

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021 AND DECEMBER 31, 2020

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

February 15, 2022

We have audited the accompanying consolidated financial statements of Telefónica del Perú S.A.A., which include the consolidated statements of financial position as at December 31, 2021 and 2020, and the statements of income, comprehensive income, changes in equity and of cash flows for the years ended on these dates, and the summary of significant accounting policies and other explanatory notes attached from 1 to 34.

Management's responsibility for the financial statements

Management is responsible for the reasonable preparation and presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for the internal control that Management concludes is required to allow the preparation of financial statements that are free from material errors, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Our audits were performed in accordance with International Auditing Standards approved for application in Peru by the Board of Deans of the Public Accountant Colleges of Peru. These standards require us to comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material error.

An audit involves applying procedures to obtain audit evidence on the amounts and the information disclosed in the financial statements. The procedures that are selected depend on auditor judgment, which includes the assessment of the risk that the financial statements contain material errors, whether due to fraud or error. In carrying out these risk assessments, the auditor considers the internal control of the relevant entity for the preparation and reasonable presentation of the financial statements for the purpose of defining audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the entity. An audit also includes the evaluation of whether the accounting policies applied are appropriate and if the accounting estimates of management are reasonable, as well as the evaluation of the general presentation of the financial statements.

February 15, 2022
Telefónica del Perú S.A.A.

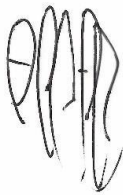
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements indicated above, reasonably present, in all their significant aspects, the financial situation of **Telefónica del Perú SAA** as of December 31, 2021 and 2020, and its financial performance and cash flows for years ended on the same dates, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

GAVEGLIO APARICIO Y ASOCIADOS

Endorsed by



(partner)
Carlos González González
Certified Public Accountant
Registration No.50403

TELEFONICA DEL PERU S.A.A.

STATE OF FINANCIAL POSITION

ASSETS

		As of December 31	
	Comments	2021 S/000	2020 S/000
CURRENT ASSETS			
Cash and cash equivalents	6	610,520	876,689
Trade accounts receivable, net	7	1,007,211	1,168,348
Contractual assets	9	18,401	39,016
Other accounts receivable, net	8	257,865	281,558
Inventories	10	235,597	168,288
Other non-financial assets	11	429,658	367,335
Income tax assets	24(f)	182,992	136,886
Total current assets		2,742,244	3,038,120
NON-CURRENT ASSETS			
Trade account receivables	7	1,780	503
Contractual assets	9	1,626	4,461
Other accounts receivable, net	8	92,347	65,158
Investments in subsidiaries and associates	12	236,154	265,251
Property, plant, and equipment, net	13	5,020,420	5,567,517
Intangible assets other than capital gains, net	14	1,902,237	1,927,888
Rights-of-use assets	15	1,067,336	953,798
Deferred tax assets, net	24	465,323	372,113
Capital gains	16	959,137	1,215,145
Other non-financial assets	11	333,822	263,207
Total non-current assets		10,080,182	10,635,041
TOTAL ASSETS		12,822,426	13,673,161

LIABILITY AND EQUITY

		As of December 31	
	Comments	2021 S/000	2020 S/000
CURRENT LIABILITY			
Other financial liabilities	17	299,139	153,762
Financial lease liabilities	18	328,856	336,268
Trade accounts payable	19	1,825,185	1,706,080
Contract liabilities	9	168,373	149,664
Other accounts payable	20	306,972	267,744
Other accounts payable to related entities	23(e)	6,297	5,284
Other provisions	21 and 33	383,064	395,322
Deferred income	22	29,655	29,277
Income tax liabilities	24(f) and 33	2,770,193	2,217,840
Total current liabilities		6,117,734	5,261,241
NON-CURRENT LIABILITIES			
Other financial liabilities	17	2,723,837	2,943,715
Financial lease liabilities	18	1,066,667	790,481
Contract liabilities	9	70,520	59,669
Other accounts payable	20	37,546	135,412
Other accounts payable to related entities	23(e)	3,023	2,589
Other provisions	21 and 33	268,163	259,231
Deferred income	22	67,884	81,359
Income tax liabilities	24(f) and 33	24,059	78,380
Total non-current liabilities		4,261,699	4,350,836
Total liabilities		10,379,433	9,612,077
EQUITY			
Issued capital	25	2,876,152	2,876,152
Issuance premiums		77,899	77,899
Other capital reserves		601,855	587,847
Accumulated balance		(1,104,771)	521,281
Other equity reserves		(8,142)	(2,095)
Total equity		2,442,993	4,061,084
TOTAL EQUITY AND LIABILITIES		12,822,426	13,673,161

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

TELEFONICA DEL PERU S.A.A.

INCOME STATEMENT

	Comments	For the period ending December 31	
		2021	2020
		S/000	S/000
Income from ordinary activities			
Fixed business income	26	3,560,603	3,537,719
Mobile business income	27	3,488,612	3,038,944
Total income from ordinary activities		<u>7,049,215</u>	<u>6,576,663</u>
Operating costs			
General and administrative	28	(4,144,944)	(4,070,587)
Cost of equipment sales	10(b)	(1,217,451)	(903,580)
Depreciation	13(a)	(935,536)	(1,004,802)
Staff	29	(726,973)	(666,834)
Amortization	14(a)	(259,152)	(312,316)
Depreciation of use rights	15	(213,607)	(209,109)
Impairment of capital gains	16	(256,008)	-
Other operating income	30	85,728	155,272
Other operating expenses	30	<u>(52,708)</u>	<u>(31,204)</u>
Loss from operating activities		<u>(671,436)</u>	<u>(466,497)</u>
Other income (expenses)			
Financial revenues	31	31,703	47,651
Financial expenses	31	(389,199)	(337,260)
Net gain/(loss) on exchange differences	31	1,912	(8,239)
Participation in results of subsidiary and associated company		<u>(18,510)</u>	<u>729</u>
Result before income tax		<u>(1,045,530)</u>	<u>(763,616)</u>
Income tax	24(c)	<u>(580,571)</u>	<u>68,398</u>
Period net loss		<u>(1,626,101)</u>	<u>(695,218)</u>
Basic and diluted loss per share (in soles)	32(b)	<u>(0.486221)</u>	<u>(0.207878)</u>
Weighted average number of outstanding shares (in thousands of units)	32(a)	<u>3,344,363</u>	<u>3,344,363</u>

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

TELEFONICA DEL PERU S.A.A.

COMPREHENSIVE INCOME STATEMENT

		For the period ending December 31	
	Comments	2021	2020
		S/000	S/000
Period net loss		<u>(1,626,101)</u>	<u>(695,218)</u>
Other comprehensive income items			
Valuation of hedging derivatives	25(d)	(8,610)	485
Effect on income tax	24(a)	2,563	(166)
Other comprehensive income		<u>(6,047)</u>	<u>319</u>
Total fiscal year comprehensive income, less income tax		<u>(1,632,148)</u>	<u>(694,899)</u>

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 SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2021
AND DECEMBER 31, 2020

	Capital issued S/000	Bonuses of issue S/000	Other reserves capital S/000	Results accumulated S/000	Other Reserves equity S/000	Total S/000
Balances as at January 1, 2020	2,876,152	77,899	582,513	1,216,817	(2,414)	4,750,967
Period net loss	-	-	-	(695,218)	-	(695,218)
Other	-	-	-	(318)	-	(318)
Other comprehensive fiscal year income	-	-	-	-	319	319
Expiration of dividends	-	-	5,334	-	-	5,334
Balances as of December 31, 2020	2,876,152	77,899	587,847	521,281	(2,095)	4,061,084
Period net loss	-	-	-	(1,626,101)	-	(1,626,101)
Other	-	-	-	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

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

TELEFONICA DEL PERU S.A.A.

