,464
Deferred tax assets, net	24	415,283
Non-current income tax assets	24(f)	315,401
Capital gains	16	959,137
Other non-financial assets	11	402,815
Total non-current assets		9,739,866
TOTAL ASSETS		12,304,989

LIABILITY AND EQUITY

Note	As at December 31	
	2022 \$/000	2021 \$/000
CURRENT LIABILITY		
Other financial liabilities	17	302,885
Financial lease liabilities	18	401,086
Trade accounts payable	19	2,008,234
Contract liabilities	9	116,499
Other accounts payable	20	225,324
Other accounts payable to related entities	23(e) and (f)	385,884
Other provisions	21 and 33	611,082
Deferred income	22	26,981
Income tax liabilities	24(f) and 33	3,289,767
Total current liabilities		7,367,742
NON-CURRENT LIABILITIES		
Other financial liabilities	17	2,494,500
Financial lease liabilities	18	928,289
Contract liabilities	9	49,818
Other accounts payable	20	29,709
Other accounts payable to related entities	23(f)	5,173
Other provisions	21 and 33	323,873
Deferred income	22	48,479
Income tax liabilities	24(f) and 33	64,786
Total non-current liabilities		3,944,627
Total liabilities		11,312,369
EQUITY		
Issued capital	25	2,106,949
Issuance premiums		-
Other capital reserves		-
Accumulated results		(1,110,590)
Other equity reserves		(3,739)
Total Equity		992,620
TOTAL EQUITY AND LIABILITIES		12,304,989

The accompanying notes from page 8 to 103 are part of the separate financial statements.

TELEFONICA DEL PERU S.A.A.

STATEMENT OF RESULTS

	Note	For the period ending on December 31	
		2022	2021
		S/000	S/000
Income from ordinary activities			
Fixed business income	26	3,434,717	3,560,603
Mobile business income	27	3,721,611	3,488,612
Total income from ordinary activities		<u>7,156,328</u>	<u>7,049,215</u>
Operating Expenses			
General and administrative	28	(4,079,605)	(4,144,944)
Cost of equipment sales	10(b)	(1,128,170)	(1,217,451)
Depreciation	13(a)	(888,574)	(935,536)
Employees	29	(573,355)	(726,973)
Amortization	14(a)	(240,181)	(259,152)
Depreciation of user rights	15	(238,850)	(213,607)
Impairment of capital gains	16	-	(256,008)
Other operating income	30	98,479	85,728
Other operating expenses	30	(36,740)	(52,708)
Loss from operating activities		<u>69,332</u>	<u>(671,436)</u>
Other income (expenses)			
Financial income	31	14,696	31,703
Financial expenses	31	(507,614)	(389,199)
Net income from exchange differences	31	672	1,912
Share in results of subsidiaries and associates		(12,981)	(18,510)
Income before income tax		<u>(435,895)</u>	<u>(1,045,530)</u>
Income tax	24(c)	(1,018,882)	(580,571)
Net fiscal year loss		<u>(1,454,777)</u>	<u>(1,626,101)</u>
Basic and diluted loss per share (in soles)	32(b)	(0.43499)	(0.48622)
Weighted average number of outstanding shares (in thousands of units)	32(a)	3,344,363	3,344,363

The accompanying notes from page 8 to 103 are part of the separate financial statements.

TELEFONICA DEL PERU S.A.A.

COMPREHENSIVE INCOME STATEMENT

	Note	For the period ending on	
		December 31	
		2022	2021
		S/000	S/000
Fiscal year net loss		(1,454,777)	(1,626,101)
Other comprehensive income items			
Valuation of hedging derivatives	25(d)	6,245	(8,610)
Effect on income tax	24(a)	(1,842)	2,563
Other comprehensive income		4,403	(6,047)
Total fiscal year comprehensive income, net of income tax		(1,450,374)	(1,632,148)

The accompanying notes from page 8 to 103 are part of the separate financial statements.

TELEFONICA DEL PERU S.A.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIODS ENDING ON DECEMBER 31, 2022
AND DECEMBER 31, 2021

	Capital issued S/000	Premiums issued S/000	Other capital reserves S/000	Accrued reseves S/000	Other equity reserves S/000	Total S/000
Balances as of January 1, 2021	2,876,152	77,899	587,847	521,281	(2,095)	4,061,084
Net fiscal year loss	-	-	-	(1,626,101)	-	(1,626,101)
Others	-	-	-	49	-	49
Other comprehensive fiscal year income	-	-	-	-	(6,047)	(6,047)
Expiration of dividends	-	-	14,008	-	-	14,008
Balances as of December 31, 2021	2,876,152	77,899	601,855	(1,104,771)	(8,142)	2,442,993
Net fiscal year loss	-	-	-	(1,454,777)	-	(1,454,777)
Other comprehensive fiscal year income	-	-	-	-	4,403	4,403
Transfer to retained earnings	-	(77,899)	(601,856)	679,755	-	-
Reduction of capital	(769,203)	-	-	769,203	-	-
Expiration of dividends	-	-	1	-	-	1
Balances as of December 31, 2022	2,106,949	-	-	(1,110,590)	(3,739)	992,620

The accompanying notes from page 8 to 103 are part of the separate financial statements.

TELEFONICA DEL PERU S.A.A.

CASH FLOW STATEMENT

	Note	For the period ending on	
		December 31	
		2022	2021
		S/000	S/000
Operating activities			
Collections from customers and others		7,697,710	8,106,173
Collection of interests		9,747	3,390
Other cash collections related to operating activities		24,209	40,287
Minus:			
Payments to suppliers of goods and services		(5,215,506)	(5,361,024)
Payment of remuneration and social security benefits		(692,935)	(809,413)
Payment from income tax		(598,934)	(127,104)
Interest payments		(461,420)	(391,470)
Other cash payments related to operating activities		(518,909)	(832,896)
Cash and cash equivalents from operating activities		243,962	627,943
Investment activities			
Repayment of loans granted to third parties		2,226	7,700
Loss of control of subsidiaries or other businesses		-	76,439
Sale of property, plant, and equipment		204,409	104,759
Purchase of property, plant, and equipment and intangible assets	3 and 14	(492,356)	(741,758)
Cash and cash equivalents used in investment activities		(285,721)	(552,860)
Financing activities			
Loans from related entities	23(e)	377,000	-
Dividends paid, net of withholdings		(10)	(15)
Amortization or payment of other financial liabilities		(295,283)	(159,810)
Payment of leases		(212,916)	(181,580)
Cash and cash equivalents used in finance activities		(131,209)	(341,405)
Net decrease in cash and cash equivalents		(172,968)	(266,322)
Exchange difference, net on cash and cash equivalents		(4,565)	153
Balance of cash and cash equivalents at the beginning of the fiscal year		610,520	876,689
Balance of cash and cash equivalents at the end of the fiscal year. Note 6		432,987	610,520
Transactions that do not generate cash flow:			
Unrealized profit from hedging operations		6,245	(8,610)
Purchases of fixed assets unpaid at the end of fiscal year		313,322	198,365
Mobile tax installment plan		54,828	57,554
Non-transferred risks from the sale of buildings and towers		(6,220)	6,723
Leases		150,984	329,760
Assets and liabilities from provision for decommissioning		21,585	9,966

The accompanying notes from page 8 to 103 are part of the separate financial statements.

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS NOTES AS OF DECEMBER 31, 2022, AND 2021

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 the Telefónica de España Group (Telefónica S.A. is an entity registered with the Security and Exchange Commission of the United States of America), which provides services of mobile telephony, internet, fixed telephony, data transmission and information technology, national and international long distance carrier services, mobile satellite services, 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 Calle Dean Valdivia No. 148, San Isidro, Lima, Peru.

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

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

As of December 31, 2022 and 2021, the Company does not have subsidiaries, therefore it has not prepared consolidated financial statements (see Note 1.3.a).

1.2 Approval of Financial Statements -

The consolidated financial statements as of December 31, 2021 were approved by the General Shareholders Meeting held on March 29, 2022. The financial statements as of December 31, 2022 were approved by the Board of Directors on February 10, 2023. Then, they will be presented to the General Shareholders meeting for their final approval. The Company's management believes that the financial statements for the year ended on December 31, 2022, which were prepared in accordance with International Financial Reporting Standards, will be approved by the shareholders without modifications.

1.3 Corporate Reorganization -

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

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

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

Globales de Telecomunicaciones S.A.C. was merged in each of the years presented. Consequently, the merger is presented as if it had been carried out on January 1, 2021.

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

	AS OF DECEMBER 31, 2021
	<u>S/000</u>
Current Assets	15,131
Current Liabilities	12,710
Total Assets	16,231
Total Liabilities	15,668
Total equity	563
Total Income from Ordinary Activities	2,656
Loss from Operating Activities	(340)
Net Loss for the Year	(1,740)

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

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

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

	January 1 2021
	<u>S/000</u>
Assets	
Accounts Receivable from Staff	20
Other Non-Financial Assets	221
Property, Plant, and Equipment, Net	25,350
Intangible Assets Other than Capital Gain, Net	3,646
Deferred Tax Assets	935
Total Assets	<u>30,172</u>
Liabilities	
Accounts payable to Staff	234
Total Liabilities	<u>234</u>
Equity Block Contributed	<u>29,938</u>

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

1.4 Concession contracts and rates -

a) Concession Contracts -

The Company, with the Peruvian Government represented by the Ministry of Transportation and Communications (MTC), has entered into Concession Contracts for the provision of the following services: (i) Local carrier and telephone services in the department of Lima and the Constitutional Province of Callao and (ii) national and international local and long-distance carrier and telephone

services in the Republic of Peru. These contracts, whose nature is that of Contract Law, were approved by Supreme Decree No. 11-94-TCC on May 13, 1994, subsequently amended by Supreme Decree No. 21-98-MTC on August 4, 1998, and by Ministerial Resolutions No. 272-99-MTC/15.03, No. 157-2001-MTC/15.03, No. 140-2009-MTC/03, and No. 527-2009-MTC/03. The latter was modified by Ministerial Resolution No. 724-2009-MTC/03.

As of December 31, 2022, and 2021, the main concession contracts that are maintained are the following:

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

(*) In the process of 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 agreements, the Company has extended guarantees for US \$60,470,000 up to a term of approximately 10 years by means of current guaranteed letters 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 service baskets 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.

OSIPTEL sets the productivity factor for three-year periods, specifying 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 tariff adjustments corresponding to the September – November, December – February and March – May quarters of each year would be equal to inflation (no tariff adjustments will be made). Likewise, for the tariff adjustment corresponding to the June-August quarter, a Reference Factor equivalent to -2.95% is considered. In that case, only if the annual variation of the CPI is greater or less than the absolute value of the Reference Factor +/- 1%, the respective tariff adjustment will be made.

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

2 DETAIL OF MAIN ACCOUNTING POLICIES

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

2.1 Basis for preparation -

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

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 Group, except for derivative financial instruments and the other related accounts payable that are measured at fair value. The accompanying financial statements are presented in Soles (PEN) (functional and presentation currency), and all values have been rounded up to thousands, except where otherwise indicated.

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

2.2 New regulations, modifications and interpretations

a) New regulations and modifications in force since January 1, 2022 adopted by the Company -

There have been no regulatory changes of mandatory application for the 2022 financial statements that the Company has considered for the preparation of these financial statements, with the exception of, the following:

- Amendment to IAS 16, 'Property, machinery and equipment' - Earnings received before to have the intended use of the asset.
- Amendment to IFRS 3 'Business Combinations' - Reference to the Conceptual Framework.
- Amendment to IAS 37 - Expensive Contracts - Cost of performing a contract.
- Annual improvements to IFRS 2018-2020 Cycle.
- Reference Interest Rate Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16.
- Amendments to IFRS 4, "Insurance Contracts" – deferral of IFRS 9.

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

- b) New standards, amendments to standards, and interpretations that will be 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 have been published that 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'.
- 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.
- Amendment to IFRS 16 - Sales with Later Lease.
- 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 significantly 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 Group is organized into a single operational segment for the provision of telecommunications services located in a single geographic segment (Peru), as the Group makes strategic commercial, financial, purchasing, and investment decisions focused on the client, and that furthermore center on a convergent offer (several aggregated 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 other than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the exchange rate in effect on the date of the consolidated 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 pooling of interest method, the items in the financial statements of the merging companies, both for the period in which the merger occurs and for the other periods presented in comparative form, are included in the Group's financial statements as if they had been merged since the beginning of the oldest period that is presented.

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

2.6 Cash and cash equivalents -

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

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

2.7 Financial Assets -

(i) Classification -

The Company classifies its financial assets in the following categories:

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

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

(ii) Recognition and de-recognition -

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

(iii) Measurement -

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

Debt Instruments -

The subsequent measurement of debt instruments depends on the business model that the Group 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 de-recognition 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 profit/(loss) due to exchange differences", while the impairment losses are also recognized in the income statement and presented as a separate line item.
- **Fair Value through Profit and Loss (FVTPL):** Assets that do not meet the conditions to use amortized cost or FVOCI are measured at fair value through profit or loss. Changes in the fair value of debt instruments in this category are recognized as profit or loss in the income statement and presented net in the item "Other expenses (income)" in the period in which the change occurs.

Equity instruments -

After initial recognition, the Company measures the equity instruments at their fair value. Changes (profits or losses) in the fair value of equity instruments held for 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 FVOCI, when the asset is de-recognized, 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 FVOCI 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 FVOCI. The methodology applied to determine the impairment depends on whether the credit risk of an asset has significantly increased.

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

2.8 Derivative financial instruments and hedge accounting -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of December 31, 2022 and 2021, the Company had forwards operations contracted to hedge 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 stock but excludes the costs of loans. In case there is a subsidy on the sale price of the handsets, it will not be included in the cost of the inventories given that it pertains to cost of commercialization, because it is always associated with the customer registration or with the renewal of the client contract period. As such, handsets are recorded in the profit or loss when they are delivered for sale to the final customers (signal activation). See Note 2.23. Inventories in transit are presented at the specific cost of acquisition.

The estimate for impairment is determined based on an analysis of the conditions and turnover of 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, and in which its requirement is determined.

2.10 Properties, Plant, and Equipment -

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

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

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:

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

Land does not depreciate. The residual values, the useful life, and the depreciation method are reviewed every year to ensure that they are consistent with the expected pattern of economic benefits of the items of property, plant, and equipment. The telecommunications sector in which the Company operates is very dynamic. Likewise, the constant overall progress of the same for the development of new technology forces the Company to continually update and renew its plant 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 de-recognized 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 de-recognition (calculated as the difference between the net income from the sale of the asset and its book amount) is included in the income statement when the asset is derecognized.

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

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

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

2.11 Intangible Assets and Administrative Concessions -

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

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

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

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

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

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

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

The loss or de-recognition 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 de-recognized.

2.12 Capital Gains --

Capital gains (Note 16) represents the excess of the cost of acquiring companies over the Company's share in the fair value of the respective net assets acquired. Capital gains is presented at cost less accumulated permanent impairment losses on its value. See Note 2.13. The Company determines the losses based on impairment tests carried out each period presented 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 and intangible assets of finite life are reviewed to determine if there is no impairment. Each year, the Company assesses the existence of signs of possible impairment of non-current assets. If there are any such indications, the Company estimates the recoverable value of the asset, which is the higher of fair value (less costs to sell) or of the value in use. Said value in use is determined by discounting the estimated future cash flows. When the recoverable value of an asset is below its net book value, it is considered that there is a deterioration in value.

The assessment on capital gains impairment is made 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 gains 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, which are estimated from the continuous use of an asset and its disposal at the end of its useful life. In 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 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 carrying amount that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years. This reversal is recognized in the income statement for the year. After the reversal, the depreciation charge is adjusted in future periods by distributing the book value of the asset over its remaining useful life. See Note 16 for more information.

2.14 Investments in Associates (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) Relatively significant transactions between the entity and its investee;
- iv) Exchange of managerial personnel; or
- v) Provision of essential technical information.

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

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

2.15 Trade Accounts Payable and Other Accounts Payable -

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

2.16 Financial obligations

Financial obligations are initially recognized at their fair value, net of transaction costs incurred. Financial obligations are subsequently measured at amortized cost. Any difference between income (net of transaction costs) and the amount of reimbursement is recognized in the income statement during the period of financial obligations using the effective interest method. Paid fees are recognized as transaction costs of financial obligations insofar as it is likely that part or all financing will be realized. In this case, the rate is postponed until the financing occurs. To the extent that there is no evidence that part or all financing is likely not to be realized, the rate is capitalized as a prepayment for obtaining financing services and amortized over the period of the facility to which it relates.

Financial obligations are eliminated from the consolidated statement of financial position when the obligation specified in the contract is de-recognized, 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 at December 31, 2022 and 2021, the Company did not have assets in progress qualified for the purpose of capitalizing financing costs.

2.18 Staff Benefits -

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

Gratuities -

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

Compensation for Length of Service -

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

Annual Leave -

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

2.19 Provisions -

General -

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

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

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

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

Decommissioning -

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

The accrual of the discount is recorded as an expense as it is incurred and is recognized in the income statement as a financial 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, except if the possibility of disbursing an economic flow is remote.

Restructuring-

An implicit obligation is recognized as a consequence of restructuring, only when a formal and detailed plan exists to proceed with it. This plan must at a minimum identify the business activities, or the part of those involved; the main locations affected; the location, function, and approximate number of employees that will be compensated; the disbursements that will be carried out; and the dates on which the plan will be implemented.

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

2.20 Income tax -

Current Income Tax -

Current assets and liabilities, short and long term, for the income tax for the period are measured using the amounts expected to be recovered from or paid to the tax authority 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 periodically evaluates the positions taken in the tax returns regarding situations in which the applicable tax regulations are subject to interpretation and constitutes provisions when deemed appropriate.

Deferred Income Tax -

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed on each closing date of the reporting period and reduced to the extent that the existence of future taxable profits is no longer 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 consistent manner 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, cable television services and sale of devices. The products and services can be sold separately or jointly in commercial packages.

Traffic -

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

Prepaid traffic usually has expiration periods of up to twelve months. Based on historical consumption, the Company estimates the traffic that will not be consumed and is imputed to the income statement, based on 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 duration of a period for customer relationship, or the term of the contract, whether or not a material right is granted, respectively, which varies depending on the type of service in question. The related costs, except those ones related to the network expansion, are recognized in the income statement in the estimated average life of customer relationship

Periodic Fees for Network Use -

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

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 handsets is activated and transferred to the end customer.

Bundled Services -

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

To the extent that bundles are sold at a discount on equipment (mainly in mobile telephony), and that there is a contract that generates explicit or implicit permanence, the criteria defined in IFRS 15 will 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, to the detriment 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 to the customer, or services with which the associated asset is related. Said asset may be amortized over the duration of the contract, or average life of the client.

Other Income, Costs, and Expenses -

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

2.24 Leases -

At the commencement of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a time 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 time 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 time 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 of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or that will be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable good or service received on the concession date. This amount is then capitalized or charged to expenses, as appropriate.

2.26 Distribution of Dividends -

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

2.27 Loss per Share -

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

2.28 Fair Value Measurements -

The Company measures some of its financial instruments, such as other accounts receivable from 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 is based on the assumption that the transaction to sell the asset or transfer the liability takes place, either:

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

The main or most advantageous market must be accessible by the Company. 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 and miscellaneous receivables, and accounts receivable from any related entities arising directly from its operations. The Company also has cash flow hedging instruments.

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

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

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

Risk management structure -

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

i) Board of Directors --

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

ii) Management -

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

iii) Internal Audit -

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

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

b) Risk Mitigation -

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

The Company's risk management is controlled by Management under policies approved by the Board of Directors. The Company's Finance area identifies, assesses, and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides the principles for overall risk management, as well as policies that hedge specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, financial instruments, and the investment of 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 ~~a number of~~ various banks and financial institutions, according to the institutions' individual risk category. Credit risk is managed as a group.

For banks and financial institutions, we only accept entities independently qualified with a minimum grade of "A".

Credit risk is controlled through the evaluation and analysis of individual transactions, for which an evaluation is made based on the aging of accounts receivable. If the wholesale and household customers have an independent rating, these ratings are used. Otherwise, if there is no independent rating, the monitoring of the credit risk will assess client credit quality, with its financial position, past experience, and other factors being taken into account. Individual risk limits are established based on internal or external ratings, in accordance with the limits that Management establishes. Line management regularly supervises wholesale customer compliance with credit limits, thereby determining the estimate required for un-collectability. 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 December 31, 2022			
Not due	651,234	45,912	697,146
Matured			
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>
As of December 31, 2021			
Not due	671,921	34,275	706,196
Matured			
Up to 1 month	175,763	64,755	240,518
From 1 to 3 months	93,975	89,408	183,383
From 3 to 6 months	48,421	110,212	158,633
From 6 to 12 months	13,939	260,104	274,043
More than 12 months	4,972	4,909,490	4,914,462
Total	<u>1,008,991</u>	<u>5,468,244</u>	<u>6,477,235</u>

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

As of December 31, 2022, the Company's Management has estimated that the maximum net amount of credit risk to which the Company is exposed amounts to approximately S/1,154,184,000 (S/1,229,910,000 as of December 31, 2021), which represents the net book value of 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.

Sensitivity analyses in the following sections refer to positions for the years ended December 31, 2022 and 2021. 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 is are the effect of the changes assumed in the respective market risk. This is based on the financial assets and liabilities held as at December 31, 2022 and 2021, including the effect of hedging derivatives.

ii) Exchange Rate Risk -

The exchange rate risk is the risk that the fair value of the future cash flows of a financial instrument fluctuates due to variations in the exchange rates. 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 at December 31, 2022, the weighted average free market exchange rates for transactions in US dollars were S/3.808 per US \$1 purchasing and S/3.820 for US \$1 selling (S/3.975 per US \$1 purchasing and S/3.998 for US \$1 selling at December 31, 2021) and for transactions in Euros, the rates were S/3.869 for €1 purchasing and S/4.360 for €1 selling (S/ 4.344 for €1 purchasing and S/ 4.846 for €1 selling as at December 31, 2021), respectively.

The result of maintaining balances in foreign currency for the Company for the years 2022 and 2021, was a net gain of approximately S/672,000 and S/1,912,000, respectively, which are presented in the item "Net gain of exchange differences. See Note 31.

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

	<u>2022</u>		<u>2021</u>	
	<u>US\$000</u>	<u>Euros000</u>	<u>US\$000</u>	<u>Euros000</u>
Assets -				
Cash and cash equivalents	7,992	724	-	285
Trade accounts receivable, net	39,959	2,042	47,841	5,578
Other accounts receivable, net	<u>23,452</u>	<u>-</u>	<u>24,693</u>	<u>-</u>
	<u>71,403</u>	<u>2,766</u>	<u>72,534</u>	<u>5,863</u>
Liabilities -				
Financial liability for lease	(111,098)	-	(123,055)	-
Trade accounts payable	(257,664)	(14,044)	(209,020)	(11,926)
Other accounts payable	<u>(23,992)</u>	<u>-</u>	<u>(26,553)</u>	<u>-</u>
	<u>(392,754)</u>	<u>(14,044)</u>	<u>(358,628)</u>	<u>(11,926)</u>
Purchase position of derivatives (reference value)	<u>326,885</u>	<u>14,819</u>	<u>299,798</u>	<u>6,543</u>
Monetary position, net	<u>5,534</u>	<u>3,541</u>	<u>13,704</u>	<u>480</u>

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

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

<u>Sensitivity Analysis</u>	<u>Change in Rates Exchange</u> %	<u>Effect on Results Before Taxes</u>	
		<u>2022</u>	<u>2021</u>
		<u>S/000</u>	<u>S/000</u>
Devaluation-			
dollars	5	1,054	2,724
dollars	10	2,107	5,447
Revaluation-			
dollars	5 (	1,054) (	2,724)
dollars	10 (	2,107) (	5,447)
Devaluation-			
Euros	5	685	104
Euros	10	1,370	209
Revaluation-			
Euros	5 (	685) (	104)
Euros	10 (	1,370) (	209)

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

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

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

	<u>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 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 entities related	-	380,821	10,236	391,057	7.95
Other accounts payable	-	-	41,667	41,667	-
As of December 31, 2021					
Financial Assets					
Cash and cash equivalents	610,520	-	-	610,520	1.81
Trade accounts receivable, net	-	337,070	671,921	1,008,991	1.10
Contract assets	-	-	20,027	20,027	-
Other accounts receivable, net (**)	-	-	220,919	220,919	-
Financial Liabilities					
Other financial liabilities	627,490	2,388,763	6,723	3,022,976	6.45
Financial liability for lease	328,856	1,066,667	-	1,395,523	5.05
Trade accounts payable	-	-	1,825,185	1,825,185	-
Other accounts payable to entities related	-	-	9,320	9,320	-
Other accounts payable	-	-	44,888	44,888	-

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

(**) Does not include advances or taxes.

Shown below is the income statement's sensitivity, which is due to the possible effect of interest rate changes on financial expenses for the period, before income tax. The foregoing assumes that the financial liabilities on December 31, 2022 and 2021 will be renewed and will be maintained for the remainder of the following year:

<u>Changes in Basis Points</u>	<u>Effect on Results</u>	
	<u>Before Taxes</u>	
	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
+(-)50	(+) -3,169	(+)-1,729
+(-)100	(+) -6,339	(+)-3,458
+(-)200	(+)-12,677	(+)-6,917

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 since the principal processes are in the final instances (See Note 33(b)). The consequence would be the failure to pay the Company's obligations to third parties.

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

The management of liquidity risk involves maintaining sufficient cash and finance availability, through an adequate amount of assigned credit sources and the ability to settle transactions, mainly of indebtedness. In this regard, the Company Management focuses its efforts on maintaining sources of financing through the availability of lines of credit and the registration of corporate bond programs and commercial papers. If necessary, the Company's Management requests financing from its main shareholder, among other alternatives to refinance potential short-term obligations.

The Company maintains a negative working capital, generated mainly by contingency provisions classified as short-term, which, in most of the cases, have been resolved. However, their settlement depends on the resolution of various instances, both administrative and in the Judiciary. See Note 33(b); likewise, as of December 31, 2022, the Company maintains available lines of credit for US\$148,366,000. Additionally, the Company obtained loans from Telefónica Hispanoamérica S.A.. See note 23(e). Moreover, the Company has recorded a net loss in the years 2022 and 2021 due to the result of the tax dispute mentioned in Note 33(b), the adjustment for impairment of Capital Gains (See Note 16) and the highly competitive market sector. However, the Company is considering reversing this position through the growth of revenues and value customers, operational efficiencies, and the reinforcement of fixed services, considering that it has a solid market share in fixed services. In the fixed and mobile telecommunications sector, it is common practice to operate with a negative working capital, given that the average period of payment to suppliers is greater than the average period of collection from clients.

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

	<u>Less than 3 months S/000</u>	<u>From 3 to 12 months S/000</u>	<u>From 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 liability for lease	116,810	330,678	802,224	268,274	1,517,986
Trade accounts payable	2,008,234	-	-	-	2,008,234
Other accounts payable to entities related	5,063	380,821	5,173	-	391,057
Other accounts payable	41,667	-	-	-	41,667
Total liability flows	<u>2,214,659</u>	<u>971,499</u>	<u>3,040,205</u>	<u>529,966</u>	<u>6,756,329</u>
As of December 31, 2021					
Other financial liabilities	52,416	246,723	1,833,340	890,497	3,022,976
Financial liability for lease	93,202	273,622	861,419	371,493	1,599,736
Trade accounts payable	1,825,185	-	-	-	1,825,185
Other accounts payable to entities related	6,297	-	3,023	-	9,320
Other accounts payable	44,888	-	-	-	44,888
Total liability flows	<u>2,021,988</u>	<u>520,345</u>	<u>2,697,782</u>	<u>1,261,990</u>	<u>6,502,105</u>

The above table does not include the provisions for contingencies for a value of S/4,191,060,000 and S/3,357,969,000 as of December 31, 2022 and 2021, respectively, as their settlement is subject to the resolution of various instances in accordance with that described in the Note 33(b). Likewise, the table does not include hedging financial derivatives because Management considers that such contracts are effectively settled on a net basis. Consequently, the flow of the hedge derivatives and the reconciliation of the amounts equivalent to the accounting values of the discounted net flow generated by these instruments are presented below:

	<u>Less than 3 months S/000</u>	<u>From 3 to 12 months S/000</u>	<u>Total S/000</u>
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)
As of December 31, 2021			
Income	1,446,262	186,954	1,633,216
Expenses	(1,467,761)	(191,098)	(1,658,859)
Net flow	(21,499)	(4,144)	(25,643)
Discounted net flow	(18,221)	(2,441)	(20,662)

3.2 Capital Risk Management -

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

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

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

As of December 31, 2022 and 2021, the leverage indicator was as follows:

	<u>2022 S/000</u>	<u>2021 S/000</u>
Total indebtedness	6,781,084	6,597,522
Less: Cash and cash equivalents	(432,987)	(610,520)
Net Debt (A)	6,348,097	5,987,002
Total Equity (B)	992,620	2,442,993
Leverage Ratio (A/B)	6.40	2.45

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

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 Price in active markets <u>Level 1</u> S/000	Significant Observable Variables <u>Level 2</u> S/000	Significant Unobservable Variables <u>Level 3</u> S/000	<u>Total</u> S/000
As of December 31, 2022				
Financial Liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	18,838	-	18,838
Total financial liabilities	-	18,838	-	18,838
As of December 31, 2021				
Financial Liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	20,662	-	20,662
Total financial liabilities	-	20,662	-	20,662

Level 1 -

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

Level 2 -

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

- Derivative Financial Instruments -

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

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

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

- Debt Instruments Available for Sale -

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

Level 3 -

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

Instruments Recorded at Amortized Cost -

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

	Significant Observable Variables Level 2 S/000	Liabilities at amortized cost S/000	Total countable value S/000	Total reasonable value S/000
As of December 31, 2022				
Financial Liabilities -				
Liabilities for financial derivative 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 lease liabilities	-	1,329,375	1,329,375	1,329,375
Other accounts payable to related entities	-	391,057	391,057	393,047
Total financial liabilities	18,838	4,517,817	4,536,655	4,280,993

	Significant Observable Variables Level 2 S/000	Liabilities at amortized cost S/000	Total countable value S/000	Total reasonable value S/000
As of December 31, 2021				
Financial Liabilities -				
Liabilities for financial derivative instruments	20,662	-	20,662	20,662
Bonds issued and debts and loans that accrue interest	-	3,022,976	3,022,976	2,865,046
Financial lease liabilities	-	1,395,523	1,395,523	1,325,923
Other accounts payable to related entities	-	9,320	9,320	9,320
Total financial liabilities	<u>20,662</u>	<u>4,427,819</u>	<u>4,448,481</u>	<u>4,290,551</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 considered to be similar to its fair value, as trade accounts receivable and other accounts receivable. This assumption also applies to term deposits, savings accounts without a specific maturity and floating-rate financial instruments.

Fixed Rate Financial Instruments -

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

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

4 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 financial statements, as well as the reported figures of income and expenses for the years ended December 31, 2022 and 2021.

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

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

- Estimation for doubtful accounts. See Notes 2.7, 3.1(b), 7, and 8.
- Estimate for contractual assets and liabilities. See Notes 2.23 and 9.
- Estimate for devaluation of inventories. See Notes 2.9 and 10.
- The residual value, useful life and depreciation of property, plant, and equipment. See Notes 2.10 and 13.
- The useful life and amortization of intangible assets different from the capital gains. See notes 2.11 and 14.
- Estimate for impairment of long-term assets. See Notes 2.13, 13, 14, and 16.
- Deferred tax assets and liabilities. See Notes 2.20 and 24.
- Estimated accrued income. See Note 2.23 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.
- Estimation of uncertainties and judgments made in relation to lease accounting. See notes 2.24, 15, and 18.

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

Estimate of Effects of the Covid-19 Global Pandemic on Financial Statements-

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

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

5 FINANCIAL INSTRUMENTS

(a) Financial instruments by category-

The classification of financial instruments by category is as follows:

	<u>2022</u> S/000	<u>2021</u> S/000
Financial Assets at Amortized Cost per Statement of Financial Position:		
- Cash and cash equivalents	432,987	610,520
- Trade accounts receivable and other accounts receivable (*)	<u>1,154,184</u>	<u>1,229,910</u>
- Contract assets	<u>39,620</u>	<u>20,027</u>
	<u>1,626,791</u>	<u>1,860,457</u>
Financial Liabilities at Amortized Cost per Statement of Financial Position:		
- Financial obligations	2,797,385	3,022,976
- Financial liability for lease	1,329,375	1,395,523
- Trade accounts payable and other accounts payable (*)	2,031,063	1,849,411
- Other accounts payable to related entities	<u>391,057</u>	<u>9,320</u>
	<u>6,548,880</u>	<u>6,277,230</u>

(*) Does not include advances or taxes.

The maximum exposure to credit risk as of December 31, 2022 and 2021, is the carrying value of each class of financial assets mentioned above.

6 CASH AND CASH EQUIVALENTS

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

	<u>2022</u> S/000	<u>2021</u> S/000
Fixed funds	314	317
Current and savings accounts (b)	226,235	98,713
Term deposits (c)	187,000	260,000
Trust fund (d)	<u>19,438</u>	<u>251,490</u>
	<u>432,987</u>	<u>610,520</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). Savings accounts are remunerated at current rates in the respective market.

(c) Time deposits have original maturities of less than 90 days and may be renewed upon maturity. As of December 31, 2022 and 2021, they comprise 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 December 31, 2022 and 2021, the trust includes only cash.
- (e) There are no restrictions on the balances of cash and cash equivalent as of December 31, 2022 and 2021.

7 COMMERCIAL ACCOUNTS RECEIVABLE, NET

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

	<u>2022</u> S/000	<u>2021</u> S/000
Fixed business subscribers	3,104,810	2,982,857
Mobile business subscribers	2,699,011	2,418,563
Data and information technology	532,270	546,220
Distributors, agencies, and department stores	175,454	153,368
Wholesaler - Interconnection and Related	153,472	211,884
Correspondents. Note 23(d)	92,231	100,935
Others	<u>97,072</u>	<u>63,408</u>
	6,854,320	6,477,235
Less - Estimation for doubtful accounts (c)	(<u>5,820,620</u>)	(<u>5,468,244</u>)
	1,033,700	1,008,991
Less - Non-Current Portion (d)	(<u>982</u>)	(<u>1,780</u>)
Current portion	<u>1,032,718</u>	<u>1,007,211</u>

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

As of December 31, 2022, trade accounts receivable include estimates for unbilled services rendered for approximately S/74,259,000 (S/46,432,000 as at December 31, 2021). The Company's Management estimates that these items will be fully invoiced in the first quarter of 2023.

As of December 31, 2022, the Company had approximately 1,235,000 fixed and public telephone lines in service, 4,574,000 postpaid mobile telephony lines 1,934,000 connections in broadband service, and approximately 1,184,000 paid television accesses (1,549,000, 4,436,000, 1,968,000 y 1,334,000, respectively as of December 31, 2021).

- (c) The movements in the provision for doubtful accounts as of December 31, 2022 and 2021 is as follows:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Opening Balance	5,468,244	5,060,182
Provision for the period. Note 28(a)	411,365	396,096
Penalties	(33,748)	(41,791)
Net exchange differences	(25,241)	53,757
Final balance	<u>5,820,620</u>	<u>5,468,244</u>

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

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

The amount recognized for implicit interest during 2022 amounts to S/609,000 (S/1,232,000 in 2021) and is presented in the "financial income" item of the income statement. See Note 31.

8 OTHER ACCOUNTS RECEIVABLE, NET

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Collection rights for enforcement actions (b)	141,992	141,824
Grants receivable (c)	85,163	93,673
Guarantee Deposits	12,328	16,534
Loans to personnel, Note 23(g)	11,993	13,069
Tax credit of the general sales tax	7,065	7,596
Loans to third parties	3,809	5,928
Sale of assets (f)	3,412	92,411
Others	<u>41,608</u>	<u>37,554</u>
	307,370	410,023
Less - Estimation for doubtful accounts (e)	(<u>167,828</u>)	(<u>168,439</u>)
	139,542	241,584
Less - non-current portion	(<u>82,173</u>)	(<u>92,347</u>)
Current portion	<u>57,369</u>	<u>149,237</u>
Financial assets classified as other accounts receivable	120,484	220,919
Non-financial assets classified as other accounts receivable	<u>19,058</u>	<u>20,665</u>
	<u>139,542</u>	<u>241,584</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 Program of Telecommunications - PRONATEL, known before as the Investment Fund in Telecommunications - FITE), for the non-reimbursable financing of the Project "Comprehensive broadband connectivity and the social development of the country's northern area", which has been collected according to the established schedule.

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

- (d) The other accounts receivable are denominated in national and foreign currency and do not generate interest.
- (e) The other accounts receivable were collectively evaluated to determine if there was objective evidence of impairment. However, the Company determined that the estimate of doubtful collections at the end of the period is sufficient, in accordance with the Company's accounting practice described in Note 2.7.
- (f) Balance receivable for sales of towers and real estate mainly with Andean Telecom Partners Perú S.R.L. that took place in 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:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Sale of Equipment, nota 2.23	39,620	20,027
Less - non-current portion	(2,264)	(1,626)
Current portion	<u>37,356</u>	<u>18,401</u>

(b) Contract liabilities:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Fixed and mobile telephone services. Note 2.23	54,024	89,626
Deferred installation fee. Note 2.23	51,802	73,479
IRU access rights (c)	43,520	48,016
Business project	15,494	26,069
Others	<u>1,477</u>	<u>1,703</u>
	166,317	238,893
Less - non-current portion	(49,818)	(70,520)
Current portion	<u>116,499</u>	<u>168,373</u>

- (c) They correspond 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:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Goods and supplies	162,306	198,236
Stock receivable	<u>39,564</u>	<u>51,231</u>
	201,870	249,467
Less - Estimate for inventory devaluation (c)	(<u>11,723</u>)	(<u>13,870</u>)
	<u>190,147</u>	<u>235,597</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 pay television service, and fixed telephony equipment.

- (b) The cost of inventories sold in the year ending December 31, 2022, was approximately S/1,128,170,000 (S/1,217,451,000 in the year 2021) and is presented in the item "Cost of equipment sales" in the statement of results.
- (c) The movement in the provision for impairment of inventories as at December 31, 2022 and 2021 is as follows:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Opening Balance	13,870	26,058
Recovery of devaluation of inventories, net, note 28.	(<u>2,147</u>)	(<u>12,188</u>)
Final balance	<u>11,723</u>	<u>13,870</u>

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

11 OTHER NON-FINANCIAL ASSETS

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Client capture expenses (c)	413,333	242,033
Deferred costs of compliance obligation (b)	351,876	385,942
Maintenance of licenses and computer equipment	28,778	36,815
Advances granted to suppliers	17,059	3,677
Insurance paid in advance	5,247	5,481
Advertising paid in advance	3,034	823
Advance payments for right of access (d)	2,785	3,183
Others	<u>90,544</u>	<u>85,526</u>
	912,656	763,480
Less - non-current portion	(<u>402,815</u>)	(<u>333,822</u>)
Current portion	<u>509,841</u>	<u>429,658</u>

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

12 INVESTMENTS IN ASSOCIATES

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

	Activity	Share Percentage in Equity		Equity participation Value	
		2022	2021	2022	2021
		%	%	S/000	S/000
In associates:					
Internet para Todos S.A.C. (b)	Operate and provide all types of telecommunications services.	54.67	54.67	<u>222,695</u>	<u>235,676</u>
				<u>222,695</u>	<u>235,676</u>
Other Share Investments:					
Wayra Perú Aceleradora de Proyectos S.A.C.	Development and promotion of business projects based on innovative technology.	2.93	2.93	<u>478</u>	<u>478</u>
				<u>478</u>	<u>478</u>
				<u>223,173</u>	<u>236,154</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 equity of Internet Para Todos S.A.C. (IPT), a company constituted and registered in Peru, in the following manner:

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

As a result of the agreement with the partners, the Company diluted its share to 54.67% of the IPT shares, and it also 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 November 30, 2022 (closest available information) and as of December 31, 2021.