CASH FLOW STATEMENT

Comments	For the period ending	
	December 31	
	2021	2020
	S/000	S/000
Operating activities		
Collections from clients and others	8,106,173	7,644,376
Interest received	3,390	5,981
Other cash collections related to operating activities	40,287	140,878
Less:		
Payments to suppliers of goods and services	(5,361,024)	(4,736,056)
Payment of remuneration and social security benefits	(809,413)	(844,888)
Payment from income tax	(127,104)	27,932
Interest payments	(391,470)	(276,770)
Other cash payments related to operating activities	(832,896)	(947,865)
Cash and cash equivalents from operating activities	627,943	1,013,588
Investment activities		
Dividends received	20	-
Repayment of loans granted to third parties	7,700	264
Repayment of loans granted to related companies	-	485,294
Loss of control of subsidiaries or other businesses	76,439	47,569
Sale of property, plant, and equipment	104,759	130,727
Obtaining control of subsidiaries	-	(101)
Loans granted to related companies	-	(485,595)
Purchase of property, plant, and equipment and intangible assets	13 and 14	(741,758)
Cash and cash equivalents used in investment activities	(552,860)	(632,756)
Financing activities		
Issuance of other financial liabilities	17	-
Loans from related entities	-	614,910
Dividends paid, less withholdings	(15)	11
Repayment or payment of loans from related entities	-	(620,587)
Amortization or payment of other financial liabilities	(341,390)	(527,422)
Cash and cash equivalents used in finance activities	(341,405)	(518,576)
Net decrease in cash and cash equivalents	(266,322)	(137,744)
Exchange difference, less cash and cash equivalents	153	(1,491)
Balance of cash and cash equivalents at the beginning of the fiscal year	876,689	1,015,924
Balance of cash and cash equivalents at the end of the fiscal year. Note 6	610,520	876,689
Transactions that do not generate cash flow:		
Unrealised profit from hedging operations	(8,610)	485
Purchases of fixed assets unpaid at the end of fiscal year	198,365	202,590
Mobile tax instalment plan	57,554	-
Untransferred risks from the sale of buildings and towers	6,723	-
Leases	329,760	180,435
Assets and liabilities from provision for decommissioning	9,966	5,715

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, 2021 AND 2020

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, 2021, the Company does not have subsidiaries, therefore it has not prepared consolidated financial statements (see Note 1.3.a). As of December 31, 2020, the company prepared consolidated financial statements in accordance with the provisions of IFRS 10, which were presented separately. For a correct interpretation of the financial statements in accordance with IFRS, the financial statements of said period must be read together with the consolidated financial statements. The consolidated financial statements as of December 31, 2020, show the following balances for the most significant items:

	As of 31 December of 2020
	S/000
Current Assets	3,038,215
Current Liabilities	5,261,262
Property, Plant, and Equipment, Net	5,567,517
Right-of-Use Assets	953,798
Total Assets	13,673,161
Total Liabilities	9,612,098
Total Equity	4,061,063

1.2 Approval of Financial Statements -

The consolidated financial statements as of December 31, 2020 were approved by the General Shareholders Meeting held on March 26, 2021. The financial statements as of December 31, 2021 were approved by the Board of Directors on February 15, 2022.

1.3 Corporate Reorganization -

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

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

On December 31, 2021, the Company merged with its subsidiary Servicios Globales de Telecomunicaciones S.A.C. in order to simplify its corporate structure, save costs, and produce greater synergies. The aforementioned merger was carried out between the companies under common control and has not implied an effective change in the control of the Subsidiary. As such, in accordance with the International Financial Reporting Standards, it was recorded adhering to the accounting method of "pooling of interest." The attached financial statements have been prepared assuming that Servicios Globales de Telecomunicaciones S.A.C. was merged in each of the years presented. Consequently, the merger is presented as if it had been carried out on January 1, 2020.

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Current assets	15,131	14,965
Current liabilities	12,710	12,086
Total assets	16,231	17,159
Total liabilities	15,668	14,856
Total equity	563	2,303
Total Income from Ordinary Activities	2,656	4,912
Loss from Operating Activities	(340)	(4,919)
Net Loss for the Year	(1,740)	(3,353)

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

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

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

**January 1
2021**

S/000

Assets

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

Liabilities

Accounts payable to Staff	234
Total Liabilities	234

Equity Block Contributed

29,938

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).

- c) Assignment of equity block in favor of Telefónica Cybersecurity & Cloud Tech Perú S.A.C. (TCCTP) and sale -

On July 3, 2020, the Company completed the TCCTP constitution process with a cash contribution of S/50,000 for 99.99% of the shares.

Subsequently, on September 30, 2020, the General Shareholders Meeting of the Company approved the simple reorganization in favor of TCCTP of an equity block of S/30,292,000 made up of assets and liabilities related to the cybersecurity business. The equity block was contributed on October 1, 2020 and was composed as follows:

**October 1
2020**

S/000

Assets

Accounts Receivable from Staff	10
Other Non-Financial Assets	203
Property, Plant and, Equipment, Net	25,324
Intangible Assets Other than Capital Gain, Net	5,424
Rights-of-Use Assets	15,360
Deferred Tax Assets	943
Total Assets	47,264

Liabilities

Accounts Payable to Staff	360
Financial Lease Liabilities	16,612
Total Liabilities	16,972

Equity Block Contributed

30,292

On October 1, 2020, Telefónica Ingeniería de Seguridad S.A.C. contributed an equity block to TCCTP equivalent to S/4,483,000. After these contributions, the Company's share in TCCTP was diluted to 75%.

On that date, the Company sold its total stake in TCCTP to Telefónica Cybersecurity Tech, S.L. (a non-domiciled company) for S/47,565,000, obtaining a profit of S/17,223,000. See Note 30(e)

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, 2021 and 2020, the main concession contracts that are maintained are the following:

<u>Services</u>	<u>Location</u>	<u>Resolution Ministerial</u>	<u>Term</u>	<u>Start</u>	<u>Expiration</u>
Fixed & LD	Lima, Callao and Provinces	272-99-MTC/15.03	20 years + renewed term	1994	2027
Mobiles	Lima and Callao	373-91-TC/15.17	20 years + renewed term	1991	2030
Mobile	Provinces	055-92-TC/15.17	20 years + renewed term	1992	2030
Mobiles	Lima and Callao	440-91-TC/15.17	20 years + renewed term	1991	2030
Mobile	Provinces	250-98-MTC/15.03	20 years	1998	2018 (*)
4G LTE	Lima and Provinces	616-2013-MTC/03	20 years	2013	2033
700 Band	Lima and Provinces	529-2016-MTC/01.03	20 years	2016	2036

(*) In the process of 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 \$65,470,000 up to a term of approximately 10 years by means of current guarantee letters with various banking entities.

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

Furthermore, by means of Resolution No. 044-2011-CD/OSIPTEL, OSIPTEL approved a new rate system, the establishment of the rates for local landline-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, 2021 and 2020, 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 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 standards, modifications, and interpretations -

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

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

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

The amendments to the standards and interpretations listed above have not had an impact on the financial statements of the Company for previous or current years; furthermore, they are not expected to have a material impact on the financial statements 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, 2022 and that have not been adopted in advance -

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

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

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

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

No other regulations have been identified that are not yet effective and for which a significant impact on the Company could be expected in the current or future reporting periods, and 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 considered to be those made in a currency other than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the exchange rate in effect on the date of the 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 Profit / (Loss) ", 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 Group measures the equity instruments at their fair value. Changes (profits or losses) in the fair value of equity instruments held for the purpose of trading are recognized in the income statement (FVTPL). For other equity instruments, the Company has an irrevocable option to designate them on initial recognition in the FVTPL category or present changes in fair value as part of the OCI.

If the Company opts for the designation of FVTPL, when the asset is 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 FVTPL are not presented separately from the other changes at fair value.