	<u>2022</u>	<u>2021</u>
	<u>S/000</u>	<u>S/000</u>
Assets	584,833	621,233
Liabilities	177,489	190,145
Equity	407,344	431,088
Profit for the year	(23,744)	(26,978)

13 PROPERTIES, PLANT, AND EQUIPMENT, NET

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, 2021	104,882	1,295,902	25,724,600	1,068,235	123,157	576,625	28,893,401
Additions	-	-	8,764	28,885	739	374,171	412,559
Transfers	-	8,409	463,739	5,187	1,602	(478,937)	-
Transfer of intangible assets. Note 14(a)	-	-	-	-	-	36,026	36,026
Equity block transfer. Note 1.3(b)	-	-	(15,609)	(17,424)	(71)	(7,766)	(40,870)
Transfers	(631)	631	-	-	-	-	-
Withdrawals and sales. Note 30	(17,561)	(99,923)	(38,295)	(14)	-	-	(155,793)
As of December 31, 2021	86,690	1,205,019	26,143,199	1,084,869	125,427	500,119	29,145,323
Additions	-	-	8,740	-	-	337,164	345,904
Transfers	-	39,113	453,763	5,102	2	(497,980)	-
Transfer of intangible assets. Note 14(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
Accumulated Depreciation							
As of January 1, 2021	-	953,326	21,234,927	1,020,958	116,673	-	23,325,884
Depreciation for the Period	-	45,372	867,492	20,421	2,251	-	935,536
Equity block transfer. Note 1.3(b)	-	-	(6,540)	(8,967)	(13)	-	(15,520)
Withdrawals and sales. Note 30	-	(87,052)	(33,931)	(14)	-	-	(120,997)
As of December 31, 2021	-	911,646	22,061,948	1,032,398	118,911	-	24,124,903
Depreciation for the Period	-	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
Net Value							
As of December 31, 2021	86,690	293,373	4,081,251	52,471	6,516	500,119	5,020,420
As of December 31, 2022	80,083	270,633	3,732,708	16,064	4,355	429,112	4,532,955

(b) As of December 31, 2022 and 2021, the works in progress are 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 Management expects to complete in the short term.

As of December 31, 2022 and 2021, Management has performed an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In its opinion, no estimate is required for the date of the statement of financial position.

As of December 31, 2022 and 2021, the Company has insurance in force to provide reasonable hedge against possible risks on fixed assets assigned to operations with limits and hedges appropriate to them, in accordance with the policies established by 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)	Software (c)	Software in development (d)	
	<u>Total</u>			
	S/000	S/000	S/000	S/000
Cost				
As of January 1, 2021	7,810,328	2,395,668	141,065	10,347,061
Additions	-	-	273,173	273,173
Transfer	-	104,175	(104,175)	-
Transfer to works in progress. Note 13(a)	-	-	(36,026)	(36,026)
Equity block transfer. Note 1.3(b)	-	(8,514)	-	(8,514)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	<u>7,810,328</u>	<u>2,490,147</u>	<u>274,037</u>	<u>10,574,512</u>
Additions	-	-	244,710	244,710
Transfer	-	52,926	(52,926)	-
Transfer to works in progress. Note 13(a)	-	-	(78,547)	(78,547)
Withdrawals	-	(10,717)	-	(10,717)
As of December 31, 2022	<u>7,810,328</u>	<u>2,532,356</u>	<u>387,274</u>	<u>10,729,958</u>
Accumulated amortization				
As of January 1, 2021	6,138,607	2,280,566	-	8,419,173
Amortization for the Period	156,794	102,358	-	259,152
Equity block transfer. Note 1.3(b)	-	(4,868)	-	(4,868)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	<u>6,295,401</u>	<u>2,376,874</u>	<u>-</u>	<u>8,672,275</u>
Amortization for the Period	156,794	83,387	-	240,181
Withdrawals	-	(10,717)	-	(10,717)
As of December 31, 2022	<u>6,452,195</u>	<u>2,449,544</u>	<u>-</u>	<u>8,901,739</u>
Net Value				
As of December 31, 2021	<u>1,514,927</u>	<u>113,273</u>	<u>274,037</u>	<u>1,902,237</u>
As of December 31, 2022	<u>1,358,133</u>	<u>82,812</u>	<u>387,274</u>	<u>1,828,219</u>

(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 SA (CPT), acquired by the Company in 1994, was

allocated to the cost of the concession, which amortizes over a period of 33 years, due in December 2027.

(ii) Band A 1710-1730 Mhz and 2110-2130 Mhz (4G LTE) in Lima and Provinces, awarded by the MTC in July 2013 for US \$152,229,000, which is amortized over a period of 20 years until the year 2033. It also includes the use of the B band of provinces, the use of the band in Lima and Callao, and the use of the 25 Mhz band corresponding to the 1,900 Mhz band.

(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 during 2022 and 2021, corresponds mainly to corporate systems for the commercial area, office applications, control equipment software, and network management, among others.

(d) The software under development consists mainly of support systems for the commercial areas, as well as software for control and network management equipment.

(e) As of December 31, 2022 and 2021, Management has performed an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In its opinion, no estimate is required for the date of the 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 Land use and natural assets S/000	Rights of use of Constructions S/000	Rights of use of technical facilities and machinery S/000	Others rights of use S/000	Total S/000
Cost					
As of January 1, 2021	521,982	597,306	148,452	33,136	1,300,876
Additions (b)	212,144	63,404	54,000	212	329,760
Transfers	(293)	293	-	-	-
Withdrawals	(15,158)	(3,035)	-	(249)	(18,442)
As of December 31, 2021	718,675	657,968	202,452	33,099	1,612,194
Additions (b)	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
Accumulated Depreciation					
As of January 1, 2021	129,568	152,645	40,594	24,271	347,078
Depreciation for the Period	102,664	79,579	28,063	3,301	213,607
Withdrawals	(13,949)	(1,762)	-	(116)	(15,827)
As of December 31, 2021	218,283	230,462	68,657	27,456	544,858
Depreciation for the Period	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
Net Value					
As of December 31, 2021	500,392	427,506	133,795	5,643	1,067,336
As of December 31, 2022	447,025	405,451	113,568	11,420	977,464

(b) During 2022, sales of assets with subsequent leasing were made, recognizing an addition for the right-of-use of S/10,182,000. During 2021, the lease contracts of sites owned by third parties were transferred to Telxius Torres Perú S.A.C., a related company, increasing the periods of the same based on the end dates of the tower space rental contracts (located in these places). The foregoing thus recognized an addition in the rights of use for this increase of S/78,335,000 and a decrease of S/9,452,000 which corresponds to the initial period signed with the third party and assets were sold and subsequently leased, recognizing an addition for right of use of S/71,062,000.

16 CAPITAL GAINS

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Opening Balance	959,137	1,215,145
Less, adjustment for impairment	<u>-</u>	<u>(256,008)</u>
Final 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 an 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 cover three years (5) and perpetuity. The corresponding discount rate has been determined and is applicable to cash flow projections. Cash flows that go beyond the period indicated in the projections are extrapolated using a specific growth rate that is similar to the long-term average growth rate for the industry in which the Company operates.

As of December 31, 2022, the Company is meeting the financial targets set forth in the business plan approved in 2021, which have been revised in 2022; therefore, it is not necessary to make an additional adjustment for impairment. As of December 31, 2021, the amount of goodwill, intangible assets and property, plant and equipment, net of operating working capital was compared to the recoverable amount, and Management determined to record an impairment adjustment of S/256,008,000 allocated to goodwill as of the date of the statement of financial position. See Note 2.13.

Key assumptions used in calculations of value in use -

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

- I. Gross margin
- II. Discount Rate
- III. Market share during the budgeted period; and

IV. Long-term growth rate used to extrapolate cash flows that go beyond the budget period.

as long-term OIBDA (Operating Income before Depreciation and Amortization) gross margin, market share, discount rate, and growth rate in perpetuity

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 Company's gross margin (OIBDA) remains constant at ranges between 24% and 25.7%, and the most conservative margin has been considered 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 December 31, 2022 and 2021, the pre-tax discount rate used was 14.75% and 14.47%, respectively, and the after-tax discount rate was 10.40% and 10.20%, respectively.

Market Share -

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

Long-Term Growth Rate -

This rate is based on published market research and trends in the telecommunications sector. The growth rate as of December 31, 2022 and 2021, which has been considered for the following years, is 2.42%

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 flow reduction of S/19465,989,534,000 and S/53982,3766,000 respectively. The assumptions used to estimate the value in use of the assets are considered prudent under the current circumstances, therefore no deviations in estimates are expected that could have a significant effect on the Company's financial statements as of December 31, 2022.

17 OTHER FINANCIAL LIABILITIES

a) The breakdown of the item is presented below:

	2022			2021		
	Current Portion	Non-current Portion	Total	Current portion	Non-current Portion	Total
	S/000	S/000	S/000	S/000	S/000	S/000
Bonds (17.1)	297,812	2,494,500	2,792,312	282,824	2,723,837	3,006,661
Short-term debt (17.2)	5,073	-	5,073	16,315	-	16,315
	<u>302,885</u>	<u>2,494,500</u>	<u>2,797,385</u>	<u>299,139</u>	<u>2,723,837</u>	<u>3,022,976</u>

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

	Cash Flow				Changes that Do Not Produce Cash Flow		
	Opening Balance	New	Payment of	Payment of	Accrued	New	Final balance
	S/000	loans	loans	interest	Interests	debt	S/000
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
2022							
Other financial liabilities	3,022,976	-	(295,283)	(196,328)	215,760	50,260	2,797,385
2021							
Other financial liabilities	3,097,477	-	(159,810)	(198,082)	219,114	64,277	3,022,976

17.1 Bonds -

(a) As of December 31, 2022 and 2021, the following bond issuances remained in effect:

Program	Issuance and series	Date of maturity	Authorized Amount S/000	Amount used S/000	Total		Current portion		Non-current portion	
					2022 S/000	2021 S/000	2022 S/000	2021 S/000	2022 S/000	2021 S/000
Fourth (*)	19th. A	July 2027	150,000	60,000	103,400	95,346	1,713	1,580	101,687	93,766
Fourth (*)	19th. B	April 2028	(**)	49,000	80,025	73,792	440	406	79,585	73,386
Fourth (*)	19th. C	July 2028	(**)	20,000	32,511	29,978	453	417	32,058	29,561
Fourth (*)	37th. A	May 2028		48,000	77,922	71,853	261	241	77,661	71,612
Sixth (f)	11th A	June 2023	400,000	260,000	261,039	261,010	261,039	1,010	-	260,000
Sixth	11th B	April 2024	(**)	120,000	121,732	121,723	1,732	1,723	120,000	120,000
Sixth	13th A	July 2022	200,000	140,000	-	143,571	-	143,571	-	-
Sixth	14th A	September 2022	200,000	100,000	-	101,680	-	101,680	-	-
Sixth	15th A	October, 2024	135,000	135,000	136,545	136,534	1,545	1,534	135,000	135,000
Sixth	16th A	April, 2025	400,000	105,120	106,239	106,231	1,119	1,111	105,120	105,120
Sixth	17th A	May 2030	250,000	S/60,000	72,673	67,012	285	262	72,388	66,750
First (f)	1st A	October, 2026	200,000	S/80,000	81,179	81,177	1,179	1,177	80,000	80,000
First (g)	Int. Issuance	April 2027	1,700,000	1,700,000	1,719,047	1,716,754	28,046	28,112	1,691,001	1,688,642
Total					<u>2,792,312</u>	<u>3,006,661</u>	<u>297,812</u>	<u>282,824</u>	<u>2,494,500</u>	<u>2,723,837</u>

(*) Annual interest rate with constant update value.

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

(b) The bonds in soles effective as of December 31, 2022 and 2021, cause a weighted average annual interest rate of 7.05% and 6.90%, respectively. For its part, the weighted average "spread" of the VAC bonds in force as of December 31, 2022 and 2021, is 3.21%. Future interest payments are S/172,228,000 in 2023, S/160,245,000 in 2024, S/125,717,000 in 2025, S/81,402,000 in 2026, S/34,157,000 in 2027 and S/10,657,000 onwards.

(c) As of December 31, 2022 and 2021, the bonds issued as per contractual conditions matured as follows:

<u>Maturity Year</u>	<u>2022</u>			<u>2021</u>		
	<u>Interest</u> <u>S/000</u>	<u>Principal</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>	<u>Interest</u> <u>S/000</u>	<u>Principal</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
2022	-	-	-	42,824	240,000	282,824
2023	37,812	260,000	297,812	-	260,000	260,000
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	-	659,468	659,468	-	649,188	649,188
2028 onwards	-	261,692	261,692	-	241,309	241,309
Total	<u>37,812</u>	<u>2,754,500</u>	<u>2,792,312</u>	<u>42,824</u>	<u>2,963,837</u>	<u>3,006,661</u>

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, outstanding or their equivalent in national currency, whose term was extended by the General Shareholders' Meeting on March 29, 2022, of Telefónica del Perú S.A.A., until December 31, 2027.

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

In June 2016, the issue of Corporate Bonds maturing in June 2023, and for an amount of S/260,000,000 at an issue price at par and a fixed nominal annual interest rate of 6.66%, was finalized. The foregoing was undertaken in order to assume the expenses associated with the Company's participation in the public tender for Block C of the 700 Band. See Note 14(b)(iii).

In April 2019, the issuance of an International Bond with maturity in April 2027 was finalized, and 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>Original currency</u>	<u>2022 S/000</u>	<u>2021 S/000</u>
Ministry of Transport and Communications (b)	S/	4,569	9,592
Phoenix Tower International Peru S.A.C. (c)	S/	504	6,723
		<u>5,073</u>	<u>16,315</u>
Composition of the debt			
Principal		<u>5,073</u>	<u>16,315</u>
		<u>5,073</u>	<u>16,315</u>

Installment payments for the mobile tax for the period 2022, with monthly matures upto January 2023.

In the year 2022, the Company has recognized a revenue of S/6,219,000 in accordance with the contract with Phoenix Tower International Peru S.A. In December 2021, the Company sold 42 towers and 19 properties to Phoenix Tower International Peru S.A.C. for S/56,139,000 per a contract. The Company has recognized an income of S/49,416,000 since the purchaser has the obligation to return 10 % and 2 premises according to the contract clauses.

18 FINANCIAL LEASE LIABILITIES

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

	<u>2022</u>		<u>2021</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>
Financial lease liability in foreign currency	111,098	424,394	123,055	491,974
Financial lease liability in national currency	-	<u>904,981</u>	-	<u>903,549</u>
		1,329,375		1,395,523
Less - non-current portion		<u>(928,289)</u>		<u>(1,066,667)</u>
Current portion		<u>401,086</u>		<u>328,856</u>

(b) Future payments as per the leases as of December 31, 2022 and 2021 are as follows:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
2022	-	366,824
2023	457,992	252,026
2024	245,456	238,317
2025	219,725	214,211
2026	179,853	156,865
2027	157,175	139,202
2028 onwards	<u>257,785</u>	<u>232,291</u>
	<u>1,517,986</u>	<u>1,599,736</u>

(c) The current average annual rate of lease liabilities in soles as of December 31, 2022 is 5.63% and in dollars it is 3.58% (5.64% and 3.98% in dollars as of December 31, 2020).

(d) As of December 31, 2022 the Company also had non-cash additions of right-of-use assets of S/150,984 (S/329,760 for the year ended December 31, 2021). Lease payments include amortization of capital and interest, which are S/212,916,000 and S/63,707,000, respectively (S/181,580,000 and S/43,913,000 for the year ended December 31, 2021) and S/66,139,000 for interest accrued in the year ended December 31, 2022 (S/70,528,000 for the year ended December 31, 2021) which are presented in the financial expenses.

19 TRADE ACCOUNTS PAYABLE

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
National suppliers (c)	948,520	867,061
Accrual of invoiceable related obligations	628,296	587,971
Related. Note 23(d)	318,855	280,698
Foreign suppliers	109,384	87,023
Contractor security deposits	<u>3,179</u>	<u>2,432</u>
	<u>2,008,234</u>	<u>1,825,185</u>

(b) Commercial accounts payable are denominated in soles, US dollars and euros, do not accrue interest, have current maturities, are normally paid in an average period of 60 days, and no guarantees have been granted.

(c) Domestic suppliers, as of December 31, 2022 and, 2021, represented S/318,176,000 and S/454,045,000, 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 transfer transactions have not involved a change in the trade terms agreed with the suppliers and the Company. As such, their classification as trade accounts payable is maintained.

The carrying amounts 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:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Salaries and vacations (b)	151,974	248,644
Taxes payable. Note 24(h)	60,975	50,569
Derivative financial instruments (c)	18,838	20,662
Guarantee Deposits	13,684	9,998
Dividends and returns payable to shareholders	2,696	2,705
Employee shareholding. Note 24(e)	417	417
Others	6,449	11,523
	<u>255,033</u>	<u>344,518</u>
Less - non-current portion (b)	(29,709)	(37,546)
Current portion	<u>225,324</u>	<u>306,972</u>
Financial liabilities classified as other		
Accounts payable	41,667	44,888
Non-financial liabilities classified as other		
Accounts payable	<u>213,366</u>	<u>299,630</u>
	<u>255,033</u>	<u>344,518</u>

(b) During 2022, based on the Program executed in 2021, the Company terminated 58 employees and 22 executives for S/17,259,000 and S/8,939,000, respectively, with a charge to the provision made in that period, through the incentive retirement program launched in 2021. As of April 2021, the Company decided to launch voluntary and incentivized retirement programs, on the back of which 413 employees accepted for a cost of S/119,244,000. Likewise, in December 2020 the Company identified approximately 25 additional positions which were released during the second quarter of 2021.

(c) As at December 31, 2022, the Company had 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 that has maturity dates during 2022. As of December 31, 2021, the hedging contracts were for US\$481,826,000. The cash flow hedge of the expected future payments was evaluated as being highly effective. It is expected that the amounts retained in the separate statement of other comprehensive income will affect the separate profit or loss statement in each of the future periods until their maturity dates.

21 OTHER PROVISIONS

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Litigation and risks, (c) and Note 33(b)	836,506	563,717
Decommissioning of towers. Note 2.19	72,600	53,545
Others (d)	<u>25,849</u>	<u>33,965</u>
	934,955	651,227
Less - non-current portion	(<u>323,873</u>)	(<u>268,163</u>)
Current portion	<u>611,082</u>	<u>383,064</u>

(b) Item movement is detailed below:

	<u>Litigation and Risks</u> <u>S/000</u>	<u>Decommissioning</u> <u>S/000</u>	<u>Others</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
Balances as of January 1, 2021	591,430	45,980	17,143	654,553
Additions	70,186	9,966	39,602	119,754
Disposals	-	(2,401)	(22,780)	(25,181)
Payments	(97,899)	-	-	(97,899)
As of December 31, 2021	563,717	53,545	33,965	651,227
Additions	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

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

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

(d) As of December 31, 2022 and 2021, "Others" includes a provision for tower reinforcement as a consequence towers sold in previous years.

22 DEFERRED INCOME

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Grants, (b) and Notes 2.21 and 8(c)	60,471	78,195
Intégrame	893	1,395
Others	<u>14,096</u>	<u>17,949</u>
	75,460	97,539
Less - non-current portion	(48,479)	(67,884)
Current portion	<u>26,981</u>	<u>29,655</u>

(b) Deferred revenue from grants mainly includes:

Lambayeque Project: it corresponds to the contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the National Telecommunications Program -PRONATEL), for the non-reimbursable financing of the Project "Integral Broadband Connectivity for development social activity in the northern part of the country."

The balance for this project as of December 31, 2022 and 2021 amounts to approximately S/58,649,000 and S/75,917,000, respectively. The Lambayeque project includes the construction of a transportation network for US \$11,613,000. The investment term was extended until 2027.

Selva (Jungle) Project: it corresponds to the contract signed on February 18, 2011, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable financing of the Project "Integration of rural areas and places of preferential social interest to the network of the mobile service - Selva." The balance for this project amounts to approximately S/1,822,000 and S/2,278,000 as of December 31, 2022 and 2021, respectively.

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

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

As of December 31, 2022 and 2021, the Company accrued income for S/13,473,000 and S/13,728,000, respectively, which are presented in the caption "Other operating income and expenses" of the income statement. See Note 30(a).