(iv) Impairment -

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

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

2.8 Derivative financial instruments and hedge accounting -

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

- Hedges of the fair value of recognized assets or liabilities, or a firm commitment (fair value hedges).

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

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

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

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

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

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

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

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

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

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

When a hedging instrument expires, is sold, terminated, or when a hedge fails to meet the criteria for applying hedge accounting, any accumulated equity profit or loss or any deferred hedge cost on equity until that time shall remain in equity until the expected transaction occurs, which will result in the

recognition of a non-financial asset, such as inventories. When a forecasted transaction is not expected to occur, the accumulated profit or loss and any deferred hedging costs that were reported in equity are immediately transferred to the income statement.

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

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

As of December 31, 2021 and 2020, 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 raw material, 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:

<u>Description</u>	<u>Years</u>
Buildings and other constructions	13, 15, 33, and 40
Plant (Platform and telecommunications networks)	3 to 20
Equipment and others	3 to 10
Furniture and fixtures	5 and 10

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

A component of property, plant, and equipment or any significant part of it initially recognized is 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 Software	According to the term of the concessions. See Note 1.4(a)) 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 on the basis of impairment tests carried out during the last quarter of each year in order to determine whether the book value is fully recoverable.

2.13 Impairment of Long-Term Assets -

The net book value of the property, plant, and equipment 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 during the last quarter of the year. 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. Value in use is 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 Subsidiaries and Associates (Note 12) -

A subsidiary is an entity in which the Company has control. The Company is exposed, or has rights, to variable returns from its shareholding in the entity and has the ability to affect those returns through its power over said investment. Specifically, the investor controls an investee if and only if it has: i) power over the investee (i.e., there are rights that give it the current ability to direct the relevant activities of the investee), ii) exposure or right to variable returns from its shareholding in the investee, and iii). The ability to use its power over the investee to affect its performance.

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, 2020, the Company had investments in subsidiaries and associates; however, as of December 31, 2021, the Company only maintains associates.

2.15 Trade Accounts Payable and Other Accounts Payable -

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

2.16 Financial Obligations -

Financial obligations are initially recognized at their fair value, net of transaction costs incurred. Financial obligations are subsequently measured at amortized cost. Any difference between income (net of transaction costs) and the amount of reimbursement is recognized in the income statement during the period of financial obligations using the effective interest method. Paid fees are recognized as transaction costs of financial obligations insofar as it is likely that part or all of the facility will be withdrawn. In this case, the rate is postponed until the withdrawal occurs. To the extent that there is no evidence that part or all of the facility is likely to be withdrawn, the rate is capitalized as a prepayment for liquidity 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, 2021 and 2020, 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 on the basis of a monthly salary for every twelve (12) months of services rendered by staff, is recognized on the date of the statement of financial position.

The Company does not provide post-employment benefits.

2.19 Provisions -

General -

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

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

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

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

Decommissioning -

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

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

Contingencies -

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

Restructuring -

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

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

2.20 Income tax -

Current Income Tax -

Current assets and liabilities, short and long term, for the income tax for the period are measured using the amounts expected to be recovered from or paid to the tax authority, 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 manner consistent with the policy established for other similar assets. The income related to the grant is recognized in the income statement, as per the depreciation of the assets.

2.22 Issued Capital -

Common shares are classified in equity.

2.23 Recognition of Income, Costs, and Expenses -

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

Traffic -

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

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

Connection and Installation Fees -

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

Periodic Fees for Network Use -

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

Interconnection -

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

Sale of Equipment -

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

Bundled Services -

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

To the extent that bundles are sold at a discount on equipment (mainly in mobile telephony), and that there is a contract that generates explicit or implicit permanence, the criteria defined in IFRS 15 will 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 period of time in exchange for a consideration.

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

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

Company as Lessee -

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

At the commencement of a contract, the Company will assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time 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 on the basis of the weighted average of the common shares outstanding as at the date of the financial position statement. As of December 31, 2021 and 2020, 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 accounts receivable from related entities, investments, and other financial liabilities, at fair value on each date of the financial position statement. Likewise, the fair value of financial instruments measured at amortized cost is disclosed in Note 3.3.

Fair value is the price that would be received for selling an asset or that would be paid when transferring a liability in an orderly transaction between participants in a market on the measurement date. The

measurement at fair value is based on the assumption that the transaction to sell the asset or transfer the liability takes place, either:

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

The main or most advantageous market must be accessible by the Company. 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.

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.

a) 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 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>\$/000</u>	<u>Impaired</u> <u>\$/000</u>	<u>Total</u> <u>\$/000</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>
As of December 31, 2020			
Not due	648,729	28,058	676,787
Matured			
Up to 1 month	169,700	49,841	219,541
From 1 to 3 months	167,963	88,003	255,966
From 3 to 6 months	109,784	165,396	275,180
From 6 to 12 months	72,675	313,353	386,028
More than 12 months	-	4,415,531	4,415,531
Total	<u>1,168,851</u>	<u>5,060,182</u>	<u>6,229,033</u>

Consequently, according to Management's opinion, there are no significant concentrations of credit risk as of December 31, 2021 and 2020.

As of December 31, 2021, the Company's Management has estimated that the maximum net amount of credit risk to which the Company is exposed amounts to approximately S/1,264,892,000 (S/1,430,422,000 as of December 31, 2020), which represents the net book value of accounts receivable and other financial assets.

Market Risk -

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

Sensitivity analyses in the following sections refer to positions for the years ended December 31, 2021 and 2020. 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 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, 2021 and 2020, including the effect of hedging derivatives.

i) Exchange Rate Risk

The exchange rate risk is the risk that the fair value of the future cash flows of a financial instrument fluctuates due to variations in the exchange rates. 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, 2021, the weighted average free market exchange rates for transactions in US dollars were S/ 3.975 per US \$1 purchasing and S/ 3.998 for US \$1 selling (S/ 3.618 per US \$1 purchasing and S/ 3.624 for US \$1 selling at December 31, 2020) and for transactions in Euros, the rates were S/ 4.344

for €1 purchasing and S/ 4.846 for €1 selling (S/ 4.446 for €1 purchasing and S/ 4.906 for €1 selling as at December 31, 2020), respectively.

The result of maintaining balances in foreign currency for the Company for the years 2021 and 2020, was a net gain/(loss) of approximately S/1,912,000 and S/8,239,000, respectively, which are presented in the item "Gain/(loss)) net of exchange differences. See Note 31.

As of December 31, 2021 and 2020, the Company had the following assets and liabilities in foreign currency:

	2021		2020	
	US\$000	Euros000	US\$000	Euros000
Assets -				
Cash and cash equivalents	-	285	2,996	-
Trade accounts receivable, net	47,841	5,578	76,088	5,412
Other accounts receivable, Net	<u>24,693</u>	<u>-</u>	<u>32,487</u>	<u>-</u>
	<u>72,534</u>	<u>5,863</u>	<u>111,571</u>	<u>5,412</u>
Liabilities -				
Financial liability for lease	(123,055)	-	(77,285)	-
Trade accounts payable	(209,020)	(11,926)	(208,524)	(13,728)
Other accounts payable	<u>(26,553)</u>	<u>-</u>	<u>(36,938)</u>	<u>(178)</u>
	<u>(358,628)</u>	<u>(11,926)</u>	<u>(322,747)</u>	<u>(13,906)</u>
Purchase position of derivatives (reference value)	<u>(299,798)</u>	<u>6,543</u>	<u>212,845</u>	<u>8,503</u>
Monetary position, net	<u><u>13,704</u></u>	<u><u>480</u></u>	<u><u>1,669</u></u>	<u><u>9</u></u>

The Company hedges its exposure to the conversion to Soles of financial obligations and OPEX operations (denominated in US dollars and euros), 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.

Sensitivity Analysis	Change in Rates Exchange %	Effect on Results Before Taxes	
		2021	2020
Devaluation - dollars	5	2,724	302
dollars	10	5,447	604
Revaluation - dollars	5	(2,724)	(302)
dollars	10	(5,447)	(604)
Devaluation - euro	5	104	2
euro	10	209	4
Revaluation - euro	5	(104)	(2)
euro	10	(209)	(4)

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

ii) Interest Rate Risk -

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

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

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

	<u>Rate Variable (*) S/000</u>	<u>Fixed Rate S/000</u>	<u>No Interest S/000</u>	<u>Total S/000</u>	<u>Interest Rate Average %</u>
As of December 31, 2021					
Financial Assets					
Cash and cash equivalent	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	-	-	246,100	246,100	-
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 related entities	-	-	9,320	9,320	-
Other accounts payable	-	-	44,888	44,888	-
As of December 31, 2020					
Financial Assets					
Cash and cash equivalent	876,689	-	-	876,689	0.03
Trade accounts receivable, net	-	520,122	648,729	1,168,851	0.98
Contractual assets	-	-	43,477	43,477	-
Other accounts receivable, net	-	-	237,909	237,909	-
Financial Liabilities					
Other financial liabilities	462,976	2,626,575	7,926	3,097,477	6.42
Financial lease liability	336,268	790,481	-	1,126,749	3.52
Trade accounts payable	-	-	1,706,080	1,706,080	-
Other accounts payable to related entities	-	-	7,873	7,873	-
Other accounts payable	-	-	55,435	55,435	-

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

Shown below is the income statement's sensitivity, which is due to the possible effect of interest rate changes on financial expenses for the period, before income tax. The foregoing assumes that the financial liabilities on December 31, 2021 and 2020 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 Tax</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$000</u>	<u>\$000</u>
+(-)50	(-)+1,729	+(-) 387
+(-)100	(-)+3,458	+(-) 774
+(-)200	(-)+6,917	+(-)1,549

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 (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.

The Company maintains a negative working capital, generated mainly by contingency provisions classified as short-term, whose execution depends on the resolution of various instances. See Note 33(b); likewise, as of December 31, 2021, the Company maintains available lines of credit for US \$248,613,000. Additionally, the Company has recorded a net loss in the years 2021 and 2020 due to the result of the tax dispute mentioned in Note 33(b), the provision 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 the convergent offer of mobile and 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. Furthermore, the Company has the financial backing of its main shareholder.

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:

	Less than 3 Months \$/000	From 3 to 12 Months \$/000	From 1 to 5 Years \$/000	More than 5 Years \$/000	Total \$/000
As of December 31, 2021					
Other financial liabilities					
Depreciation of capital	9,592	240,000	1,833,340	970,958	3,053,890
Cash flow from interest payments	8,831	184,314	537,104	43,590	773,839
Financial lease liability	81,654	247,202	769,492	297,175	1,395,523
Lease Interest Payments	11,548	26,420	104,926	61,319	204,213
Trade accounts payable	1,825,185	-	-	-	1,825,185
Other accounts payable to related entities	6,297	-	3,023	-	9,320
Other accounts payable	44,888	-	-	-	44,888
Total liability flows	<u>1,987,995</u>	<u>697,936</u>	<u>3,234,886</u>	<u>1,386,041</u>	<u>7,306,858</u>
As of December 31, 2020					
Other financial liabilities					
Depreciation of capital	-	103,231	1,426,730	1,607,029	3,136,990
Flow from interest payments	8,576	186,465	648,215	123,423	966,679
Financial lease liability	49,935	286,333	557,201	233,280	1,126,749
Lease interest payments	2,587	14,745	24,604	16,140	58,076
Trade accounts payable	1,706,080	-	-	-	1,706,080
Other accounts payable to related entities	5,284	-	2,589	-	7,873
Other accounts payable	55,435	-	-	-	55,435
Total liability flows	<u>1,828,161</u>	<u>590,510</u>	<u>2,672,191</u>	<u>1,967,020</u>	<u>7,057,882</u>

The above table does not include the provisions for contingencies for a value of S/3,357,969,000 and S/2,887,650,000 as of December 31, 2021 and 2020, respectively, as their execution is subject to the resolution of various instances in accordance with that described in the Note 33(b). Likewise, the table does not include hedging financial derivatives because Management considers that such contracts are effectively settled on a net basis. Consequently, the flow of the hedge derivatives and the reconciliation of the amounts equivalent to the accounting values of the discounted net flow generated by these instruments are presented below:

	Less than 3 Months \$/000	From 3 to 12 Months \$/000	From 1 to 5 Years \$/000	More than 5 Years \$/000	Total \$/000
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)
As of December 31, 2020					
Income	1,055,243	2,979	-	-	1,058,222
Expenses	(1,041,490)	(2,959)	-	-	(1,044,449)
Net flow	13,753	20	-	-	13,773
Discounted net flow	13,970	25	-	-	13,995

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, 2021 and 2020, the leverage indicator was as follows:

	<u>2021</u>		<u>2020</u>
	\$000		\$000
Total indebtedness	6,597,522		6,341,335
Less: Cash and cash equivalents	(610,520)	(	876,689)
Net Debt (A)	5,987,002		5,464,646
Total Equity (B)	2,442,993		4,061,084
Leverage Ratio (A/B)	2.45		1.35

As of December 31, 2021 and 2020, 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.

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, 2021				
Financial Liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	20,662	-	20,662
Total financial assets	-	20,662	-	20,662
As of December 31, 2020				
Financial Assets -				
Derivative financial instruments:				
Foreign currency forward	-	13,995	-	13,995
Total financial assets	-	13,995	-	13,995

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, 2021 and 2020.

Instruments Recorded at Amortized Cost -

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

	Value of Price in Active Markets (Level 1) S/000	Significant Observable Variables (Level 2) S/000	Significant Unobservable Variables (Level 3) S/000	Reasonable Value S/000	Book Value S/000
As of December 31, 2021					
Financial Assets -					
Asset as per financial derivative instrument	-	-	-	-	-
Total financial assets	-	-	-	-	-
Financial Liabilities -					
Liability 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	3,022,976
Financial lease liabilities	-	1,395,523	-	1,395,523	1,395,523
Other accounts payable to related entities	-	9,320	-	9,320	9,320
Total financial liabilities	-	4,448,481	-	4,448,481	4,448,481

	Value of Price in Active Markets (Level 1) S/000	Significant Observable Variables (Level 2) S/000	Significant Unobservable Variables (Level 3) S/000	Reasonable Value S/000	Book Value S/000
As of December 31, 2020					
Financial Assets -					
Asset as per financial derivative instruments	-	13,995	-	13,995	13,995
Total financial assets	-	13,995	-	13,995	13,995
Financial Liabilities -					
Bonds issued and debts and loans that accrue interest	-	3,097,477	-	3,097,477	3,097,477
Financial lease liabilities	-	1,126,749	-	1,126,749	1,126,749
Other accounts payable to related entities	-	7,873	-	7,873	7,873
Total financial liabilities	-	4,232,099	-	4,232,099	4,232,099

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. This assumption also applies to term deposits, savings accounts without a specific maturity and floating-rate financial instruments.

ii) 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, 2021 and 2020.

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.
- Estimate for impairment of long-term assets. See Notes 2.13, 13, 14, and 16.
- Deferred tax assets and liabilities. See Notes 2.20 and 24.
- Estimated accrued income. See Note 2.23.
- Provision for decommissioning. See Notes 2.10, 2.19, and 21.
- Provision for contingencies. See Notes 2.19, 21 and 33(b).
- Cash flow hedging. See Note 2.8.
- Provision for restructuring. See Notes 2.19, 20, and 29.
- Estimation of uncertainties and judgments made in relation to lease accounting. See notes 2.24, 15, and 18.

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

Estimate of 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 a negative outlook.