23 TRANSACTIONS WITH RELATED ENTITIES

(a) During 2022 and 2021, the most significant transactions carried out by the Company with related entities were the following:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Revenues with related companies for:		
Rural Traffic Services		
- Internet para Todos S.A.C.	27,206	37,572
Rental of land		
- Telxius Torres Perú S.A.C.	-	267
Expenses with related companies for:		
Rural Traffic Services		
- Internet para Todos S.A.C.	(127,773)	(117,155)
Trademark use fee. Note 28(a)		
- Telefónica, S.A. (b)	(113,815)	(112,494)
Internet and fiber optic link services		
- Telxius Cable Perú S.A.C.	(85,097)	(88,779)
Systems Service		
- Telefónica Global Technology S.A.U.	(32,485)	(58,654)
Leasing of towers and sites		
- Telxius Torres Perú S.A.C.	-	(21,502)
Transfer of management capacity. Note 28(a)		
- Telefónica Latinoamérica Holding S.L. (c)	-	(993)
Transfer of management capacity. Note 28(a)		
- Telefónica Hispanoamérica S.A. (c)	(23,402)	(12,093)
Transfer of management capacity. Note 28(a)		
- Telefónica Hispanoamérica S.A. (c)	(23,402)	(12,093)

(b) The Company has a contract with Telefónica, S.A., whereby it pays a trademark fee equivalent to 1.6% of monthly income, excluding local operations with related companies, unless the previous year had a negative balance when deducting depreciation, amortization, and CAPEX for that year from the operating income.

(c) The Company has contracts with Telefónica Hispanoamérica S.A. for the transfer of management capacity.

(d) As of December 31, 2022 and 2021, the Company maintains the following trade balances with related entities:

	<u>2022</u>		<u>2021</u>	
	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>
	<u>receivable</u>	<u>payable</u>	<u>receivable</u>	<u>payable</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Related companies:				
Telefónica Hispanoamérica S.A.	16,736	25,226	1,702	8,611
Media Networks Latin América S.A.C.	11,309	18,714	21,426	33,701
Telefónica Global Solutions S.L.	10,392	17,348	11,291	12,606
Internet para Todos S.A.C.	9,077	26,971	15,103	38,556
Telxius Cable Perú S.A.C.	7,056	30,339	9,288	28,648
Telefónica Global Solutions Perú S.A.C.	5,489	14,095	5,378	11,369
Telefónica Cybersecurity & Cloud Tech Perú S.A.C.	3,709	87,843	7,349	61,485
Telefónica Digital España S.L.	2,872	26,927	4,438	23,041
Telefónica, S.A.	1,849	33,192	69	21,108
Telefónica Ingeniería de Seguridad S.A. Peru's branch	1,849	8,956	1,871	14,994
Fundación de Telefónica del Perú	1,509	-	1,493	-
Telefónica Data USA	481	207	3,062	888
Telefónica Compras Electrónicas	-	5,336	-	3,750
Telefónica Gestión de Tecnología S.A.U.	-	2,342	-	8,393
Others	<u>19,903</u>	<u>21,359</u>	<u>18,465</u>	<u>13,548</u>
Commercial accounts receivable and payable related, (See Notes 7(a) and 19(a))	<u>92,231</u>	<u>318,855</u>	<u>100,935</u>	<u>280,698</u>

As of December 31, 2022, the Company has loans payable to Telefónica Hispanoamérica S.A. for S/380,821,000 (S/377,000,000 of principal and S/3,821,000 of accrued interest) with maturities in October and December 2023. These loans accrue an average interest rate of 8.27%, the destination of these funds was used to meet tax obligations related to the various processes followed by the Company, as described in note 33(b). At the General Shareholders' Meeting held on January 19, 2023, it was agreed to delegate to the Board of Directors the authority to carry out a capital increase of up to S/2,106,949,000, which includes the capitalization of these loans; the Board of Directors will determine the conditions, amounts and final terms of these contributions, see note 34.

As at December 31, 2022 and 2021, the Company had an account payable to Telefónica S.A. for an amount of approximately S/10,236,000 and S/9,320,000, corresponding to the fair value of the share options granted by the Parent company in Spain to certain executives of the Company, who may exercise their rights within a maximum term of until 2025. See Note 2.25.

Loans to Staff -

The Company grants loans to its staff and officers for terms of up to 24 months. The interest rates applied are generally below the interest rates existing in the market; however, the other loan terms are substantially the same as those of the market. The balance of the loans to employees was approximately S/11,993,000 and S/13,069,000 as of December 31, 2022 and 2021, respectively. The loans are presented in the section "Other accounts receivable, net" of the statement of financial position. See Note 8(a).

Remuneration to the Board of Directors and members of Key Management -

The remuneration received by the directors and key management personnel amounted to approximately S/23,738,000 during 2022 (approximately S/23,150,000 in 2021), which include short-term benefits, compensation for time served, and others.

As of December 31, 2022, the Group maintains current accounts in Telfisa Global, B.V., for an amount of US\$7,620,000 equivalent to S/29,017,000, which are presented under the heading "Cash and cash equivalents." (As of December 31, 2020, the Group held current accounts in Telfisa Global, B.V., for an amount of US\$3,826,000, equivalent to S/15,208,000, respectively).

Terms and Conditions of Transactions with Related Parties -

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

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

24 TAX SITUATION

Deferred Taxes -

Item movement is detailed below:

	As of January 1st 2021 S/000	Credit (Charge) to the state of results S/000	Credit (charge) to the state of financial situation S/000	Credit (charge) to another comprehensive result S/000	As of 31 December 2021 S/000	Credit (Charge) to the state of results S/000	Credit (charge) of other comprehensive result S/000	As of 31 December 2022 S/000
Deferred Assets / (Liabilities)								
Depreciation	359,109	(1,371)	(872)	-	356,866	(23,551)	-	333,315
Estimate for doubtful account collection	343,744	27,971	-	-	371,715	(41,271)	-	330,444
Provision for various contingencies	34,286	(758)	-	-	33,528	(1,094)	-	32,434
VAC Bonds	26,153	5,707	-	-	31,860	5,423	-	37,283
Personnel expenses	92,235	(18,260)	(57)	-	73,918	(30,544)	-	43,374
Provision for decommissioning of equipment	(11,047)	4,824	-	-	(6,223)	27,640	-	21,417
Others	33,497	(5,676)	-	-	27,821	17,830	-	45,651
Lambayeque project subsidy	39,141	3,899	-	-	43,040	(7,970)	-	35,070
Expenses with non-resident	60,490	(9,434)	-	-	51,056	4,860	-	55,916
Deterioration of inventories and property, plant, and equipment	7,801	(3,595)	-	-	4,206	(748)	-	3,458
Deferred income from tower sales	574	-	-	-	574	(348)	-	226
Financial lease	(6,800)	-	-	-	(6,800)	6,505	-	(295)
Other deferred income	33	-	-	-	33	3,825	-	3,858
Payroll capitalization for plant construction	(175)	-	-	-	(175)	-	-	(175)
Financial instruments	(339)	-	-	2,563	2,224	148	(1,842)	530
Amortization of software licenses	(279)	13,750	(6)	-	13,465	(6,771)	-	6,694
Allocation of the price paid for fixed assets	(796)	-	-	-	(796)	796	-	-
Cost attributed to fixed assets	(12,345)	-	-	-	(12,345)	-	-	(12,345)
IFRS 15	(50,470)	(31,115)	-	-	(81,585)	(52,556)	-	(134,141)
IFRS 16	63,841	44,123	-	-	107,964	913	-	108,877
Administrative concession	(490,514)	45,571	-	-	(444,943)	45,975	-	(398,968)
Deferred costs and income-Decos	(129,932)	(2,346)	-	-	(132,278)	21,543	-	(110,735)
Income from connection fee	16,668	(3,260)	-	-	13,408	(6,234)	-	7,174
Capitalized finance costs	(4,040)	645	-	-	(3,395)	695	-	(2,700)
Tax loss	1,278	20,907	-	-	22,185	(13,264)	-	8,921
Total Deferred Assets/(Liabilities), net	372,113	91,582	(935)	2,563	465,323	(48,198)	(1,842)	415,283

- (b) The deferred income tax is differentiated based on the estimated reversal period as shown in the following detail:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Deferred income tax asset:		
Expected reversal in the next 12 months	108,448	63,659
Expected Reversal after 12 months	<u>306,835</u>	<u>401,664</u>
Total, Deferred Income Tax	<u>415,283</u>	<u>465,323</u>

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Current	970,684	672,153
Deferred	<u>48,198</u>	<u>(91,582)</u>
	<u>1,018,882</u>	<u>580,571</u>

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

	<u>2022</u> <u>S/000</u>	%	<u>2021</u> <u>S/000</u>	%
Pre-tax income	(435,895)	100.00	(1,045,530)	100.00
Income tax according to tax rate (income)	(128,589)	29.50	(308,431)	29.50
Tax Impact:				
Contingencies and taxes (non-deductible). Notes 21 and 33(b)	1,010,826	(231.90)	692,892	(66.27)
Capital gains impairment	-	-	75,522	(7.22)
Previous-year taxes	42,603	(9.77)	26,679	(2.55)
Results in associates	3,829	(0.88)	5,974	(0.57)
Expenses not allowed	23,650	(5.43)	74,934	(7.17)
Expenses from prior years	11,465	(2.63)	6,729	(0.64)
Debt forgiveness	4,837	(1.11)	3,501	(0.33)
Derivative instruments	35,499	(8.14)	(8,728)	0.83
Others, net	<u>14,762</u>	<u>(3.38)</u>	<u>11,499</u>	<u>(1.10)</u>
Expenses from taxes				
Tax	<u>1,018,882</u>	<u>(233.74)</u>	<u>580,571</u>	<u>(55.52)</u>

- (e) The Company is subject to the Peruvian tax regime. The income tax rate as of December 31, 2022 and 2021, is 29.50%, on taxable income, after deducting worker shareholding, which is calculated at a rate of 10% on taxable income.

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

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

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

As of December 31, 2022, the Company recorded an income tax provision of S/44,723,000 which in net effect of the payments on account, claims to SUNAT for S/108,628,000 and the other provisions recorded, resulted in a balance in favor amounting to S/304,705,000 (S/27,628,000 of income tax payable which in its net effect of payments on account, claims to SUNAT for S/108,628,000 and the other provisions recorded, resulted in a balance in favor amounting to S/291,620,000 as of December 31, 2021) which is presented as an asset; Likewise, in October 2022 the Company paid under protest the income tax assessment for the year 2014 made by SUNAT for S/353,640,000, which has appealed before the Tax Court for not agreeing with the determined concepts, of the payment made, S/315,401,000 considers together with its external advisors that it has solid arguments to win such appeal, consequently the Company has classified this part as a payment on account of the tax of that year and that will be resolved in the long term. In the year ended December 31, 2022, the Company has generated a tax loss carryforward of S/151,603,000 in addition to the loss generated in 2021 of S/181,844,000 which is expected to be recovered in the following years according to Management's plans described in note 3.1.(ii).

In accordance with the requirements of IFRIC 23 uncertainties in the processing of income tax, the Company maintains provisions registered as for S/3,289,767,000 in current Income Tax and S/64,786,000 in current long-term Income Tax as of December 31, 2022. (S/2,770,193,000 in current Income Tax and S/24,059,000 in current long-term Income Tax as of December 31, 2021.).

1. During 2022, the Company has recorded various provisions, as well as directed charges to income for S/970,620,000 as a result of the revaluation and resolution of the various processes it maintains, as described in note 33(b). The main impacts are as follows:
 - (i) Change in the classification of the contingency related to the provision for doubtful accounts, as a result of the Supreme Court ruling for the periods 2000 and 2001, resolved in 2022 and notified on January 17, 2023, having revalued the periods 1998 to 2004 and recording a provision of S/630,564,000.
 - (ii) Re-evaluation of contingencies related to Telefónica Móviles S.A.C. from 2001 to 2005, which resulted in a charge to income of S/166,496,000, related to financial charges and exchange differences.
 - (iii) The Tax Court issued a resolution related to Telefónica Móviles S.A.C. for the year 2000 related to the cost of sale of the Nortel Plant and exchange difference, having recorded a provision of S/63,086,000.
 - (iv) As described above, the Company paid in October 2022 under protest the ruling imposed by SUNAT related to income tax for 2014 for S/354,640,000, of which S/38,239,000 were revalued and classified as probable and charged to income.

2. In 2021, the provisions recorded as of that date were updated and an additional S/602,111,000 was recorded as a consequence of:
 - (i) Change in the classification in the second quarter of 2021 of the contingencies related to the carryforward of the credit balance of 1999 in the determination of the annual payment and the monthly payments on account of income tax for 2000 and the consequent adjustment of the provision by S/939,549,000.
 - (ii) the reversing entry of the provision of S/477,577,000 recorded in the first quarter as a result of the ruling issued by the Constitutional Court in the amparo action initiated by the Company; and
 - (iii) In December 2021 the Company paid under protest, as a consequence of the audit of the 2013 fiscal year, S/140,139,000 related to the income tax of Telefónica Móviles S.A., amount that is being claimed (see note 33(b)(g)).

The sworn declarations of the income tax and general sales tax of the Company for the years 2016 to 2021 are subject to inspection by the Tax Administration in Peru. The tax authorities have the power to review and, if applicable, correct the taxes calculated by the Company.

The sworn declarations of the income tax and general sales tax of 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 result. Any eventual higher tax or additional payment that could result from the fiscal reviews will be applied to the results of the fiscal year in which it is determined. However, in the opinion of the Company Management and its legal advisors, any possible additional tax settlement will not be significant for the consolidated financial statements as at December 31, 2022 and 2021.

- (h) As of December 31, 2022 and 2021, the "Other accounts payable" item included other taxes for approximately S/60,975,000 and S/50,569,000 respectively.

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

Item	Beneficiary	%	Calculation Basis
Special right for the Program National Telecommunications (PRONATEL)	MTC	1.0	Income invoiced and received for carrier services and final for telephones.
Contributions for supervision	OSIPTEL	0.5	Income invoiced and received by the various services of telecommunications.
Trade operations rate of the Service authorization.	MTC	0.5	Services subject to concession and/or

The amount recorded as an expense for these items amounts to approximately S/101,316,000 and S/93,331,000 for the years ending December 31, 2022 and 2021, respectively, and they are included in the caption "General and administrative expenses" of the statement of results. See Note 28(a).

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

(i) 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 published, which regulates the procedure for attributing the status of subject without operational capacity (SSCO) applicable to all payment vouchers issued as of March 20, 2022. This figure, which has been in force since January 1, 2023, has been used to refer to those individuals who, although they appear as issuers of payment vouchers or complementary documents, do not have the economic, financial or material resources, among others, or they are not suitable to carry out the transactions for which such documents are issued. The most significant effects generated by the SSCO rating are detailed below:
 - The SSCO will only be able to electronically issue sales slips and debit notes for a maximum term of 5 years and the physical vouchers and complementary documents issued will be removed from the series.
 - The operations carried out with the SSCO will not allow the exercise of the right to tax credit and/or support cost or expense for Income Tax purposes (hereinafter, "IR").
- In addition, through Legislative Decree No. 1523, various provisions of the Tax Code were amended in order to optimize the regulation of the powers of the Tax Administration (SUNAT), as well as the actions between it and taxpayers to adapt them to the digital transformation. By way of example, among its modifications is the one made to SUNAT's inspection powers, which allows the appearance and inspection to be carried out virtually.

- At the end of 2022, relevant regulations were published, such as Law No. 31652. The purpose of this law is to establish, on an exceptional and temporary basis, special depreciation regimes to allow taxpayers to depreciate certain assets on an accelerated basis, in order to promote private investment and provide greater liquidity in the current economic situation.
- In addition, Law No. 31662 was enacted to amend and extend certain regulatory provisions. Among its provisions is the extension, until December 31, 2023, of the exemption from income tax on the sale of shares made through the Lima Stock Exchange by individuals and undivided estates. This exemption applies up to the first 100 UIT of the capital gain generated in each taxable year.

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

- Joint Venture Contracts (AeP): Regarding the income generated until 12.31.2022 under a Joint Venture Contract, it is not appropriate to consider them as business income, since they qualify as dividends or other form of profit distribution (Report No. 046-2022-SUNAT/7T0000).
- Export of Services: Services provided by a domiciled company to a non-domiciled company to facilitate the sale of the latter's products abroad to domiciled customers, which are remunerated based on a percentage of the amount effectively charged by the non-domiciled company for such sales, shall be considered as export of services (Report No. 052-2022-SUNAT/7T0000).
- Disposal of shares: In the event of a disposal of shares in which all or part of the price is fixed on a percentage of the future sale of the assets marketed by the acquired company, all or part of the income from such disposal is considered accrued when such future sale occurs (Report No. 000028-2022-SUNAT/7T0000).

25 EQUITY

(a) Issued Capital -

As of December 31, 2022 and 2021, the capital issued by Telefónica del Perú S.A.A. was comprised of 3,344,363,158 common shares, fully subscribed and paid, at a nominal value of S/0.63 and S/ 0.86 each, respectively. See Note 32.

At the General Shareholders' Meeting held on August 25, 2022, it was agreed to reduce the capital stock to cover losses of up to S/800,000,000, delegating to the Board of Directors the authority to determine the amount and date of its execution.

On August 29, 2022, the Board of Directors executed such resolution, reducing the capital stock by S/769,203,000, which meant a decrease in the nominal value of the share from S/0.86 to S/0.63; this operation did not imply any disbursement or reimbursement to shareholders.

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

	<u>2022</u> %	<u>2021</u> %
Class B		
Telefónica Hispanoamérica, S.A.	98.939	98.939
Other Minor Shareholders	1.055	1.055
Class C	<u>0.006</u>	<u>0.006</u>
	<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 Board members, 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, class "C" shares, which correspond to Telefónica del Perú S.A.A. employees, elect one (1) director, provided that they have reached an equity ratio of not less than 3 percent of the subscribed capital. If they do not reach this percentage by the time of the election, one more director of class "B" will be elected, thus completing the required number of Board members.

(b) Issue premiums-

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

As of December 31, 2021, it corresponds to the incorporation resulting from the merger by the absorption of Telefónica Móviles Perú Holding S.A.A. undertaken on December 31, 2008, as well as the higher value paid over the nominal value in the acquisition of the own shares.

(c) Other Capital Reserves -

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

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

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

(d) Other Equity Reserves -

These correspond mainly to net profits and losses due to changes in the estimated market value of the derivative financial instruments of cash flow hedges. The change in value is initially reflected in equity, and subsequently affects the profit and loss statement as per how it is influenced by the underlying hedge. During 2022 and 2021, the unrealized gain/(loss) generated by the valuation of hedging derivatives amounts to S/6,245,000 and S/8,610,000, respectively. The net gain/(loss) of its tax effect amounts to S/4,403,000 (S/6,047,000 in 2021). See 20(c).

26 FIXED BUSINESS INCOME

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Services	2,707,521	2,824,862
Data + TI	466,576	436,935
Wholesaler	173,437	167,004
Handsets	29,211	72,734
Others	<u>57,972</u>	<u>59,068</u>
	<u>3,434,717</u>	<u>3,560,603</u>

(b) As of December 31, 2022, the Company had approximately 1,235,000 fixed and public telephone lines in service, 1,934,000 connections in broadband service, and approximately 1,184,000 paid television accesses (1,549,000, 4,436,000, and 1,334,000, respectively as at December 31, 2021).

27 MOBILE BUSINESS INCOME

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Postpaid	1,894,588	1,705,599
Terminals	967,249	964,849
Prepaid	554,283	589,093
Wholesaler	122,839	145,329
Others	<u>182,652</u>	<u>83,742</u>
	<u>3,721,611</u>	<u>3,488,612</u>

(b) As of December 31, 2022, the Company has approximately 4,574,000 postpaid mobile lines in service, as well as 6,176,000 prepaid mobile lines (4,436,000 and 6,907,000, respectively as of December 31, 2021)

28 GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Services provided by third parties (c)	3,339,137	3,437,585
Taxes and royalties (b)	169,427	163,297
Provision for doubtful accounts and for Impairment of Inventories. Notes 7(c), 8(e), and 10(c), Net of recoveries	406,561	390,455
Fee for brand use and transfer of management capacity. Note 23(a)	137,217	125,579
Various management charges	<u>27,263</u>	<u>28,028</u>
	<u>4,079,605</u>	<u>4,144,944</u>

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

(c) Third-party services include:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Fees, commissions and services	1,487,536	1,526,288
Television signals and circuits	600,485	680,240
Maintenance and repair	388,965	350,864
Interconnection and correspondent expenses	222,382	257,447
Basic services	158,788	133,477
Capacity services	144,099	161,372
Advertising	72,294	95,578
Rentals	56,614	38,868
Transportation and storage	52,403	48,490
Roaming expenses	24,648	18,432
Others	<u>130,923</u>	<u>126,529</u>
	<u>3,339,137</u>	<u>3,437,585</u>

29 PERSONNEL EXPENSES

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Remuneration	520,683	523,548
Restructuring expenses. Note 20(b)	-	135,031
Security and Social Welfare	58,530	69,910
Compensation for Long Service	37,622	38,481
Other personnel expenses	14,605	15,668)
Payroll capitalization for plant construction	<u>(58,085)</u>	<u>(55,665)</u>
	<u>573,355</u>	<u>726,973</u>

(c) The Company has 3,664 employees as of December 31, 2022 (43,664 as of December 31, 2020).

30 OTHER OPERATING INCOME AND EXPENSES

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Other operating income		
Income from Asset Disposal (c), (d), and (e)	73,303	59,096
Government Grants. Notes 8(d) and 22(b)	13,473	13,728
Others	<u>11,703</u>	<u>12,904</u>
	<u>98,479</u>	<u>85,728</u>
Other Operating Expenses		
Other provisions(b)	(35,518)	(31,983)
Others	<u>(1,222)</u>	<u>(20,725)</u>
	<u>(36,740)</u>	<u>(52,708)</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 December 31, 2022 and 2021, asset sales created a net profit; the composition of which is detailed below:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Net Profit from Disposal of Assets (d)		
Income from Asset Sales	108,742	175,414
Net cost of assets sold (e)	<u>(35,439)</u>	<u>(116,318)</u>
	<u>73,303</u>	<u>59,096</u>

(d) In January 2021, the sale of Telefónica Cloud Tech Peru S.A.C. (TCTP) was completed in Peru for S/ 41,941,000, which includes the assets related to this business line, which was paid by the Company on January 1, 2021 for S/29,938,000, this company was incorporated in 2020 with a contribution of S/50,000. The net profit from this operation was S/ 11,953,000. See Note 1.3.(b).

(e) As of December 31, 2022, it includes the loss on rights of use of assets sold under leaseback for S/13,346,000 (in 2021, S/2,453,000 for loss on rights of use, as well as S/1,360,000 for reinforcement obligations on assets sold).

31 INCOMES AND FINANCIAL EXPENSES

The breakdown of the item is presented below:

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Financial income		
Interest on Accounts Receivable	5,352	6,107
Time Deposit Interest	9,342	2,316
Profit on Disposal of Financial Investments	-	23,199
Others	<u>2</u>	<u>81</u>
	<u>14,696</u>	<u>31,703</u>
Financial Expenses		
Interest on Bonds and Commercial Papers	(218,990)	(216,214)
Lease interest	(66,139)	(70,528)
interest on other debts	(2,989)	(2,901)
Loss from Financial Instruments for		
interest Rate Hedge	(51,261)	(29,038)
Others	<u>(168,235)</u>	<u>(70,518)</u>
	<u>(507,614)</u>	<u>(389,199)</u>
Net Exchange Differences		
Net gain/(loss) from net exchange differences	59,966	(104,073)
Net (loss)/ Income from exchange differences		
related to Derivative Financial Instruments	<u>(59,294)</u>	<u>105,985</u>
	<u>672</u>	<u>1,912</u>

32 LOSS PER SHARE

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

	<u>Shares in</u> <u>circulation</u>	<u>Days of validity</u> <u>during period</u>	<u>Weighted</u> <u>Average</u> <u>of shares</u>
Fiscal year: 2021			
Balance as of January 1, 2021	<u>3,344,363,158</u>	360	<u>3,344,363,158</u>
Balance as of December 31, 2021	<u>3,344,363,158</u>		<u>3,344,363,158</u>
Fiscal Year2022			
Balance as of January 1, 2022	<u>3,344,363,158</u>	360	<u>3,344,363,158</u>
Balance as of December 31, 2022	<u>3,344,363,158</u>		<u>3,344,363,158</u>

- (b) The calculation of the loss per basic and diluted share for the years ending December 31, 2022 and 2021, is presented below:

<u>2022</u>			<u>2021</u>		
<u>Loss</u> <u>(numerator)</u> <u>S/000</u>	<u>Number of</u> <u>Shares</u> <u>(denominator)</u>	<u>Loss per</u> <u>share</u> <u>S/000</u>	<u>Loss</u> <u>(numerator)</u> <u>S/000</u>	<u>Number of</u> <u>Shares</u> <u>(denominator)</u>	<u>Income per</u> <u>share</u> <u>S/000</u>
(1,454,777,000)	3,344,363,158	(0.434994)	(1,626,101,000)	3,344,363,158	(0.486221)

33 COMMITMENTS AND CONTINGENCIES

- (a) Commitments -

Surety Letters -

The Company maintains surety letters obtained for its normal commercial activity and guarantees for the different processes of awarding bids in spectrum concessions with third parties, and contentious administrative processes against the Tax Administration. As of December 31, 2022, these bond letters amount to approximately S/1,889,412,000 and US\$87,640,000 (S/1,911,506,000 and US\$84,841,000 as of December 31, 2021).

Operating Lease Commitments - Company as Lessee -

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

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

	<u>2022</u> <u>S/000</u>	<u>2021</u> <u>S/000</u>
Under one year	7,223	8,092
Between One Year and Less Than 3 Years	<u>13,185</u>	<u>21,974</u>
	<u>20,408</u>	<u>30,066</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 proceedings, as of December 31, 2022, as described in notes 2.19 and 2.20, the Company has recorded the necessary provisions for cases considered probable and which are mainly in court, leaving as possible contingencies an amount of S/560,061,000 (S/1,128,539,000 as of December 31, 2021). Management and its legal advisors believe that the provisions made are reasonable based on the information available to the Company.

The National Superintendency of Customs and Tax Administration (SUNAT), in the course of its audit activities for the years 1998 to 2010 and 2012, has notified the Company of various resolutions concerning: (I) Income Tax, (II) General Sales Tax, and (III) Income Tax withholdings of non-residents.

In some proceedings, the Company has decided to challenge certain resolutions of SUNAT and the Tax Court (TF); in other proceedings, the Company has proceeded with the payment of the amounts resolved by the competent authorities; and finally, there are other proceedings in which SUNAT has challenged the resolutions of the Fiscal Court (TF) that were favorable to the Company. The following is a detail of the main tax proceedings:

I. Regarding the controversies related to Telefónica del Perú's income tax:

(a) Fiscal year 1998:

Specifically, the Company discusses the repairs for concepts related to Inland Public Telephones ("IPT"), Doubtful collection provision ("PCD") and Exchange Rate Difference.

At the administrative level, on July 21, 2011, the TF, through Tax Court Resolution (RTF) No. 11450-5-2011, issued a ruling on the Company's credit balance for the 1998 fiscal year, determining a credit balance of S/137,706,421.

SUNAT, in compliance with the aforementioned Resolution of the Tax Court (TF), dated October 3, 2011, notified the Company of Intendancy Resolution (RI) No. 0150150001023, which contemplated an amount of S/ 69,386,327 in favor of the Company.

Not agreeing with the credit balance determined by SUNAT, the Company filed an appeal, which was resolved by the TF (RTF N°974-5-2012) in the following terms: (1) revoked the modification for S/ 252,989,493 for exchange differences, considering that this is an accounting result to which the principle of causality is not applicable; (2) ordered SUNAT, regarding the confirmed amounts, to evaluate the effect of the profits in exchange in order to obtain a net result; (3) ordered SUNAT to carry out a new determination of the doubtful collection provision (PCD), insofar as there are cases that have not been validated by SUNAT but do correspond to valid collection procedures; and (4) the TC endorsed that "under the door" notifications can be considered as collection efforts.

In compliance with this resolution, SUNAT issued, in November 2012, IR N°0150150001152 which determined a balance in favor of the 1998 fiscal year of S/137,706,421, ending the administrative stage.

The Company determined a balance in its favor in the amount of S/291,000,000.

Considering the difference in the amount of the credit balance determined by the Company versus the amount determined by SUNAT, the Company challenged in October 2011 the RTF N°11450-5-2011 and requested the partial nullity in those aspects in which it confirms the objections for: (i) PCD; and (ii) receipts for leasing of Inland Public Telephones (TPI).

On March 22, 2013, the Company was notified with the first instance judgment that declared in part the Company's claim regarding the objections of: (i) DCP and (ii) TPI, which was confirmed by the Superior Court. The Supreme Court (i) ordered the Superior Court to issue a new ruling with respect to PCD (ii) confirmed definitively and favorably for the Company the objection of the TPI, thus concluding the process with respect to this issue.

On July 31, 2019, the Company was notified with the new judgment of the Superior Court that declared the PCD's appeal founded; however, only with respect to the telephone billing. On August 16, 2022, the Oral Report was held at the Supreme Court. On January 18, 2023, the supreme resolution declaring the claim unfounded on the side of the PCD was notified.

It should be noted that the Company, in the judicial process, obtained a precautionary measure with respect to TPI's and PCD's objections, for which it had to deliver the respective bank guarantee letter issued for 60% of the alleged tax debt. On January 24, 2023, the Letter of Guarantee was presented, corresponding to the period 2023-2024. On January 27, 2023, SUNAT requested the execution of the bond letter due to the result obtained in the Supreme Court.

Accordingly, the Company, based on the opinion of external legal counsel, reevaluated the contingency rating to probable.

For its part, SUNAT, (i) filed a claim with the purpose of questioning, also, the RTF N°11450-5-2011, but to the extent that it revoked the objection referred to the exceptional expenses account. In the last instance, on April 24, 2019, the Supreme Court confirmed that the claim should be declared founded. On November 11, 2019, SUNAT, in execution of the order of the Supreme Court, notified the RI N°0150160000145 by which it rectified the balance in favor of the Income Tax for the year 1998 (ii) filed a lawsuit against the RTF N°974-5-2012 in the issue that revoked the repairs due to exchange difference of different accounts. The claim was declared unfounded in the first instance and confirmed by the Superior Chamber on March 21, 2016. By resolution of March 31, 2021, the Supreme Court declared SUNAT's claim unfounded and, consequently, on May 19, 2021, it ordered the conclusion and definitive filing of the proceeding on this matter. Concluded process.

Against what was decided by the Supreme Court regarding the aforementioned point (ii), SUNAT filed a request for amparo on October 18, 2021, in order to declare the nullity of the supreme resolution which ruled in favor of the Company, and, consequently, requests that the Supreme Court issue a new judgment, but, this time, in its favor. SUNAT maintains its claim in the alleged violation of its right to equality, legal certainty, prohibition of arbitrariness, and motivation. On October 27, 2021, the Company answered the request, pending the scheduling of the Oral Report.

In Management's opinion, according to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

(b) Fiscal year 1999:

RTF N°16603-4-2010, notified on December 23, 2010, put an end to the administrative procedure corresponding to fiscal year 1999. According to the TF, the statute of limitations for 1999 prevented SUNAT from making a new determination (ex officio); therefore, the balance determined by the Company in 1999 is the one that should be taken into account.

As such on April 4, 2012, the Company requested the statute of limitations for the fiscal year in question. This request was declared admissible by Resolution of Intendancy N°011-020-0000323/SUNAT.

(c) Fiscal years 2000 and 2001:

On December 29, 2010, it was notified the RTF N°17044-8-2010 (clarified by RTF N°1853-8-2011) which confirmed the RI issued by SUNAT with respect to the assessments for Financial Charges (FC), PCD, TPI, Overhead (costs of fixed assets deducted off-balance sheet as an expense) and Simple Reorganization between the Company and Telefónica Móviles. The total amount SUNAT intended to collect was S/2,379,000,000,000, which is composed as follows: (i) S/478,000,000,000 for the tax; (ii) S/179,000,000,000 for fines; and (iii) S/1,722,000,000,000 for interest.

On March 21, 2011, the Company filed a contentious-administrative lawsuit against SUNAT and the TF on March 21, 2011, regarding the aforementioned objections, as well as the interest corresponding to the payments on account for the year 2000.

In the first and second instance, the claim was declared well founded with respect to TPI's objection. In the second instance, the Company's claim was declared unfounded with respect to the objections of (i) Simple Reorganization (ii) Overhead (iii) Financial Burdens.

In the case of the objection referred to the PCD, the Superior Court validated the collection efforts made by the Company only with respect to the telephone bill insofar as the indication of the outstanding debt is on record, rejecting the rest of the collection procedures carried out. Finally, he ordered that all receipts be reviewed again.

The parties filed a cassation appeal against the Superior Court's decision. The Supreme Court ruled in favor of SUNAT in terms of the objections to Overhead, and Simple Reorganization, and, in favor of the Company, the objection to the TPI. Regarding the PCD appeal, the Supreme Court ordered the second instance to issue a new sentence. On July 29, 2020, the Superior Court was notified of the new ruling, which declared PCD's objection unfounded, and a new appeal was filed against this ruling. On March 24, 2022, the cassation appeal was declared admissible. In October, 2022, the oral report was carried out in the Supreme Court. On January 18, 2023, the supreme resolution was notified and it declared the PCD objection unfounded.

In the third quarter of 2019, the Company reassessed its contingencies in light of the ruling issued by the Supreme Court and, as a result, changed the rating from remote to probable with respect to the repairs related to CF, Simple Reorganization and Overhead. Regarding the TPI appeal, the qualification of the appeal has been maintained as remote, as it was resolved in favorable terms for the Company. Based on the result obtained in the Supreme Court regarding the PCD assessment, the Company reevaluated the contingency rating and changed it to probable.

With respect to PCD's objection, having been notified in January 2023 of the Supreme Court's ruling on the outcome of the appeal filed by the Company and, based on the opinion of its external legal advisors, it reassessed the contingency rating and changed it to probable.

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

In execution of the provisions of RTF N°17044-8-2010, SUNAT (i) determined an alleged tax debt in the amount 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 coactively required amount of S/134,353,008. On January 27, 2012, the TF declared that there was no coactively enforceable debt and demanded via coercive execution the payment of S/150,842,142 related to the 2000 income tax fine. Again, despite not agreeing, the Company proceeded with the payment of the amount under protest and filed a complaint that was resolved favorably for the Company through RTF N°18209-1-2013.

On February 24, 2014, SUNAT, through Coactive Resolution No. 0110070101757 revoked the coercive collection procedure, although without ruling 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 Tax Management declared the Company's requests inadmissible and the TF, in resolving the appeal, ordered SUNAT to determine whether the amounts paid should be refunded at the time of the definitive liquidation.

On September 20, 2022, IR N°40701500000023 was notified, which complies with the provisions of RTF N°01323-3-2017 regarding income tax for the year 2000.

In view of this, on October 10, 2022, we filed the corresponding appeal, which was resolved through RTF N°08924-9-2022, whereby the appealed resolution was confirmed.

Regarding the carryforward of the credit balance for 1999 applicable to the 2000 and 2001 periods, the TF (i) confirmed SUNAT's decision in the first instance and, consequently, considered the correction of the carryforward of the obligation for the tax periods that had expired to be valid, and (ii) upheld the Company's request, stating that SUNAT could not make a liquidation until the file of the payments on account for the year 2000 was resolved, as well as the files for the refund of payments made by coactive collection, since these are a component of the tax assessment.

Regarding item (i), the Company filed a contentious-administrative lawsuit requesting that it be declared null and void in the points that confirm the objections: (i.1) balance in favor of prior years and (i.2) sale of the Nortel analog network. On March 23, 2015, a first instance judgment that declared the claim unfounded was issued, confirmed by the Superior Court. On May 25, 2021, the Company was notified of the supreme resolution that rejected the Company's appeal and, consequently, declared the lawsuit unfounded. Concluded process.

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

On May 12, 2014, SUNAT filed a contentious administrative action against the point (ii) This claim was declared inadmissible in the first and second instance. On December 14, 2021, a first instance judgment that declared the claim by SUNAT unfounded was issued, confirmed by the Superior Court. On September 2, 2022, the file was submitted to the Supreme Court, and on November 2, 2022, the cassation appeal filed by SUNAT was declared admissible. The case is scheduled to be heard by the Supreme Court on June 22, 2023.

In Management's opinion, according to the opinion of their external legal advisors, the qualification of the contingency of this process is remote.

(d) Amparo action derived from Income Taxes 2000-2001:

On July 3, 2013, the Company filed an amparo lawsuit, requesting the non-application of article 33 of the Tax Code, which regulates the late payment of interest on unpaid taxes.

In effect, SUNAT by means of RI N°0150190000041 decided to continue the collection of the thirteen (13) Determination Resolutions (RD) and eleven (11) RM, for S/2,163,333,920 (updated to April 1, 2013). Said amount includes 73% of interest and capitalized interest (by virtue of the application of Article 33 of the Tax Code) of which a percentage corresponds to accrued interest within the legal term and another one to accrued interest in the period of time in excess of the legal resolution term.

On February 22, 2021, the Constitutional Court's ruling was notified, which declared the claim founded and, consequently, ordered SUNAT to recalculate the interest outside the legal term so both the tax administration and the TF had to resolve the challenges presented by the Company. To date, the Court has not yet complied with the Constitutional Court's ruling, after the payment request was made on May 25, 2022.

Against the ruling of the Constitutional Court, on November 9, 2021, we were notified with an amparo lawsuit initiated by the TF. On November 22, 2021 we answered the lawsuit. On September 6, 2022 a single hearing was held and on September 26, 2022 the TF's lawsuit was declared inadmissible. The appeals filed by the TF and SUNAT against the judgment are pending resolution.

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

On May 20, 2022, against the same ruling of the Constitutional Court, we were notified on May 20, 2022 of the inadmissibility of the claim filed by SUNAT. On August 23, 2022, the case was heard and on November 16, 2022, the nullity of the first instance resolution that declared the claim filed by SUNAT inadmissible was declared. To date, the claim is still pending to be re-qualified in the first instance,

In Management's opinion, according to the opinion of their external legal advisors, the qualification of the contingency of this process is remote.

(e) Payments on account for 2000:

The TF through RTF N°17133-8-2010, notified on December 30, 2010 (clarified by RTF N°16430- 8-2011) put an end to the administrative procedure corresponding to the payments on account of income tax for the year 2000.

SUNAT, on November 17, 2011, notified the RI N°0150150001039 by virtue of which it quantified an alleged tax debt of S/678,541,069. The Company filed an appeal against the RI and SUNAT, in order to grant it, required the payment of S/189,297,341.

By means of RTF N°06671-11-2012, extended by RTF N°08037-11-2012, the TF (1) validated that SUNAT re-settle the fine resolutions as long as they had not been revoked; (2) ordered SUNAT to determine the debit balance, being able to modify the credit balance declared by the Company in 1999, thus disregarding the effects of the statute of limitations.

The TF when resolving the clarification presented by the Company stated that (1) the fines imposed by SUNAT were not waived; and (2) the Company is entitled to invoke the statute of limitations for the

1999 fiscal year in case SUNAT modifies the determination of the tax debt corresponding to such year. However, it did not rule on the authority to modify the credit balance.

However, the Company was notified with the RTF N°02569-11-2015, by which it was resolved that SUNAT is authorized to modify the balance in favor of the 1999 fiscal year despite the statute

of limitations. Subsequently, the TF ordered to suspend the administrative procedure by virtue of the precautionary measure obtained by the Company in court, which we will refer to in the following paragraphs. On June 30, the oral report of the file was scheduled at the end suspended by the aforementioned precautionary measure. As a result, the RTF N°05707-9-2022 was issued, confirming the RI N°0150150001362 regarding the balance in favor of the Income Tax for the year 1999. Subsequently, the Intendancy Resolution N°4070150000016 was notified and challenged.

On November 21, 2022, we were notified with the RTF N°08115-9-2022, which confirms the appealed resolution of the intendancy.

Consequently, SUNAT requested the payment of S/135,478,669, which was made on December 28, 2022.

On June 8, 2015, the Company filed an administrative contentious lawsuit against SUNAT and the TF, requesting the nullity of the RTF by which it was resolved that SUNAT is authorized to modify the balance in favor of income tax for the year 1999 that should be applied to the payments on account of income tax for the year 2000.