5 FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The classification of financial instruments by category is as follows:

	<u>2021</u> \$000	<u>2020</u> \$000
Financial Assets at Amortized Cost per Statement of Financial Position:		
- Cash and cash equivalents	610,520	876,689
- Trade accounts receivable and other accounts receivable (*)	<u>1,255,091</u>	<u>1,392,765</u>
	<u>1,865,611</u>	<u>2,269,454</u>
Financial Liabilities at Amortized Cost per Statement of Financial Position:		
- Financial obligations	3,022,976	3,097,477
- Financial liability for lease	1,395,523	1,126,749
- Trade accounts payable and other accounts payable (*)	1,849,411	1,761,515
- Other accounts payable to related entities	<u>9,320</u>	<u>7,873</u>
	<u>6,277,230</u>	<u>5,993,614</u>

(*) Does not include advances or taxes.

The maximum exposure to credit risk as of December 31, 2021 and 2020, 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>2021</u> \$000	<u>2020</u> \$000
Fixed funds	317	307
Current and savings accounts (b)	98,713	118,850
Term deposits (c)	260,000	526,700
Trust fund (d)	<u>251,490</u>	<u>230,832</u>
	<u>610,520</u>	<u>876,689</u>

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

(c) Time deposits have original maturities of less than 90 days and may be renewed upon maturity. As of December 31, 2021 and 2020, they comprise deposits in national currency in various national banks. These time deposits are remunerated at current market rates.

(d) Includes the funds of the trust fund administered by La Fiduciaria S.A. (with the involvement of the Banco de Credito del Peru and Banco Santander), which consolidates the collection rights and the cash flows in such a way that the Company can better manage and give greater attention to direct payments that are required for the normal operation of their businesses. As of December 31, 2021 and 2020, the trust includes only cash.

(e) There are no restrictions on the balances of cash and cash equivalent as of December 31, 2021 and 2020.

7 COMMERCIAL ACCOUNTS RECEIVABLE, NET

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Fixed business subscribers	2,982,857	2,897,256
Mobile business subscribers	2,418,563	2,128,191
Data and information technology	546,220	645,230
Distributors, agencies, and department stores	153,368	144,548
Wholesaler - Interconnection and Related	211,884	190,327
Correspondents. Note 23(d)	100,935	123,075
Others	<u>63,408</u>	<u>100,406</u>
	6,477,235	6,229,033
Less - Allowance for doubtful accounts (c)	(<u>5,468,244</u>)	(<u>5,060,182</u>)
	1,008,991	1,168,851
Less - Non-Current Portion (d)	(<u>1,780</u>)	(<u>503</u>)
Current portion	<u><u>1,007,211</u></u>	<u><u>1,168,348</u></u>

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

As at December 31, 2020, trade accounts receivable include estimates for unbilled services rendered for approximately S/ 46,432,000 (S/ 56,073,000 as at December 31, 2020). The Company's Management estimates that these items will be fully invoiced in 2022.

As of December 31, 2021, the Company had approximately 1,549,000 fixed and public telephone lines in service, 4,436,000 postpaid mobile telephony lines 1,968,000 connections in broadband service, and approximately 1,334,000 paid television accesses (1,828,000, 4,169,000, 1,912,000 and 1,384,000, respectively as at December 31, 2020).

(c) The movements in the provision for doubtful accounts as of December 31, 2021 and 2020 is as follows:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Opening Balance	5,060,182	4,565,517
Provision for the period. Note 28(a)	396,096	504,411
Penalties	(41,791)	(55,934)
Net exchange differences	<u>53,757</u>	<u>46,188</u>
Final balance	<u><u>5,468,244</u></u>	<u><u>5,060,182</u></u>

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

(d) As at December 31, 2021 and 2020, 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 2021 amounts to S/1,232,000 (S/ 1, 412,000 in 2020) and is presented in the "financial income" item of the income statement. See Note 31.

- (e) In June and August 2020, the Company transferred the collection rights related to sales of financed mobile terminals to Inter-American Investment Corporation for S/ 34,166,000. This action implied a loss of S/ 542,000, and the Company was also tasked with the collection of assigned rights.

In 2020, the irrevocable assignment of collection rights for customers of the Company with the Continental Bank Trust (BBVA) was made, for the amount of S/122,712,000, whilst retaining risks for S/ 7,926,000 as at December 31, 2020. This portion is presented as "Other financial liabilities" (See Note 17.2). The foregoing produced a loss of sales (discount) of S/2,314,000. The latter also tasked the Group with the collection of the assigned rights.

8 OTHER ACCOUNTS RECEIVABLE, NET

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Collection rights for enforcement actions (b)	141,824	141,531
Collection rights (c)	110,062	110,062
Grants receivable (d)	93,673	112,002
Sale of real estate (g)	92,411	45,746
Guarantee Deposits	16,534	7,807
Loans to personnel, Note 23(f)	13,069	16,620
Tax credit of the general sales tax	7,596	-
Loans to third parties	5,928	13,645
Derivative financial instruments 20(d)	-	13,995
Others	37,554	44,714
	518,651	506,122
Less estimation for doubtful accounts (f)	(168,439)	(159,406)
	350,212	346,716
Less - non-current portion	(92,347)	(65,158)
Current portion	<u>257,865</u>	<u>281,558</u>
Financial assets classified as other accounts receivable	246,100	237,909
Non-financial assets classified as other accounts receivable	104,112	108,807
	<u>350,212</u>	<u>346,716</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) As at December 31, 2021 and 2020, these correspond mainly to collection rights to the Tax Administration, for payment of tax assessments (See Note 33(b)) that, in the opinion of Management and of the legal advisors, will be recovered when certain appeals filed in relation to the assessments received for income tax from previous years are resolved, as permitted by IAS 12 - "Income Tax".

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

- (d) Corresponds mainly to the Lambayeque Project: a contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the Investment Fund in Telecommunications - FITEI), for the non-reimbursable financing of the Project "Comprehensive broadband connectivity and the social development of the country's northern area", which has been collected according to the established schedule.

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

- (e) The other accounts receivable are denominated in national and foreign currency and do not generate interest.
- (f) The other accounts receivable were collectively evaluated to determine if there was objective evidence of impairment. However, the Company determined that the estimate of doubtful collections at the end of the period is sufficient, in accordance with the Company's accounting practice described in Note 2.7.
- (g) As of December 31, 2021, the Company maintains collection rights for sales of towers and real estate mainly with Phoenix Tower International Perú SAC and LAP Inmobiliaria SRL (As of December 31, 2020 corresponds to collection rights for the sale of real estate with Rentas Inmobiliarias San Isidro JDA SAC). See Note 30(f).

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>2021</u> \$000	<u>2020</u> \$000
Handset sales. Note 2.23	20,027	43,477
Less - non-current portion	(1,626)	(4,461)
Current portion	<u>18,401</u>	<u>39,016</u>

(b) Contract liabilities:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Fixed and mobile telephone services. Note 2.23	89,626	73,454
Deferred installation fee. Note 2.23	73,479	61,767
IRU access rights (c)	48,016	47,168
Business project	26,069	23,938
Others	<u>1,703</u>	<u>3,006</u>
	238,893	209,333
Minus - non-current portion	(<u>70,520</u>)	(<u>59,669</u>)
Current portion	<u>168,373</u>	<u>149,664</u>

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

10 INVENTORIES

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Goods and supplies	198,236	152,914
Stock receivable	<u>51,231</u>	<u>41,432</u>
	249,467	194,346
Less Estimate for inventory devaluation (c)	(<u>13,870</u>)	(<u>26,058</u>)
	<u>235,597</u>	<u>168,288</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, 2021, was approximately S/1,217,451,000 (S/ 903,580,000 in the year 2020) 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, 2021 and 2020 is as follows:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Opening balance	26,058	18,548
(Recovery) provision for impairment of inventories, net. Note 28	(<u>12,188</u>)	<u>7,510</u>
Final Balance	<u>13,870</u>	<u>26,058</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>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Deferred costs of compliance obligation (b)	385,942	413,066
Client capture expenses (c)	242,033	116,979
Maintenance of licenses and computer equipment	36,815	14,909
Advances granted to suppliers	3,677	7,470
Insurance paid in advance	5,481	4,769
Advance payments for right of access (d)	3,183	3,581
Advertising paid in advance	823	2,018
Others	<u>85,526</u>	<u>67,750</u>
	763,480	630,542
Less - non-current portion	(<u>333,822</u>)	(<u>263,207</u>)
Current Portion	<u><u>429,658</u></u>	<u><u>367,335</u></u>

- (b) 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 at December 31, 2021 and 2020, includes the access rights not classified as lease as per the application of IFRS 16.