In the first instance the lawsuit was declared unfounded, but was revoked by the Superior Court. On June 6, 2022, the supreme resolution declaring the Company's claim unfounded was notified. SUNAT requested the lower court to lift the precautionary measure and, as a consequence, the execution of the bank guarantee letter offered and delivered for S/45,948,058. On June 16, 2022 the Company opposed SUNAT's request and the court granted SUNAT a period of time to rule on the Company's opposition. By resolution of July 5, 2022 the execution of the letter of guarantee was ordered and on July 13, 2022 the letter of guarantee was ordered to be delivered to SUNAT. Concluded process.

In the second quarter of 2021, taking into consideration the decision of the Supreme Court detailed in item (c), in the opinion of management, based on the opinion of its internal and external legal advisors, the Company changed the contingency rating from remote to probable.

In compliance with the decision of the Supreme Court in the contentious administrative proceeding detailed in point 4 above, the Tax Court issued the RTF N°0507-9-2022. On November 30, 2022, the Company filed a contentious administrative lawsuit against this RTF in the item that determines to validate the calculation of late payment interest for the periods in which SUNAT exceeded the legal deadlines to resolve the appeals and to issue a compliance resolution, with respect to the payments on account of income tax for the year 2002 filed by the Company.

In Management's opinion, according to the opinion of their external legal advisors, the qualification of the contingency of this process is remote.

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

On July 3, 2013, the Company filed a protective action requesting the Court to declare the non-application to the specific case of article 33 of the Tax Code that regulates the late payment interest on unpaid taxes. Through the amparo, the Company is challenging the interest accrued during the time that the TF and SUNAT exceeded the deadlines to resolve the Company's appeal.

In effect, SUNAT by means of RI N°015150001202 decided to continue with the collection of the eight (08) RD and two (02) Fine Resolutions (RM) 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 lawsuit was declared partially founded and, subsequently, the Superior Court declared it inadmissible. The Company filed a constitutional appeal before the Constitutional Court. On December 13, 2021, the Constitutional Court declared the lawsuit inadmissible, a resolution against which an appeal for annulment was filed, which was subsequently declared inadmissible. Concluded process.

In the first quarter of 2022, in the opinion of management, based on the opinion of its external legal advisors, the contingency rating of this process was changed to probable.

Since the resolution of the Constitutional Court did not rule on the merits of the controversy, the Company filed a lawsuit through the contentious-administrative process, requesting that the Judiciary declare that (i) our right to have the challenges (claim and/or appeal) resolved within the legal term was violated, and (ii) the interest accrued outside the legal term that both SUNAT and the TF have to resolve the matter is not applicable. To date, the claim is pending to be qualified.

(g) Fiscal year 2002:

By means of RTF N°04831-9-2012: (1) the assessment related to the exchange difference was revoked, considering that this is an accounting result to which the causality principle does not apply; (2) the assessment related to financial interests was revoked and SUNAT was ordered to conduct a new review of the documentation supporting the Statement of Cash Flows, as well as the third party reports submitted by the Company. (3) part of the PCD assessment was confirmed, as it considered that the Company was obliged to present the information supporting the entire PCD even though SUNAT only required a sample; and (4) only the deregistration notices were recognized as valid collection management, ordering SUNAT to conduct a new review. It should be noted that, unlike the decision in the 2000 and 2001 case file, the TF does not recognize that the PCD that was repaired in 2001 can be deducted in 2002 because it is older than 12 months. Likewise, the TF confirmed the objections related to TPI expenses outside the line of business, unsubstantiated credit notes, among others.

On August 3, 2012, the Company filed an administrative contentious lawsuit against the RTF N°04831-9-2012 in the points in which it confirmed the objections for: (1) PCD; (2) expenses without supporting documentation - submarine cable; (3) non-business expenses - judicial deposits; (4) deductions requested by the Company, and (5) TPI. On November 12, 2018, the judgment declaring the claim partially founded was notified and on July 5, 2019, the Company was notified with the judgment of the Superior Court declaring the objections unfounded. Finally, it confirmed the first instance judgment with respect to the extreme of the non-validation of the interest calculation procedure 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 Report was held at the Supreme Court. On January 18, 2023, the Supreme Court was notified of the Supreme Resolution containing the majority votes of the Supreme Court justices that declares the Company's cassation appeal partially founded on TPI's objection, rejecting the

objections of expenses without supporting documentation, non-business expenses, PCD, deductions requested. Likewise, it confirms the favorable end of moratorium interest and capitalization of interest.

In Management's opinion, based on the opinion of its legal advisors, it classified the contingency related to TPI's assessment as remote. In view of the Supreme Court's decision, the qualification of the contingency related to the objections of expenses without supporting documentation, non-business expenses and PCD, requested deductions has changed to probable.

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

The Company has been notified with the IRs issued by SUNAT with respect to the IGV for the years 1998, 1999, 2000 and 2001. The Company made the payment corresponding to the determination made by SUNAT with the exception of the file related to IGV for the year 2001 (in which the TF ruled in favor of the Company). Regarding the IGV for the year 2002, by means of RTF N°04831-9-2012, the TF confirmed the objections made for this concept.

III. Income Tax Withholdings of Telefónica del Perú for non-domiciled companies

The Company has been notified with RD and RM issued by SUNAT with respect to withholdings for the years 1999 to 2004; corresponding to income from non-domiciled companies operating a satellite. For SUNAT, such income is Peruvian source income.

As a result, the TF revoked the resolutions issued by SUNAT declaring the claims filed by the Company unfounded and rendered them null and void. SUNAT challenged this ruling through five lawsuits for the years 1999 - 2000 (accumulated in a single lawsuit), 2001, 2002, 2003 and 2004. The five proceedings initiated by SUNAT concluded unfavorably for the Company. However, to the extent that the resolutions issued by the Supreme Court violated the Company's constitutional rights, five amparo proceedings were initiated to challenge such resolutions, which are explained in the following paragraphs. Also, against the resolutions issued by the TF in compliance with the supreme resolutions, the Company initiated four administrative litigation proceedings.

(a) Fiscal year 2002:

On October 6, 2020, the first instance judgment was notified declaring the amparo lawsuit filed by the Company unfounded, considering that the constitutional rights claimed have not been violated. On October 9, 2020, the appeal was filed. On June 27, 2022, the Superior Court scheduled the hearing of the case with oral report for July 14, 2022, which was held. Pending the issuance of the second instance judgment.

In the course of the process, the Company requested a precautionary measure to suspend the effects of the supreme resolution of the contentious administrative process initiated by SUNAT. However, the validity of the precautionary measure is currently being discussed before the Superior Court. To guarantee the precautionary measure, the Company submitted a bank guarantee letter for the amount of S/9,500,000 corresponding to the period 2022-2023.

In Management's opinion, based on the opinions of its internal and external legal advisors, the contingency qualifies as possible.

(b) Fiscal year 2004:

In this process, the Supreme Court followed the same criteria as in 2002 and, consequently, ruled in favor of SUNAT. It qualified the provision of satellite capacity as a service provided in Peruvian territory and therefore, it argued, the provider should pay the tax and the Company should withhold the same. On August 16, 2019, the RTF of compliance was notified, against which the Company filed a contentious administrative proceeding because it considers that the TF omitted to rule on what was ordered by the Supreme Court. On September 28, 2022, the Oral Report was held, and the issuance of the sentence is pending.

Notwithstanding the legal challenge, on October 9, 2019, the Company paid the amount of S/24,864,916.

On the other hand, on October 29, 2019 the Company appealed the RI N°0150600000143 issued as a consequence of the compliance RTF. The TF declared the appeal unfounded, therefore, on July 6, 2021 the Company filed a second lawsuit against the new compliance RTF with respect to the item that provides that interest is suspended in application of Article 33 of the Tax Code and its clarification in the item that 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 Report was held. In the first instance, the court declared the claim unfounded. Against such resolution, we filed an appeal, which was declared unfounded by means of a resolution notified on November 11, 2022. On November 18, 2022, we filed a cassation appeal against the second instance ruling and on December 6, 2022 it was declared admissible, pending the scheduling of the oral report.

Finally, given that the supreme resolution contained defects affecting the Company's constitutional rights, an amparo proceeding was initiated. On September 28, 2022, the Oral Report was held, and the issuance of the sentence is pending. In the opinion of management, based on the opinions of its external legal advisors, the contingency qualifies as possible.

(c) Fiscal year 2003:

On June 3, 2019, the Company was notified with the RTF of compliance according to the Supreme Court's ruling. Against the referred RTF, on June 24, 2019, the Company initiated an administrative contentious judicial process, alleging that the TF omitted to rule in the terms of the Supreme Court's ruling, and consequently did not rule on two arguments presented by the Company in administrative venue, thus contravening the right to a due administrative procedure. On November 11, 2021, the oral report was held in the first instance. On January 24, 2023, the first instance ruling declaring the Company's claim unfounded was notified. On January 30, 2023, the appeal was filed.

As a consequence of the issuance of the RTF for compliance, on July 9, 2019, the Company paid the amount of S/11,212,971 considering the late payment interest as of that date for the fine.

Also, in view of the fact that the supreme resolution contained vices affecting the Company's constitutional rights, an amparo proceeding was initiated, unlike the other two proceedings initiated by the Company with respect to the 2002 and 2004 periods, additional arguments were incorporated and developed with respect to the application of Legislative Decree N°1120 and Supreme Decree N°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 held before the Superior Court. The Superior Court declared the Company's claim inadmissible and on May 13, 2022, the Company filed a constitutional appeal against the aforementioned ruling. On May 30, 2022, it was filed in the Second Chamber of the Constitutional Court.

In Management's opinion, based on the opinions of its external legal advisors, the contingency qualifies as possible.

(d) Fiscal years 1999 and 2000:

On November 14, 2019, the TF issued the compliance RTF, against which on February 5, 2020, the Company initiated an administrative contentious judicial process. On April 28, 2020, SUNAT and the TF were notified of the response to the claim filed by SUNAT and the TF. On December 29, 2021, the oral report in first instance was held. 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 the second instance is pending.

As a consequence of the issuance of the compliance RTF, on November 26, 2019, the Company paid the amount of S/187,614,698 corresponding to fiscal year 1999, while for fiscal year 2000 the amount of S/30,913,192 was paid.

At the same time, given that the supreme resolution contained defects affecting the Company's constitutional rights, an amparo proceeding was initiated. On November 16, 2021, the oral report was held in the first instance, and the issuance of the sentence is pending.

In Management's opinion, based on the opinions of its external legal advisors, the contingency qualifies as possible.

(e) Fiscal year 2001:

Against the RTF, issued in compliance with the Supreme Court's decision, the Company filed a contentious-administrative lawsuit. On July 29, 2020, the Company was notified the exception of res judicata and SUNAT's answer, as well as the TF's answer to the claim. On October 25, 2021, the oral report in the first instance was held, and the issuance of the judgment is pending.

As a consequence of the issuance of the RTF of compliance, on March 6, 2020, the Company paid the amount of S/12,982,365 considering the moratorium interest as of that date.

At the same time, given that the supreme resolution contained defects affecting the Company's constitutional rights, an amparo proceeding was initiated. On May 13, 2021, the oral report in the

first instance was held. On December 6, 2022, we were notified of the first instance judgment that declared our claim partially founded in relation to the excess interest and coercive execution. On December 14, 2022, SUNAT filed an appeal against the judgment.

In Management's opinion, based on the opinions of its external legal advisors, the contingency qualifies as possible.

IV. Telefónica del Perú's income tax and IGV for the years 2003 to 2010 and 2012

In the administrative area, between 2008 and 2017, SUNAT resolved the claims filed by the Company with respect to fiscal years 2003 to 2010 and 2012. As we did not agree with SUNAT's resolution, we filed appeals for each of the years.

(a) Fiscal year 2005:

Regarding the IGV for the 2005 fiscal year, on January 9, 2018, the TF ordered SUNAT to make a new liquidation. The same occurred with respect to fiscal year 2004, decision notified on November 14, 2018, and the new liquidation is still pending. In both cases, as the Tax Court resolved to lift several objections and pointed out that it must take into account what was resolved in the Income Tax files, therefore the issuance of a compliance resolution is pending.

In management's opinion, based on the opinions of its external legal advisors, the Company has classified the contingency of both files as probable.

(b) Income tax and IGV for 2003:

Regarding the Income Tax and IGV for the 2003 fiscal year, on January 25, 2019, RTF N°10820-4-2018 was notified by which SUNAT was ordered to make a new liquidation upon revocation of the following objections: (i) excess depreciation due to difference in the computable cost, (ii) amortization of training and maintenance, (iii) expenses without reliable support, (iv) Income Tax and IGV of unsupported credit notes, (v) documents that do not support expenses, (vi) PCD, (vii) collection of interest and fines. On February 2, 2019, the contentious administrative lawsuit filed by the Company was admitted for processing. In the first instance the lawsuit was declared unfounded, and the Company filed an appeal. On September 2, 2022, the judgment of first instance was confirmed in the PCD and other objections and declared null and void the item of late payment interest. On September 17, 2022, we filed a cassation appeal, and its qualification is pending. As of this date, the date for the qualification of the merits of the cassation appeal is pending to be set.

The Company, based on the opinion of its legal advisors, has reevaluated the contingency classification to probable with respect to the PCD assessment, by virtue of the result downloaded in the Supreme Court's file consultation system of the cassation appeals filed in the processes discussed in the RTF N°17044-8-2010 (2000-2001) and N°11450-5-2011 (1998). The rest of the objections maintain the qualification of the contingency as remote.

On the other hand, on April 14, 2019, we were notified with a contentious administrative lawsuit filed by SUNAT against the same RTF N°10820-4-2018 but with respect to the objections resolved in favor of the Company in the administrative venue: i) unsupported severance expenses, ii) PCD,

iii) unsupported amortization of intangibles, iv) modification of the coefficient. On June 11, 2020, the claim was declared partially founded with respect to the unsubstantiated severance expense and amortization of intangibles; the claim was also declared unfounded with respect to the PCD objections and ratio modification claims. On December 31, 2020, the sentence hearing which declared SUNAT's claim founded only with respect to the unsubstantiated compensation claim was notified, declaring the PCD (sampling) and amortization of intangible assets claims as unfounded and favorable to the Company's interests. The appeals of both parties were declared admissible.

On January 19, 2023, the oral report was held in the Supreme Court.

The results of the cassation appeals filed by the parties have been downloaded from the Supreme Court's file consultation system, and the appeals filed by the Company and the Tax Court have been declared unfounded, and the appeal filed by SUNAT has been declared well-founded, as indicated in the summary. To date, the notification of the supreme resolution is pending to determine if the decision would be inclined to declare the nullity of the Superior Court resolution or if there would be a substantive ruling on the controversy considering that in the cassation appeal nullifying and substantive grounds were presented. Therefore, it is not possible to determine the outcome of this process and change the Company's risk assessment.

The Company, based on the opinion of its legal advisors, considers that the contingency with respect to the PCD's objection (questioning the use of the sampling mechanism for the extrapolation of the result of the objection) and other objections is remote.

(c) IGV for the year 2010:

Regarding the IGV for the year 2010, on June 27, 2019, the Company filed a contentious administrative lawsuit requesting the nullity of the RTF N°1858-1-2019 that confirmed the RI N°0150140013079 declaring unfounded the claim filed against the RD N°012-003-0072541 to 012-003-0072552 and the RM N°012-002-0028443 to 012-002-002-0028454, for the IGV from January to December 2010, and for the commission of the infraction typified by numeral 1 of art. 178° of the Tax Code. On June 27, 2019, the lawsuit was filed and admitted. The oral report was held on April 21, 2021. To date, the first instance ruling is pending.

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

(d) Income Tax for the 2009 fiscal year:

With respect to income tax for 2009, on January 16, 2020, the Company initiated a contentious-administrative judicial proceeding through which it requests the nullity of the RTF N°7453-4-2019 with respect to the objections (i) statute of limitations of the period for initiation 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 has been set for July 20, 2022. On July 26, 2022, the judgment declaring the claim unfounded was confirmed and on August 9, 2022, the Company filed a cassation appeal, which was declared inadmissible.

Based on the result obtained in the Supreme Court, the Company, together with its external legal advisors, reevaluated the contingency and changed it to probable.

In execution of RTF N°7453-4-2019, the Company was notified with the coercive resolution by which the amount of S/144,962 was required which was paid on November 6, 2019. As the Company did not agree with SUNAT's order, on January 20, 2020, an appeal was filed, which was resolved by RTF N°04088-4-2020, which confirmed SUNAT's decision.

On the other hand, on August 6, 2020, the Company was notified with RD and RM for the months of March, July, August, September, November and December. It should be noted that the values for these periods were declared null and void by RTF N°07453-4-2019.

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

Then, on November 17, 2020, we were notified with the RI N°0150150002575 by means of which the provisions of the RTF N°04088-4-2020 were complied.

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

Subsequently, we were notified with RI N°0150140015914 declaring the appeal filed on September 3, 2020, as unfounded. Consequently, we filed the corresponding appeal which is pending resolution to date.

In Management's opinion, according to the opinion of their external legal advisors, the qualification of the contingency of this process is remote.

(e) Income Tax for fiscal year 2004:

With respect to fiscal year 2004, on November 9, 2021, the Company filed a contentious-administrative lawsuit requesting the nullity of RTF N°06587-9-2021 (and RTF N°7846-9-202 which rejected the request for clarification and extension) to the extent that it confirmed the objections: (i) rental expenses not supported by payment vouchers that support their deduction, (ii) expenses for financial interests with related companies, (iii) CF, (iv) PCD, only to the extent that the TF maintained this objection to the universe sampled, (v) excess depreciation due to difference in the computable cost, and: (vi) amortization of capitalized maintenance expenses. The nullity also reaches the questioning of the collection of late payment interest: a) during the periods of excess in the periods of attention of our claims and appeals, b) capitalization of late payment interest, which is prescribed according to the precedents issued by the TC, and; c) procedure for calculating late payment interest between December 25, 2006 and March 15, 2007. On September 13, 2022, the Oral Report was held in the first instance. The issuance of the judgment is pending.

In Management's opinion, based on the opinions of its external legal advisors, the contingency with respect to the CF discussed in this process qualifies as remote.

With respect to the PCD assessment, the Company reevaluated the classification of the contingency to probable, based on the outcome of the appeals filed against RTF N°17044-8-2010 (2000-2001) and N°11450-5-2011 (1998). The contingency with respect to the objections for rental expenses not supported by payment vouchers that support their deduction, (ii) financial interest expenses with related companies, excess depreciation due to difference in the computable cost, and amortization of capitalized maintenance expenses qualify as remote.

Against the same RTF N°06587-9-2021, on December 17, 2021, the Company was notified with a SUNAT's lawsuit requesting the nullity of the TF's resolutions declaring the nullity of the TF's resolutions rejecting the PCD that was not subject of the sample. On September 8, 2022, an oral report was held in the first instance. The issuance of the sentence is pending.

The Company, based on the opinion of its internal and external legal advisors, classifies the contingency as remote.

Regarding the same tax period, on December 17, 2021, the Company filed a contentious-administrative lawsuit requesting the nullity of RTF N°7509-4-2021 insofar as SUNAT's objections were confirmed: (i) depreciation and amortization of unsubstantiated asset cost for 2002; (ii) retail package commission - account 632004; (iii) prior years' expenses billed by Beltsouth (a company related to the Company); (iv) loss on exchange difference - account 676001; (v) charges to income accounts for unsubstantiated credit notes; (vi) salaries abroad; (vii) deduction in income tax for the 2004 period for repaired expenses; (viii) late payment interest. To date, the date of the Oral Report is pending to be set.

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

In compliance with the aforementioned resolution, RTF N°02348-4-2022 was issued, against which, on July 18, 2022, we filed a new administrative contentious lawsuit, in which we challenged the objections of (i) Unsubstantiated depreciation and amortization of the cost of assets for 2002; (ii) Retail package commission - account 632004; (iii) Prior years' expenses billed by Bellsouth; (iv) Loss on exchange difference - Account 676001; (v) Charges to income accounts for unsubstantiated credit notes; (vi) Salaries abroad; (vii) Deduction in the IR 2004 for repaired expenses; (viii) Default interest. In the present case, we are challenging the RTF of compliance to the extent that (i) it incorrectly determines the amount to be paid for the Incentive System (including the payment of late interest); (ii) it updates the debt by applying the Consumer Price Index during a non-corresponding period; (iii) it violates the due process and incurs in an undue Motivation, by incurring in defects of non-existent motivation. On July 19, 2022, the claim was admitted for processing and on August 17, 2022 SUNAT filed its response. To date, the scheduling of the Oral Report in the first instance is pending.

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

(f) Income Tax for fiscal year 2005:

Regarding the 2005 fiscal year, on March 21, 2022, a lawsuit was filed requesting the nullity of the RTF No. 10121-3-2021 regarding the IR 2005, in which the statute of limitations to demand

payment was rejected. Likewise, RI N°0150140009894 was revoked, which was favorable in 26 objections, obtaining an unfavorable final result in financial charges, PCD, reversal of provisions, among others. On May 15, 2022, the claim was admitted for processing. SUNAT answered the claim. The first instance Oral Report is scheduled for March 6, 2023.

The Company, based on the opinion of its legal advisors, has reassessed the contingency classification with respect to the PCD assessment and changed it to probable, due to the outcome of the appeals filed against RTF No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). The contingency related to the rest of the objections remains as remote.

For the same period, on April 20, 2022, we were notified with a SUNAT lawsuit requesting the nullity of the RTF N°10121-3-2021 in the item that (i) declared the RD and RM as null with respect to the PCD assessment that was not subject of the sample verified by SUNAT during the audit procedure (ii) revoked the RI with respect to the assessments of: expenses accrued in previous years - Accounts 665110, tax amortization not accepted as it did not support the price paid for the intangible asset, application of credit for payments on account of the year. On May 4, 2022, the Company filed a response. An Oral Report in the first instance is scheduled for June 15, 2023.

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

(g) Income Tax for fiscal year 2006:

Regarding the 2006 period, on September 14, 2022 we filed a contentious-administrative lawsuit against RTF N°04079-2-2022, regarding the following unfavorable objections: (i) Expenses that do not comply with the causality principle (Expenses recorded in Account 669910); (ii) Unsupported expenses; (iii) TPI; (iv) Expenses for financial interests with related companies; (v) Unaccepted amortization of intangibles (For maintenance expenses and training expenses that do not qualify as assets); (vi) Depreciation not accepted for not supporting part of the computable cost of fixed assets that have originated (related to Financial Expenses); (vii) Determination Resolutions; (viii) Fine Resolutions; (x) Default interest and its capitalization; and (xi) Prescription. As of this date, the qualification of the claim is pending.

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

(h) Income Tax for fiscal year 2008:

Regarding the 2008 period, on November 2, 2022, the Company filed a lawsuit against RTF No. 05258-1-2022 regarding the issues of (i) statute of limitations, (ii) TPI, (iii) connection fee, (iv) payments on account, and (v) tax credit for excess recreational expenses. To date, the claim is pending qualification.

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

For the same period, on November 22, 2022, the Company was notified with a lawsuit filed by SUNAT against the same RTF regarding the objections of (i) modification of the coefficient of the payments on account of the January-December 2008 RI, and (ii) compensable balance in favor of the previous year. On December 6, 2022, the Company answered the claim.

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

On the other hand, for fiscal year 2010, the Tax Court issued the RTF N°07899-9-2022, confirming the objections regarding expenses for consulting services, accepted ITF expenses, among others. Also, part of the objection of unsubstantiated correspondents was lifted. Therefore, it is pending that SUNAT issues a new resolution of intendancy with the Income Tax reliquidation.

V. Telefónica Móviles' income tax and IGV for the years 2000 to 2012:

As a result of the audits of Telefónica Móviles from 2000 to 2009, SUNAT has issued several resolutions for alleged income tax omissions, income tax withholdings for non-domiciled persons, fifth category income tax withholdings and IGV, in the latter case, until 2012.

In those cases, in which Telefónica Móviles obtained unfavorable results in administrative proceedings, a file is appealed, and in other cases, it is proceeded to pay the assessments received. Details of these processes are explained in the following paragraphs.

(a) Income tax for the year 2000:

At the administrative level, on March 30, 2007, SUNAT issued the RI resolving the claim filed by Telefónica Móviles with respect to fiscal year 2000. Since it did not agree with the resolution, an appeal was filed before the TF.

In July 2020, the TF notified the RTF N°2275-5-2020 by which it declared null and void SUNAT's objection regarding the Nortel Analog Network. Despite this declaration of nullity, on August 3, 2020, SUNAT notified the IR without complying with the TF's order. Therefore, on August 24, 2020, a new appeal was filed, which is pending resolution at the TF.

On February 7, 2013, the TF notified the RTF N°20274-9-2012, by which (i) resolved unfavorably to the Company's interests, the following repairs: CF, PCD, Overhead, Expenses re-invoiced by TDP, Cellular Sales Commission; and, Voluntary Retirement Program (ii) revoked the objections related to unaccepted depreciations for fixed assets transferred in the patrimonial block, and loss due to exchange difference (iii) declared the nullity of the objections related to: Interconnection expenses, management fee; and, PCD regarding the months of February to June, August and October to December.

On July 13, 2020, we were notified with the RTF N°02275-5-2020 through which the Tax Court resolved to revoke the Intendancy Resolution N°0150140006164 in the end referring to the analogical network Nortel.

On August 3, 2020, SUNAT, in order to comply with the aforementioned, notified Intendancy Resolution N°0150150002491, which was challenged.

Subsequently, the Company was notified with the RTF N°03615-5-2022 and the Intendancy Resolution N°4070150000025.

Against this last TFR, the Company filed a contentious-administrative lawsuit, requesting the nullity of the appeals resolved unfavorably for the Company: (i) PCD, (ii) Simple Reorganization, (iii) Nortel Analog Network (in respect to which the TF suspended the issuance of a ruling due to the criminal proceeding related to the appeal) (iv) CF, (v) Overhead. 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 with respect to the Nortel Analog Network, Simple Reorganization and PCD objections, and consequently ordered the Superior Chamber to issue a new judgment.

Regarding the CF and Overhead objections, the Supreme Court ruled in favor of SUNAT. On September 30, 2019, the Superior Court issued a new ruling declaring the objection of unaccepted depreciation and PCD unfounded and the objection of withdrawal of assets of the majority shareholder (Red Analógica Nortel) unfounded. On October 21, 2019, the parties filed a cassation appeal against said judgment, which were declared admissible. On September 13, 2022, the Oral Report was held in the Supreme Court. On January 18, 2023, the supreme resolution was notified which (i) declared the nullity of the Superior Court's judgment regarding the objection of unaccepted depreciations, and (ii) declared unfounded the objection of PCD.

Since the CF and Overhead objections were resolved unfavorably for the Company, in the second quarter of 2019 the rating of the process was changed to probable. In accordance with the Supreme Court's decision regarding the Nortel Network and Unaccepted Depreciation assessments, the contingency rating remains as remote, while with respect to the PCD assessment, the rating was changed to probable, in accordance with the assessment of the advisors.

In compliance with the same RTF, on September 16, 2022, we filed a lawsuit against RTF N°03615-5-2022, which resolves the 2000 fiscal year. This resolution resolves favorably to the Company's interests the Red Nortel assessment; however, we challenged the following assessments (i) PCD, (ii) exchange difference, (iii) unaccepted depreciation, (iv) late interest and its capitalization. To date, the claim is pending qualification.

The Company, based on its legal advisors' opinions, has reassessed the contingency classification with respect to the PCD assessment and changed it to probable, due to the outcome of the appeals filed against the RTF No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). The qualification of the contingency related to the rest of the objections remains as remote.

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

Within the framework of the administrative procedure, on October 22, 2007, SUNAT issued the RI resolving the claim filed by Telefónica Móviles. Since it did not agree with the resolution, an appeal was filed before the TF.

On January 20, 2017, the TF notified the Company the RTF N°11549-2-2016, by which it resolved unfavorably the objections of (i) management fee; and (ii) amortization of intangibles. Likewise, it ordered a new review of a portion of the PCD and the exchange difference loss, pending a new pronouncement by SUNAT. On August 18, 2020, the RI was notified that, a resolution complying with the order of the TF was appealed by the Company on September 8, 2020.

Then, we were notified with the RTF N°06015-4-2022, which revoked the provision for doubtful accounts, as well as the incidence of the determination of fiscal year 2000 in fiscal year 2001.

Consequently, SUNAT issued RI No. 4070150000074, 4070210000005 and 4070210000006, in compliance with the decision of the Tax Court.

In addition, the Company appealed IR N°0150150002773 which declared the requests for reimbursement of the overpayments filed as inadmissible.

On April 19, 2017, the Company filed a lawsuit against RTF N°11549-2-2016. On December 6, 2021, the Company was notified of the judgment declaring the lawsuit unfounded in all its aspects, which was appealed on December 14, 2021. On April 5, 2022, the hearing of the case in the second instance was held and is pending judgment.

In the second quarter of 2019, considering the unfavorable outcome obtained in the Supreme Court, the Company changed the rating of the Overhead and Carveout repairs to probable.

With respect to the PCD assessment, the Company has reevaluated the classification of the contingency and changed it to probable by virtue of the result obtained in the proceedings under discussion in RTF No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998).

Regarding the same RTF, SUNAT filed a contentious-administrative lawsuit questioning the objections of (i) expenses without causality and (ii) expenses assumed by third parties. On April 9, 2019, the first instance ruling was notified, which declared the claim founded and partially null and void the RTF, ordering the TF to issue a new resolution, confirming the IR N°0150140006682 as regards the objections of miscellaneous expenses transferred by its related party for which it does not prove causality (deduction referred to the payments assumed) and taxes of third parties assumed by the taxpayer. On March 3, 2020, the second instance judgment was notified, which declared SUNAT's claim well founded. On May 19, 2020, the Company filed a cassation appeal against said judgment, which was declared admissible. On October 11, 2022, the Oral Report was held in the Supreme Court and on December 13, 2022, the Supreme Court notified the supreme resolution declaring SUNAT's claim to be well founded.

In Management's opinion, based on its outside legal counsel's opinion, the contingency changed to probable.

In compliance with the RTF discussed in ACAs 14 and 15, the Tax Court issued RTF N°6015-4-2022. Against said RTF, on December 13, 2022, we filed an administrative contentious lawsuit validating the computation of the late payment interest for the periods in which SUNAT exceeded the legal terms having to resolve our appeals, as well as to issuing the compliance resolution. To date, the claim is pending qualification.

The Company, based on its legal advisors' opinions, classified the contingency as remote.

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

Within the framework of the administrative procedure, on January 23, 2008, SUNAT issued the IR resolving the claim filed by Telefónica Móviles. Since it did not agree with the resolution, an appeal was filed before the TF.

In this regard, on September 15, 2017, RTF N°12003-8-2016 was notified by which it lifted the objections of: (i) management fee and, (ii) amortization of intangibles; declared the nullity of a part of the objection by the PCD and ordered a new review of the objection related to financial interests (carveout).

On December 15, 2017, the Company filed a contentious-administrative lawsuit against the said RTF with respect to the unfavorable objections. On October 24, 2019, the oral report in the first instance was held, and the first instance ruling is pending to be issued.

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

On December 2, 2020, the Company was notified with the RI N°0150150002588, by means of which SUNAT, in alleged compliance with RTF N°12003-8-2016, reassessed the Income Tax, the payments on account from January to December 2002; the IGV for the periods of February, May and September to December 2002, as well as the fine resolutions. The Company appealed the IR, which was resolved through RTF N°07839-8-2022. In this case, the Tax Court has confirmed several issues such as the provision for doubtful collection, carve out, among others. Consequently, SUNAT should issue a new resolution of intendancy with the income tax reassessment. However, for General Sales Tax, the Tax Administration requested payment in the amount of S/49,509,386.

Also, related to the 2002 tax period, the Company filed a protective action seeking to stop the computation of interest that exceeds the legal deadlines so that the tax authorities must resolve the income tax assessments and fines for the year 2002. The first instance sentence declared the claim partially founded and, in the second instance, the claim was declared inadmissible, and all the proceedings were declared null and void. The Company filed a constitutional appeal against the decision of the Superior Court before the Constitutional Court, which is pending resolution.

In Management's opinion, based on its external legal advisors' opinions, and the latest results obtained in the Constitutional Court, the rating was changed to probable.

SUNAT also challenged in court the RTF N°12003-8-2016, regarding the objections that were resolved in favor of the Company. In the first instance, the claim was declared founded, for which reason, the Company filed an appeal. On May 13, 2022, the oral report in the second instance was held and SUNAT's claim was declared founded. On September 26, 2022, we filed a cassation appeal.

In Management's opinion, based on its legal advisors' opinions, the contingency qualifies as remote.

On the other hand, on October 24, 2018, SUNAT judicially challenged RTF N°05108-1-2018 by which the request for refund of S/35,000,000 filed by TDP was declared inadmissible. On December 24, 2019, the Company was notified with the first instance ruling that declared SUNAT's claim founded, however, in second instance the claim was declared inadmissible. SUNAT filed a cassation appeal. On January 27, 2022, SUNAT's appeal was declared admissible. On October 6, 2022, the Oral Report was held in the Supreme Court. On November 23, 2022, the Supreme Resolution declaring SUNAT's cassation appeal unfounded was notified.

Based on the result obtained in the Supreme Court, the Company, based on its external legal advisors' opinions, changed the classification of the contingency to remote.

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

As part of the administrative procedure, on August 29, 2009, SUNAT issued the RI resolving the claim filed by Telefónica Móviles for income tax and IGV for the 2004 fiscal year. Since it did not agree with the resolution, an appeal was filed before the TF.

On January 29, 2018, the TF notified the RTF N°10997-1-2017, by which (i) declared null the PCD assessment for the part that was not subject to SUNAT review, (ii) revoked the assessment for interest on debt with the Company so that a new review of the evidence is carried out, (iii) revoked the assessment for amortization of intangibles, (iv) ordered SUNAT to recognize the requested deductions, if applicable, and confirmed the other extremes. Subsequently, RI N°0150150002743 was notified, which was challenged. In view of this, the Tax Court has issued the RTF N°09335-1- 2022, which confirms several objections such as provision for doubtful collection and carve out.

Likewise, it has indicated that the final determination of previous years should be considered. Consequently, SUNAT should issue a new intendency resolution.

Regarding the objections that were confirmed unfavorably to the Company's interests: (i) PCD, (ii) expenses recorded by contracts for granting credit line account 671110, (iii) depreciation of cost of assets and (iv) modification of the coefficient of payments on account, on April 27, 2018, an administrative contentious lawsuit was filed. In the first instance, the claim was declared: (i) unfounded with respect to the objections of the PCD, expenses recorded for the credit line agreement account 671110, depreciation of the cost of assets and calculation of default interest between December 25, 2006, and March 15, 2007, and (ii) unfounded with respect to the objection of modification of the coefficient of the payments on account.

The Superior Court declared the lawsuit well founded with respect to the objection of the PCD only with respect to the telephone receipts. Against the second instance resolution, the parties filed appeals in cassation. On September 13, 2022, the Oral Report was held in the Supreme Court. On January 18, 2023, the Supreme Court was notified of the Supreme Court decision that declared unfounded the Company's claim regarding PCD's objections, expenses for credit line agreements, cost depreciation, moratorium interest between December 25, 2006, and March 15, 2007, modification of the coefficient of payments on account.

On February 14, 2020, the Company was notified with the RTF N°10982-9-2019, whereby the financial expense assessment for the credit line agreement was maintained, while the financial expense assessment for the loan agreement was resolved in accordance with the terms of RTF N°10997-1-2017, mentioned above.

Consequently, on February 27, 2020, the Company was notified with the Coercive Execution Resolution No. 01100-0059983, by which it was required to pay the amount of S/3,052,111, which was paid on March 4, 2020.

After the payment made by the Company, on October 1, 2020 the Company was notified with IR N°0150140015607 by which SUNAT, in alleged compliance with RTF N°10982-9-2019, declared unfounded the appeal filed by Telefónica Móviles against RM N°012-002-0015547, issued for the alleged commission of the infraction typified in numeral 1 of article 178° of the Tax Code, with respect to the IGV for the period of June 2004.

As the Company did not agree with the decision of the IR, on October 21, 2020, the Company filed an appeal, which was resolved through RTF N°03230-9-2021, declaring it unfounded.

In relation to the last RTF N°03230-9-2021, on March 12, 2020, the Company was notified with an administrative contentious lawsuit filed by SUNAT whereby it contests the partial nullity of the RTF in the extreme that it revoked the IR N°0150140009010 in relation to the assessment of the tax credit for "Financial expenses for mutual contract" (Carveout) in the related DR and MR. Both the TF and the Company answered SUNAT's claim, the Company filed a plea of non-exhaustion of administrative remedies. On August 12, 2021, the Court declared the Company's plea of non-exhaustion of administrative remedies to be well founded and, consequently, the proceeding was dismissed. The process was concluded.

On the other hand, on April 23, 2018, SUNAT filed an administrative contentious lawsuit challenging RTF N°10997-1-2017, in the following extremes: (i) PCD (to the extent that they were not sampled) (S/9,603,804), (ii) expenses recorded by mutual contract account 671110 - interest TDP debt (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, the first instance judgment declaring the claim filed by SUNAT unfounded was notified. On July 27, 2019, the second instance judgment was notified, which declared SUNAT's claim founded only with respect to the Carve Out objection, and unfounded with respect to the PCD objections and modification of the coefficient. Against the judgment, the parties filed appeals, which were finally resolved as follows: (i) favorably on the coefficient modification objection, (ii) unfavorably on Carve Out (ordering the TF to rule on causality or not of loans and assets), and (iii) for PCD, the resolution issued by the Superior Court was declared null and void. On May 13, 2022, the second instance hearing of the case was held. On October 6, 2022, the decision was notified: 2 votes to confirm the first instance sentence, that is, to declare SUNAT's claim unfounded on the PCD's side; and 1 vote to declare PCD's objection unfounded. On October 14, 2022, the settlement hearing was held. On December 14, 2022, the second instance judgment was notified declaring SUNAT's claim unfounded in the PCD objection (in which the controversy refers to the sample, which was not verified by SUNAT during the audit procedure).

In Management's opinion, based on its legal advisors' opinions, the contingency with respect to the PCD objection (to the extent that they were not sampled) was qualified as remote, as with the rest of the objections challenged.

For the same tax period (2004), the Company filed a lawsuit seeking an injunction to stop the application of interest that exceeds the legal deadlines that the tax administration must resolve income tax assessments and fines. On January 10, 2020, the Company was notified with the first

instance sentence that declared partially founded the lawsuit filed by the Company, declaring that there is a violation of the reasonable term. On April 26, 2021, the Company was notified with the sentence by which the Superior Court declared the exception of lack of depletion of administrative remedies presented by SUNAT and consequently, the claim is inadmissible, and all the proceedings are null and void. On May 10, 2021, the Company filed a constitutional appeal for the Constitutional Court to rule on the Company's claim. On December 28, 2021, the resolution by which Chamber 1 of the Constitutional Court declared the Company's lawsuit inadmissible was filed. The Company filed an appeal for annulment against the decision of Chamber 1 of the Constitutional Court, which is still pending to date.

The Company, based on the opinion of its legal advisors, considering the result obtained in the appeal filed with respect to the 2000-2001 income tax payments on account dated May 2, 2022, the contingency was modified to probable.

VI. Telefónica Móviles' income tax and IGV for the years 2003 through 2010

As a result of the audits of Telefónica Móviles for the years 2000 to 2010, SUNAT notified the Company with several resolutions for alleged omissions in income tax, income tax withholdings for non-domiciled persons, fifth category income tax withholdings and IGV, in the latter case, up to 2007. In some cases, Telefónica Móviles filed appeals and, in other cases, proceeded to pay the assessments received, which are explained below.

(a) Income tax and IGV for the year 2003

With respect to income tax for 2003, on October 30, 2010, Telefónica Móviles filed a lawsuit requesting the nullity of RTF N°5018-1-2019 with respect to the following adjustments for: (i) maintenance and repair of equipment and booths-account 634003, (ii) Repairing to account 635001 "Office real estate rental", (iii) Repairing related to depreciation and/or amortization of assets, (iv) Disallowance of questioning of the carryforward loss, (v) Disallowance of the recognition of the payments made against the IR of IGV February and March 2003, (vi) Undue calculation of moratorium interest, (vii) Repairs to the expense accounts 621002 and (viii) Non-application of interest for justified delay. The lower court declared the Company's claim unfounded. The Superior Court, after the oral report made on June 10, 2021, declared the nullity of the first instance judgment, and ordered the issuance of a new judgment. To date, the issuance of the first instance judgment is pending.