12 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

	Year	Share Percentage in Equity		Share Value Equity	
		2021	2020	2021	2020
		%	%	S/000	S/000
In subsidiaries:					
PangeaCo S.A.C. (in the pre-operational stage) (d)	Operate and provide all kinds of services of telecommunications, engage in the acquisition, possession, and operation of telecommunications infrastructure.	-	99.99	-	45
Telefónica Cloud Tech Perú S.A.C. (c) and 1.3(a) (in pre-operational stage)	Provision of any technology service in the cloud ("Cloud" services) virtualized communications, and hosting, housing or positioning services.	-	99.99	-	50
				-	95
In associates:					
Internet para Todos S.A.C. (b)	Operate and provide all types of telecommunications services.	256,506	54.67	54.67	235,676
Red Digital del Perú S.A.C. (e)	Development, administration, and support of a range of products and services for small, medium, and large companies.	-	40.00	-	8,431
				235,676	264,937
Other Share Investments:					
Wayra Peru Project Accelerator S.A.C.	Development and promotion of business projects based on innovative technology.	2.93	2.93	478	219
				478	219
				236,154	265,251

(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, Telefónica del Perú diluted its share to 54.67% of the IPT shares, and the Company also lost control of the subsidiary, thereby becoming an associate.

The following table shows the summary of the main items of the associate financial statements as of December 31, 2021 and 2020.

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Assets	621,233	521,952
Liabilities	190,145	55,224
Equity	431,088	466,728
Profit for the year	(26,978)	(10,993)

- (c) In 2020, the Company constituted Telefónica Cloud Tech Perú S.A.C. (TCTP), registered in Peru, 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:

	<u>January 1</u> <u>2021</u> <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.

(d) In 2020, Pangeaco SAC was incorporated in Peru with a cash contribution from Telefónica del Perú S.A.A. of S/45,000. This subsidiary was sold in the pre-operational stage to a group company in April 2021.

(e) Red Digital del Perú S.A.C.-

A company incorporated and domiciled in Peru, the Company's interest in its associate was sold in May 2021, thereby obtaining a profit of S/23,199,000.

The following table shows the summary of the main items of the associate financial statements as of December 31, 2020.

	<u>2020</u> S/000
Assets	46,317
Liabilities	23,512
Equity	22,805
Net Income	10,839

13 PROPERTIES, PLANT, AND EQUIPMENT, NET

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

	<u>Land</u> S/000	<u>Buildings and Other Constructions</u> S/000	<u>Plant</u> S/000	<u>Equipment and Other</u> S/000	<u>Furniture and Goods</u> S/000	<u>Works in Progress and Units by Received (b)</u> S/000	<u>Total</u> S/000
Cost							
As of January 1, 2020	114,072	1,382,674	25,148,472	1,052,752	122,495	810,386	28,630,851
Additions	-	-	-	-	-	465,610	465,610
Transfers	121	10,004	672,556	16,831	678	(700,190)	-
Transfer of intangible assets. Note 14(a)	-	-	-	-	-	1,700	1,700
Equity block transfer. Note 1.3(c)	-	-	(32,851)	(499)	-	(33,350)	-
Withdrawals and sales. Note 30	(9,311)	(96,776)	(63,577)	(849)	(16)	(881)	(171,410)
As of December 31, 2020	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	<u>86,690</u>	<u>1,205,019</u>	<u>26,143,199</u>	<u>1,084,869</u>	<u>125,427</u>	<u>500,119</u>	<u>29,145,323</u>
Accumulated Depreciation							
As of January 1, 2020	-	965,492	20,380,284	983,974	113,959	-	22,443,709
Depreciation for the Period	-	55,519	908,547	38,012	2,724	-	1,004,802
Equity block transfer. Note 1.3(c)	-	-	(7,837)	(189)	-	(8,026)	-
Withdrawals and Sales. Note 30	-	(67,685)	(46,067)	(839)	(10)	-	(114,601)
As of December 31, 2020	-	953,326	21,234,927	1,020,958	116,673	-	23,325,884
Depreciation for the period	-	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	<u>-</u>	<u>911,646</u>	<u>22,061,948</u>	<u>1,032,398</u>	<u>118,911</u>	<u>-</u>	<u>24,124,903</u>
Net Value							
As of December 31, 2021	<u>86,690</u>	<u>293,373</u>	<u>4,081,251</u>	<u>52,471</u>	<u>6,516</u>	<u>500,119</u>	<u>5,020,420</u>
As of December 31, 2020	<u>104,882</u>	<u>342,576</u>	<u>4,489,673</u>	<u>47,277</u>	<u>6,484</u>	<u>576,625</u>	<u>5,567,517</u>

- (b) As at December 31, 2021 and 2020, 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.
- (c) As of December 31, 2021 and 2020, 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.

14 INTANGIBLE ASSETS OTHER THAN CAPITAL GAINS, NET

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

	Administrative Concessions (b) S/000	Software (c) S/000	Software in Development S/000	Total S/000
Cost				
As of January 1, 2020	7,810,328	2,330,039	56,088	10,196,455
Additions	-	-	169,282	169,282
Transfer	-	82,605	(82,605)	-
Transfer to works in progress. Note 13(a)	-	-	(1,700)	(1,700)
Equity block transfer. Note 1.3(c)	-	(16,930)	-	(16,930)
Withdrawals	-	(46)	-	(46)
As of December 31, 2020	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	7,810,328	2,490,147	274,037	10,574,512
Accumulated depreciation				
As of January 1, 2020	5,981,813	2,136,595	-	8,118,408
Amortization for the Period	156,794	155,522	-	312,316
Equity block transfer. Note 1.3(c)	-	(11,506)	-	(11,506)
Withdrawals	-	(45)	-	(45)
As of December 31, 2020	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	6,295,401	2,376,874	-	8,672,275
Net Value				
As of December 31, 2021	1,514,927	113,273	274,037	1,902,237
As of December 31, 2020	1,671,721	115,102	141,065	1,927,888

- (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 2021 and 2020, corresponds mainly to corporate systems for the commercial area, office applications, control equipment software, and network management, among others.
- (d) As of December 31, 2021 and 2020, 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 Facilities Technical and Machinery S/000	Others Rights for Use S/000	Total S/000
Cost					
As of January 1, 2020	480,639	608,432	124,826	37,585	1,251,482
Additions (b)	102,019	36,794	41,337	285	180,435
Transfers	(18,856)	18,856	-	-	-
Equity block transfer. Note 1.3(b)	-	-	(17,711)	(4,664)	(22,375)
Withdrawals (c)	(41,820)	(66,776)	-	(70)	(108,666)
As of December 31, 2020	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
Accumulated Depreciation					
As of January 1, 2020	75,405	82,229	22,264	14,489	194,387
Depreciation for the period	80,616	93,358	22,563	12,572	209,109
Equity block transfer. Note 1.3(b)	-	-	(4,233)	(2,782)	(7,015)
Withdrawals (c)	(26,453)	(22,942)	-	(8)	(49,403)
As of December 31, 2020	129,568	152,645	40,594	24,271	347,078
Depreciation for the period	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
Net Value					
As of December 31, 2021	500,392	427,506	133,795	5,643	1,067,336
As of December 31, 2020	392,414	444,661	107,858	8,865	953,798

- (b) During 2021, the lease contracts of sites owned by third parties were transferred to Telxius Torres Perú S.A.C., a related company, increasing the periods of the same based on the end dates of the tower space rental contracts (located in these places). The foregoing thus recognized an increase in the rights of use for this increase of S/78,335,000 and a decrease of S/9,452,000 (during 2020 S/72,095,000 and a decrease of S/15,572,000, respectively) which corresponds to the initial period signed with the third party. During 2021, sales of assets with subsequent leasing were made, recognizing an addition for the right-of-use of S/71,062,000.
- (c) Corresponds to the transfer of lease contracts of sites for spaces used by Internet Para Todos S.A.C., which meant a reduction of rights-of-use of S/ 46,274,000.

16 CAPITAL GAINS

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

	<u>2021</u> \$000	<u>2020</u> \$000
Opening balance	1,215,145	1,215,145
Less, adjustment for impairment	(256,008)	-
Closing balance	<u>959,137</u>	<u>1,215,145</u>

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

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

As of December 31, 2021, the amount of capital gains, intangible assets, and property, plant and equipment, net of operating working capital has been compared to the recoverable value, and Management has determined the recording of an impairment adjustment for an amount of S/256,008,000 be allocated to capital gains at the date of the statement of financial position. See Note 2.13.

Key assumptions used in calculations of value in use -

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

- Gross margin
- Discount Rate
- Market share during the budgeted period; and
- Long-term growth rate used to extrapolate cash flows that go beyond the budget period.

Gross Margin -

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

Discount Rate -

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

As of December 31, 2021 and 2020, the pre-tax discount rate used was 14.47% and 12.64%, respectively, and the after-tax discount rate was 10.20% and 8.91%, 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, 2021 and 2020, which has been considered for the following years, is 2.40% and 2.70%, respectively.

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 2021 (keeping all other assumptions constant) would result in an additional impairment loss of S/156,415,000 and S/434,536,000, 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, 2021.

17 OTHER FINANCIAL LIABILITIES

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

	2021			2020		
	Portion Current	Portion Non Current	Total	Portion Current	Portion Non Current	Total
	S/000	S/000	S/000	S/000	S/000	S/000
Bonds (17.1)	282,824	2,723,837	3,006,661	145,836	2,943,715	3,089,551
Short-term debt (17.2)	<u>16,315</u>	<u>-</u>	<u>16,315</u>	<u>7,926</u>	<u>-</u>	<u>7,926</u>
	<u>299,139</u>	<u>2,723,837</u>	<u>3,022,976</u>	<u>153,762</u>	<u>2,943,715</u>	<u>3,097,477</u>

(b) The movement of the other financial liabilities as at December 31, 2021 and 2020, is as follows:

	Cash Flow				Changes that Do Not Produce Cash Flow		
	Opening Balance	New Loans	Interest Loans	Payment Accrued	Payment Interest	New Debt	Final Balance
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
2021							
Financial obligations	<u>3,097,477</u>	<u>-</u>	<u>(159,810)</u>	<u>(198,082)</u>	<u>219,114</u>	<u>64,277</u>	<u>3,022,976</u>
2020							
Financial obligations	<u>3,444,925</u>	<u>14,512</u>	<u>(343,127)</u>	<u>(226,567)</u>	<u>207,734</u>	<u>-</u>	<u>3,097,477</u>

17.1 Bonds -

(a) As at December 31, 2021 and 2020, the following bond issuances remained in effect:

Program	Issuance and Series	Date of Maturity	Amount Authorized S/000	Amount Used S/000	Total 2021 S/000	Current Portion		Non-Current Portion		
						2020 S/000	2021 S/000	2020 S/000	2021 S/000	2020 S/000
Fourth (*)	19th A	July, 2027	S/150,000	S/60,000	95,346	90,243	1,580	1,495	93,766	88,748
Fourth (*)	19th B	April, 2028	(**)	S/49,000	73,792	69,842	406	384	73,386	69,458
Fourth (*)	19th C	July, 2028	(**)	S/20,000	29,978	28,374	417	395	29,561	27,979
Fourth (*)	37th A	May, 2028	S/200,000	S/48,000	71,853	68,007	241	229	71,612	67,778
Fifth (*)	22nd A	October, 2021	(**)	S/24,000	-	32,776	-	32,776	-	-
Sixth (f)	11th A	June, 2023	S/400,000	S/260,000	261,010	260,984	1,010	984	260,000	260,000
Sixth	11th B	April, 2024	(**)	S/120,000	121,723	121,715	1,723	1,715	120,000	120,000
Sixth	12th B	May, 2021	(**)	S/70,000	-	70,372	-	70,372	-	-
Sixth	13th A	July, 2022	S/200,000	S/140,000	143,571	143,551	143,571	3,551	-	140,000
Sixth	14th A	September, 2022	S/200,000	S/100,000	101,680	101,666	101,680	1,666	-	100,000
Sixth	15th A	October, 2024	S/135,000	S/135,000	136,534	136,524	1,534	1,524	135,000	135,000
Sixth	16th. A	April, 2025	S/400,000	S/105,120	106,231	106,224	1,111	1,104	105,120	105,120
Sixth	17th A	May, 2030	S/250,000	S/60,000	67,012	63,426	262	249	66,750	63,177
First (f)	1st A	October, 2026	S/200,000	S/80,000	81,177	81,175	1,177	1,175	80,000	80,000
First (g)	Int. issue	April, 2027	S/1,700,000	S/1,700,000	<u>1,716,754</u>	<u>1,714,672</u>	<u>28,112</u>	<u>28,217</u>	<u>1,688,642</u>	<u>1,686,455</u>
Total					<u>3,006,661</u>	<u>3,089,551</u>	<u>282,824</u>	<u>145,836</u>	<u>2,723,837</u>	<u>2,943,715</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 sales effective as of December 31, 2021 and 2020, cause a weighted average annual interest rate of 6.90% and 6.83%, respectively. For its part, the weighted average "spread" of the VAC bonds in force as of December 31, 2021 and 2020, is 3.21% and 3.24%.
- (c) As at December 31, 2021 and 2020, the bonds issued as per contractual conditions matured as follows:

<u>Maturity Year</u>	<u>2021</u>			<u>2020</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>
2021	-	-	-	43,325	102,511	145,836
2022	42,824	240,000	282,824	-	240,000	240,000
2023	-	260,000	260,000	-	260,000	260,000
2024	-	255,000	255,000	-	255,000	255,000
2025	-	671,730	671,730	-	671,730	671,730
2026 onwards	-	1,537,107	1,537,107	-	1,516,985	1,516,985
Total	<u>42,824</u>	<u>2,963,837</u>	<u>3,006,661</u>	<u>43,325</u>	<u>3,046,226</u>	<u>3,089,551</u>

- (d) 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.
- (e) The amount authorized for the issuance of bonds is up to US \$1,650,000,000, outstanding or their equivalent in national currency, as approved by the General Shareholders' Meeting on March 24, 2017, of Telefónica del Perú S.A.A., within a term that was extended until December 31, 2022.
- 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.
- (f) 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)).
- (g) 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>2021 S/000</u>	<u>2020 S/000</u>
Ministry of Transport and Communications (b)	S/	9,592	-
Fideicomiso BBVA Banco Continental (c)	S/	-	7,926
Phoenix Tower International Peru S.A.C. (d)	S/	<u>6,723</u>	<u>-</u>
		<u>16,315</u>	<u>7,926</u>
Composition of the debt			
Principal		<u>16,315</u>	<u>7,926</u>
		<u>16,315</u>	<u>7,926</u>

(b) Installment payments for the mobile tax for the period 2021, matures in February 2022.

(c) Risk not transferred in the assignment of collection rights with the BBVA Banco Continental Trust. See Note 7(e).