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

Also, on April 4, 2022, the Company was notified with the RTF N°2097-1-2022 that re-settles and complies with RTF 5018-1-2019, which contains: (i) the incorrect pronouncement on the statute of limitations of the tax debt, stating that it is not statute barred, (ii) the undue rounding of the amounts of the instalments for the update of late payment interest, being that the tax regulations do not contemplate it, (iii) the validity of the Compliance RI, 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 in which the RTF incurs. In this regard, on July 4, 2022, an administrative contentious lawsuit was filed with respect to such objections, which was admitted for processing, pending the issuance of the corresponding sentence.

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

On the other hand, with respect to income tax and IGV for 2003, on February 7, 2020, the Company challenged in court the RTF N°6575-10-2019 questioning the objections of: (i) depreciation of the cost of assets and assets without documentary support, (ii) PCD, (iii) loss of exchange difference, (iv) fines related to these objections, and (v) late payment interest that were resolved against it in the first instance. On June 10, 2021, the oral report was held in the second instance. On March 22, 2022, the appeal filed by the Company was granted. The Superior Court declared the nullity of the first instance judgment and ordered the issuance of a new judgment.

The issuance of the first instance sentence is pending.

The Company, based on its legal advisors' opinions, has reassessed the contingency classification with respect to the PCD assessment and changed it to probable by virtue of the notification of the Supreme Court's resolution on the cassation appeals filed in the processes discussed in the RTF N°17044-8-2010 (2000-2001) and N°11450-5-2011 (1998). The rest of the objections maintain the qualification of the contingency as remote.

Also, on January 10, 2020, the Company was notified with SUNAT's claim questioning the objections discussed with respect to the IGV for the year 2003: (i) Management fee, (ii) Expenses for management and advisory services in business management, (iii) Intangibles deducted and not paid for the period 2003, (iv) PCD, (v) Financial expenses recorded in accounts 637110 and 671110; (vi) Loss on exchange difference arising from forward contract and mutual contract, (vii) Recovery of PCD, (viii) Modification of the coefficient applicable to payments on account, (ix) Allowance to tax credit for management and advisory expenses in business management, (x) Allowance to tax credit for reimbursement of interest expenses, resolved by the Tax Court in RTF No. 6575-10-2019. On January 24, 2020, we filed the answer to the lawsuit. The lower court declared SUNAT's claim well founded. The Superior Court declared the nullity of the first instance judgment and ordered the issuance of a new judgment. The issuance of the first instance judgment is pending.

The Company, based on its legal advisors' opinions, has reassessed the contingency classification with respect to the PCD assessment and changed it to probable based on the result obtained in the proceedings under discussion in RTF No. 17044-8-2010 (2000-2001) and No. 11450-5-2011 (1998). The rest of the objections maintain the qualification of the contingency as remote.

Subsequently, on March 2, 2021, the Company was notified with the IR N°0150150002700 by means of which SUNAT, in alleged compliance with RTF N°6575-10-2019. However, as the Company did not agree with SUNAT's ruling, on March 23, 2021, the Company filed an appeal.

In response to said appeal, the Tax Court has issued the RTF N°08644-5-2022, whereby it revoked the point that refers to the payments on account, as well as the corresponding fines and the determination related to previous years. However, it confirmed several items such as the provision for doubtful collection and losses derived from the Forward Contract.

Therefore, SUNAT should issue an intendency resolution in order to comply with RTF N°08644-5-2022.

(b) General Sales Tax for the year 2010

Regarding the IGV for the year 2010, on December 23, 2010, the Company questioned the RTF N°7639-9-2010, by means of which the following objections were unfavorably resolved: (i) statute of limitations regarding the term to start the collection power of RD N°012-003-0076597 to 012- 003-0076608 and RM N°012-002-0029133, and (ii) excess of recreational expenses that are not deductible according to the Income Tax regulations. On October 1, 2021, the Oral Report was held in the first instance, and the issuance of the corresponding sentence is pending.

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

(c) Income Tax for 2009

On February 27, 2020, the Company was notified with the RTF N°12147-4-2019, by which the TF decided to lift the following objections: (i) expenses accrued in the year billed and/or received untimely, (ii) roaming services supported by payment vouchers received untimely, and (iii) unaccepted deduction for unaccrued transactions according to IAS, while the TF maintained the following objections: (i) unsubstantiated credit notes related to El Pacífico Peruano - Suiza Cia - others, (ii) ITF expenses that do not comply with the causality principle, and, in addition, (iii) incidence of repairs made in Telefónica Móviles for depreciation of fixed assets. The Company did not agree with the decision of the TF, and on May 27, 2020, it filed a contentious-administrative lawsuit. On September 9, 2021, the oral report was held, and the issuance of the sentence is pending.

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

(d) Income tax for 2004

With respect to income tax for 2004, on May 24, 2020, the Company filed a contentious-administrative lawsuit requesting the partial nullity of RTF N°10982-9-2019 insofar as it revoked IR N°0150140009010 in relation to: (i) inadmissibility of the appeals for reconsideration N°012-003-0019178 and 012-003-0019180; (ii) tax credit linked to expenses recorded for a line of credit agreement (with a base of S/51,072); and (iii) moratory interest; which resulted unfavorable to the Company's interests. On October 28, 2021, the Company was notified of the judgment that declared the claim with respect to the late payment interest to be founded and unfounded with respect to the tax credit, which was confirmed by the Superior Court. On June 9, 2022, the Supreme Court declared the cassation appeals filed by both parties to be admissible. Oral report in the Supreme Court was scheduled for April 27, 2023.

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

For the same fiscal year, the TF notified the Company the RTF N°02663-1-2020 by which: (i) the appeal filed with respect to the statute of limitations request was declared unfounded, and (ii) the IR with respect to the assessment of the tax credit for excess recreational expenses was confirmed. On October 22, 2020, the Company filed a contentious-administrative lawsuit against the aforementioned RTF. On August 24, 2022, the Oral Report was held in the first instance, and the issuance of the judgment is pending.

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

(e) Income tax for 2005

On October 16, 2020, the Company filed a lawsuit for the declaration of nullity of the RTF N°01849-1-2020 that resolved unfavorably to its interests the following objections: (i) unaccepted depreciation expenses related to the cost of works in progress and other fixed assets transferred by the Company, (ii) PCD that was not included in the sample analyzed by SUNAT, (iii) interconnection expenses originated in 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 answered the lawsuit. The first instance Oral Report was held on June 23, 2022, and a ruling is pending.

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

Regarding the same RTF N°01849-1-2020, SUNAT filed an administrative contentious lawsuit with respect to the PCD assessment that was not the subject of the sample. On October 1, 2021, the oral report was held in the first instance, and the sentence is pending to be issued.

In Management's opinion, based on its legal advisors' opinions, the contingency with respect to the PCD objection (in which the controversy refers to the sample, which was not verified by SUNAT during the audit procedure) and other objections are qualified as remote.

Then, SUNAT was notified the Resolution of Intendancy N°0150150002815 through which SUNAT intends to comply with the provisions of the Tax Court. However, an appeal was filed. In view of this, on January 4, 2023, we were notified with the RTF N°09344-1-2022, by means of which the assessment of the provision for doubtful collection is partially revoked, as well as it is resolved to consider the determination of the previous years. Consequently, SUNAT should issue a new ruling.

(f) Income tax for 2002

On October 6, 2021, the Company filed a contentious administrative lawsuit against RTF No. 5586-4-2021, which declared unfounded the objections of: (i) expense for "Undue depreciation and amortization" by allegedly failing to credit the value of the cost; (ii) expenses for payments for telephone sales commission services, extortions and related reclassifications, encompassed under the expense "Retail Package Commission"; (iii) expenses for payments for miscellaneous services, returns and related reclassifications, included under the expense "Services rendered by third parties - deduction for INTERCON"; (iv) maintenance and repair of equipment and booths; and (v) miscellaneous local fees, local and other fees, monthly fixed charge, deductions requested, IGV of expenses that do not comply with causality. On December 6, 2021, SUNAT answered the claim.

An oral report is scheduled for June 27, 2023.

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

Also, on March 28, 2022, the Company was notified with the RTF No. 1863-4-2022 that re-settles and complies with RTF No. 5586-4-2021, which: (i) improperly applies the applicable legal regime for the application of the incentive regime and incurs in several errors in the calculation of the debt to be paid (uncontested debt), required as a condition for such application, (ii) fails to comply with the legal regime established for the updating of debts by applying the Consumer Price Index (CPI), and (iii) also incurs in several vices of due process and motivation. In this regard, on June 28, 2022, a contentious-administrative lawsuit was filed, SUNAT answered the lawsuit, and the oral report of the first instance is still pending to be scheduled.

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

(g) Income tax for 2005

On November 30, 2021, the Company filed a judicial contentious administrative lawsuit against the RTF N°7061-3-2021 that confirmed the following objections of: (i) payments on account; (ii) modification of the coefficient; (iii) recognition of payments made in excess; and (iv) fine Resolutions. On December 20, 2021, SUNAT was notified of the objection of non-exhaustion of administrative remedies, which was declared unfounded. On September 15, 2022, the Oral Report was held in the first instance, and the issuance of the judgment is pending.

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

Regarding the same RTF, SUNAT filed a lawsuit against the objections that were unfavorably resolved: (i) modification of the coefficients applied for the determination of the payments on account of 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 answered the lawsuit. On October 13, 2022, the oral report was held in first instance.

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

Regarding the same year 2005, on January 4, 2022, the Company filed a lawsuit against the RTF N°8157-4-2021 regarding the objections of: (i) disallowed depreciation expense referring to the cost of the assets (with date of registration as of December 31, 2000) transferred by the Company not supported by documents; and (ii) disallowed tax depreciation expense referring to the cost of the assets not supported by documents transferred by the Company. Additionally, it was requested the declaration of the statute of limitations of the collection action in application of the constitutional sentence in the case of Industrial Paramonga SAC company. It was also requested the non- application of capitalized moratorium interest for the excess term that took the tax administration and the TF to resolve. On May 31, 2022, SUNAT answered the claim. On October 11, 2022, the oral report in first instance was held.

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

For the same period, on February 4, 2022, the Company was notified with a SUNAT lawsuit requesting the nullity of the RTF N°08157-4-2021 corresponding to the IR 2005 - TM, to the extent that it revoked the IR N°0150140009387 dated November 30, 2020, regarding the RD N°012-003- 0020174, with respect to the assessment for "Amortization of intangible assets not accepted". On May 18, 2022, the exception of lacking legal standing to act, made our filing to be declared unfounded. On May 24, 2022, we filed an appeal against the resolution rejecting the plea of lack of legal standing to act. On June 8, 2022, an oral report was scheduled for March 6, 2023.

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

SUNAT filed a contentious-administrative lawsuit against RTF N°1097-4-2022 with respect to income tax for the year 2006. On May 20, 2022, the claim was answered and a plea of lack of standing to act of SUNAT was filed in the end of the full jurisdiction claim. The Oral Report in the first instance has been scheduled for April 20, 2023.

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

(h) Income Tax for 2007

Regarding the RI 2007, on November 22, 2022, the Company was notified with a contentious-administrative lawsuit from SUNAT requesting the nullity of the RTF N°4443-1-2022 regarding (i) disallowed deduction for the amortization of intangible assets written off in 2005 whose cost has not been credited, (ii) calculation of the coefficient of the payments on account for March-December 2007, (iii) balance in favor of the previous year that can be offset and (iv) statute of limitations. On December 6, 2022, we answered the claim, and the scheduling of the oral report in the first instance is pending.

On December 14, 2022, SUNAT issued the resolution of intendancy that complies with what was indicated by the TF.

Management, based on its legal advisors' opinions, believes that the contingency is remote.

On the other hand, for fiscal years 2008, 2009 and 2010 we were notified with the resolutions of the Tax Court, as well as the resolutions of the quartermaster's office as compliance.

VII. Canon mobile

On February 27, 2012, the Ministry of Transportation and Communications (MTC) notified the Company with the settlement of the annual payment of the mobile fee for the use of the radio electric spectrum corresponding to that year under the General Regime, arguing that the Special Regime, to which Telefónica Móviles had applied at the time, was no longer applicable due to its temporary nature.

As a consequence of the MTC's attempt to apply the General Regime, the Company proceeded to:

(i) file a claim before the MTC itself arguing that the Special Regime was the one legally applicable to it; and (ii) file a complaint before INDECOPI arguing that the calculation methodology contained in the General Regime constituted a bureaucratic barrier.

The appeals filed by the Company for the years 2012, 2013 and 2014, before the MTC were rejected, so the Company filed appeals before the TF, which are pending resolution, the MTC is reluctant to upload the files. Likewise, for fiscal years 2015 and 2016, the Company filed claims before the MTC, which concluded unfavorably, reason for which we filed an administrative contentious lawsuit.

The complaint for bureaucratic barriers was resolved in the last administrative instance on February 19, 2016, declaring that the calculation methodology contained in the General Regime constituted a bureaucratic barrier and therefore was inapplicable for the Company, which applies not only for the year 2012, but for subsequent years.

In the case of the mobile fee corresponding to the years 2012, 2013 and 2014, the Company made the payments under protest in accordance with the liquidations formulated by the MTC, while the payments corresponding to the years 2015 and 2016, were not made due to having

obtained a precautionary measure in the procedure of bureaucratic barriers and because of the final resolution of INDECOPI, respectively.

However, on January 18, 2017, the Company was notified with the requirement formulated by the MTC for the payment of the fee corresponding to the years 2015 and 2016, based on the existence of a measure, which ordered INDECOPI to suspend the effects of the resolution that declared that the calculation of the fee under the General Regime constituted a bureaucratic barrier, specifying in the requirement that if payment was not made within the period granted, the respective coercive collection actions would be initiated.

On January 27, 2017, the Company answered the aforementioned injunction stating that: (i) as of said date, it had not been notified with any precautionary measure; (ii) neither had it been notified with any resolution of INDECOPI suspending the effects of its resolution; and (iii) pursuant to the provisions of Articles 136 and 115 of the Tax Code, Article 16, paragraph e) of the Coactive Enforcement Procedure Law, and paragraph 28, Article III.4 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 filed, within the established legal deadlines, claims before the MTC for the years 2015 and 2016.

On March 7, the coercive executor suspended the execution procedure. However, to avoid a possible allegation by the MTC in the sense that the Company would not be paying the canon and from there initiate a procedure for loss of concession, it proceeded to pay the unclaimed end of the fiscal years 2015 and 2016 for amounts amounting to the sum of S/50,787,968 and S/52,107,136, respectively.

On September 24, 2020, the Supreme Court declared the MTC's cassation appeal well-founded and, consequently, null and void the Superior Court's ruling. On February 3, 2021, we were notified of the Superior Court's decision declaring the lawsuit unfounded. On February 18, 2021, we were notified that the MTC filed a cassation appeal (we have not yet been notified). On September 1, 2022, the oral report was made in the Supreme Court and on December 28, 2022, the Supreme Court notified the supreme resolution declaring the MTC's cassation appeal well-founded and ordered INDECOPI to issue a new resolution in the bureaucratic barrier's procedure.

The result of this process does not generate a variation in the qualification of the contingency or in the cash outflow. The contentious administrative proceeding where the application of the general regime in the payment of the canon for the years 2015 and 2016 is being processed and is in the first instance without a ruling having been issued.

In Management's opinion, based on its external advisors' opinions, the contingency qualifies as remote.

VIII. Telefónica Multimedia's income tax for the years 2007, 2010, 2012, 2013 and 2014

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

Not agreeing with SUNAT's decision, Telefónica Multimedia filed a claim appeal and, in other cases, proceeded to pay the assessments received.

(a) Income Tax for the year 2012

Regarding the 2012 fiscal year, on June 17, 2015, SUNAT issued RD N°012-003-0059229 to 0059241 and RM N°012-002-0025995 to 0025997. The main objection made by SUNAT corresponds to the expenses that are supported with vouchers that were received after the presentation of the sworn statement. Not agreeing with the resolution of the RD and RM, Telefónica Multimedia filed a claim appeal, which was declared unfounded.

The TF in resolving the appeal filed by the Company: (i) left without effect the main objection, related to the expenses that are supported with receipts received after the sworn statement, and (ii) the rest of the objections were confirmed and the issuance of the SUNAT compliance resolution is still in process.

On December 11, 2020, the Company filed an administrative contentious lawsuit against the aforementioned RTF regarding the following objections, which were resolved unfavorably for the Company: (i) income unduly considered as deferred and accrued in 2012; (ii) provision of expenses not accepted because they were not supported; (iii) late interest on payments on account from March to December 2013; and (iv) Resolutions of Penalty regarding Income Tax and its payments on account. On January 18, 2022, the oral report was held in the first instance, and the issuance of the judgment is pending.

From the analysis performed and ratified by the legal opinion of the external advisors in charge of the process, the contingency qualifies as remote.

Subsequently, within the same administrative procedure, on December 1, 2020, the Company was notified with the IR N°0150150002586 issued in compliance with the RTF detailed in the previous paragraph. However, not agreeing with SUNAT's decision, the Company filed an appeal before the TF. Consequently, on July 21, the payment of S/8,745,678 was made.

In the Management's opinion, based on its internal and external legal advisors' opinions, the contingency qualifies as remote.

(b) Income Tax for the year 2014

Regarding the 2014 fiscal year, on April 24, 2019, the Company filed a contentious-administrative lawsuit challenging RTF N°149-4-2019 by which it confirmed IR N°0150140014378 that declared unfounded the claim filed against payment orders N°011-001-0123981 to 011-0123989 drawn for payments on account of income tax from January to July, October and December 2014.

On August 20, 2020, the Oral Report was held. On November 2, 2020, the first instance judgment was notified, which declared the Company's claim founded and consequently the RTF null and void, and therefore the payment of late payment interest for modification of the coefficient does not correspond. However, the Superior Court reversed the first instance judgment, on SUNAT's appeal, and declared the claim unfounded. On January 12, 2021, a cassation appeal was filed against said judgment, which was declared admissible, pending the scheduling of the oral report.

In Management's opinion, based on its internal and external legal advisors' opinions, the contingency qualifies as remote.

(c) Income Tax for 2007

On October 21, 2020, the Company was notified with a lawsuit filed by SUNAT whereby it disputes the financial expense claims for the execution of a letter of guarantee and expenses for the payment of cash promotion for the years 2005, 2006 and 2007. On January 13, 2022, the oral report was held in the first instance, and the issuance of the sentence is pending.

In the Management's opinion, based on its internal and external legal advisors' opinions, the contingency qualifies as remote.

Likewise, the Company has several legal (labor and administrative), regulatory and customs claims that are handled by its external and internal legal advisors. As of December 31, 2022, as described in note 2.19, the Company has recorded the necessary provisions for the cases considered probable, leaving as possible contingencies an amount of S/792,302,000 (S/749,917,000 as of December 31, 2021), see note 21. Management and its legal advisors estimate that the individual outcome of the lawsuits should not generate a significant additional impact on the Company's financial statements.

34 PREVIOUS EVENTS

On January 19, 2023, the Shareholders' Meeting agreed to delegate to the Board of Directors the provisions of paragraph 2 of Article 206 of the General Corporations Law, and delegated the power to approve one or several capital increases up to the amount of S/2,106,949,000, through monetary and/or non-monetary contributions and/or capitalization of credits, within a maximum period of five years, on the dates, amounts, terms, conditions and procedures determined by the Board of Directors from time to time, without the need to previously consult the General Shareholders' Meeting.

On February 10, 2023, the Board of Directors approved a loan convertible into shares of up to S/1,000,000,000,000 of Telefónica Hispanoamérica, S.A. with a maturity of one year and at market rates, having received on this date a first disbursement of S/365,000,000.

In this same Board of Directors, it was agreed the partial capitalization of loans received from its principal of S/700,000,000, this includes the loans received during 2022, as well as the interest

accrued until February 10, 2023, having enabled the preferential subscription right for the holders of shares, with an exchange ratio of S/0.8267 per 1 share.

With this agreement, the Company's capital stock would increase to S/2,646,103,000, if all shareholders exercise their subscription rights, as well as a share premium of S/168,353,000.

Between December 31, 2022, and the date of approval of the financial statements, no other significant subsequent events have occurred that, in the opinion of the Company's management, require any additional disclosure or any adjustment to the balances presented in the financial statements.