(d) 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. See Note 30(f).

18 FINANCIAL LEASE LIABILITIES

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

	<u>2021</u>		<u>2020</u>	
	<u>Currency Foreign US\$000</u>	<u>Equivalent in Currency National S/000</u>	<u>Currency Foreign US\$000</u>	<u>Equivalent in Currency National S/000</u>
Financial Lease liability in foreign currency	123,055	491,974	77,267	280,016
Financial Lease liability in local currency	-	903,549	-	846,668
Finance lease	-	-	18	65
		<u>1,395,523</u>		<u>1,126,749</u>
Less - Non-current portion		<u>(1,066,667)</u>		<u>(790,481)</u>
Current portion		<u>328,856</u>		<u>336,268</u>

(b) Future payments as per the leases as at December 31, 2021 and 2020 are as follows:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
2021	-	353,601
2022	366,824	171,193
2023	252,026	151,210
2024	238,317	143,930
2025	214,211	128,323
2026 onwards	<u>528,358</u>	<u>236,568</u>
	<u>1,599,736</u>	<u>1,184,825</u>

(c) The current average annual rate of lease liabilities in soles as of December 31, 2021 is 5.64% and in dollars it is 3.98% (3.56% in soles and 3.39% in dollars as of December 31, 2020).

(d) As of December 31, 2020, it contains lease liabilities with Telxius Torres Perú S.A.C., a related company, for S/ 568,184,000.

19 TRADE ACCOUNTS PAYABLE

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
National suppliers (c)	867,061	773,483
Accrual of invoiceable related obligations. Note 23(d)	587,971	593,172
Foreign suppliers	280,698	201,083
Contractor security deposits	87,023	135,901
	<u>2,432</u>	<u>2,441</u>
	<u>1,825,185</u>	<u>1,706,080</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 at December 31, 2021 and, 2020, represented S/ 454,045,000 and S/ 414,163,000, 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.

(d) 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>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Salaries and vacations (b)	248,644	303,528
Taxes payable. Note 24(h)	50,569	28,392
Guarantee deposits	9,998	11,258
Dividends and returns payable to shareholders	2,705	16,683
Employee shareholding. Note 24(e)	417	15,801
Derivative financial instruments (d)	20,662	-
Collection commissioned to third parties (c)	-	8,695
Others	<u>11,523</u>	<u>18,799</u>
	344,518	403,156
Less - non-current portion (b)	<u>(37,546)</u>	<u>(135,412)</u>
Current portion	<u>306,972</u>	<u>267,744</u>
Financial liabilities classified as other		
Accounts payable	44,888	55,435
Non-financial liabilities classified as other		
accounts payable	<u>299,630</u>	<u>347,721</u>
	<u>344,518</u>	<u>403,156</u>

- (b) 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. Furthermore, approximately 14 positions have been identified to be terminated during the first quarter of 2022, for which a provision of S/15,787,000 has been set aside. In August 2020, Management began a retirement program identifying positions that did not fit the business model. This meant the termination of 130 employees at a cost of S/36,623,000. Likewise, in December 2020 the Company identified approximately 25 additional positions which will be released during the second quarter of 2021. Severance costs are estimated to be S/ 19,334,000.
- (c) As at December 31, 2020, this corresponds to collections made by the Company on behalf of Inter-American Investment Corporation, on rights assigned by the Company. See Note 7(e).
- (d) As at December 31, 2021, the Company had cash flow hedging contracts to reduce the exchange rate risk of the disbursements of certain OPEX and CAPEX operations, for a nominal value of US\$ 100,753,000 that has maturity dates during 2022. As of December 31, 2020, the hedging contracts were for US \$33,422,000. 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>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Litigation and risks, (c) and Note 33(b)	563,717	591,430
Decommissioning of towers. Note 2.19	53,545	45,980
Others (d)	<u>33,965</u>	<u>17,143</u>
	651,227	654,553
Less - non-current portion	(268,163)	(259,231)
Current portion	<u>383,064</u>	<u>395,322</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, 2020	579,029	49,906	10,989	639,924
Additions, See Note 33(b)	63,041	5,715	17,081	85,837
Disposals	- (	9,641)	(10,927)	(20,568)
Payments	(50,640)	-	-	(50,640)
As of December 31, 2020	591,430	45,980	17,143	654,553
Additions. See Note 33(b)	70,186	9,966	39,602	119,754
Write offs	- (	2,401)	(22,780)	(25,181)
Payments	(97,899)	-	-	(97,899)
As of December 31, 2021	<u>563,717</u>	<u>53,545</u>	<u>33,965</u>	<u>651,227</u>

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

Management and its internal and external legal advisors consider that the provisions recorded are sufficient to cover the risks that affect the Company's business as at December 31, 2021 and 2020, as described in Note 33(b).

(d) As of December 31, 2021 and 2020, "Others" includes a provision for tower reinforcement as a consequence of the 962 towers sold. See Note 30(f).

22 DEFERRED INCOME

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Grants, (b) and Notes 2.21 and 8(d)	78,195	95,317
Intégrame	1,395	2,533
Others	<u>17,949</u>	<u>12,786</u>
	97,539	110,636
Less - non-current portion	(67,884)	(81,359)
Current portion	<u>29,655</u>	<u>29,277</u>

(b) Deferred revenue from grants mainly includes:

- Lambayeque Project: corresponds to the contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the National Telecommunications Program -

PRONATEL), for the non-reimbursable financing of the Project "Integral Broadband Connectivity for development social activity in the northern part of the country."

The balance for this project as of December 31, 2021 and 2020 amounts to approximately S/75,917,000 and S/91,320,000, respectively. The Lambayeque project includes the construction of a transportation network for US \$11,613,000. The investment term was extended until 2027.

- BAS Project: corresponding to the contract signed on February 27, 2009, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable financing of the Broadband Project for Isolated Locations (BAS). The balance for this project ended in January 2020.
- Selva (Jungle) Project: corresponds to the contract signed on February 18, 2011, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable financing of the Project "Integration of rural areas and places of preferential social interest to the network of the mobile service - Selva." The balance for this project amounts to approximately S/2,278,000 and S/3,997,000 as of December 31, 2021 and 2020, 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>BAS</u>	<u>Selva</u>
Investment term	14 months	19 months	12 months
Period of operation	120 months	48 months	50 months
End of the contract	Continue with the obligation stipulated in the respective concession contracts		
Amount	US\$47,626,000	US\$48,849,000	US\$14,718,000

As of December 31, 2021 and 2020, the Company accrued income for S/13,728,000 and S/24,939,000, 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 2021 and 2020, the most significant transactions carried out by the Company with related entities were the following:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Revenues with related companies for:		
Rural Traffic Services		
- Internet para Todos S.A.C.	37,572	32,375
Rental of land		
- Telxius Torres Perú S.A.C.	267	667
Other non-recurring income related to:		
Sale of towers		
- Telxius Torres Perú S.A.C.	-	13,573

	<u>2021</u> \$000	<u>2020</u> \$000
Expenses with related companies for:		
Rural Traffic Services		
- Internet para Todos S.A.C.	(117,155)	(111,152)
Trademark use fee. Note 28(a)		
- Telefónica, S.A. (b)	(112,494)	(104,752)
Internet and fiber optic link services		
- Telxius Cable Perú S.A.C.	(88,779)	(75,469)
Systems Service		
- Telefónica Global Technology S.A.U.	(58,654)	(58,107)
Leasing of towers and sites		
- Telxius Torres Perú S.A.C.	(21,502)	(61,922)
Transfer of management capacity. Note 28(a)		
- Telefónica Latinoamérica Holding S.L. (c)	(993)	(10,075)
Transfer of management capacity. Note 28(a)		
- Telefónica Hispanoamérica S.A. (c)	(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) As of December 31, 2021, the Company has management capacity transfer contracts with Telefónica Hispanoamérica S.A. As of December 31, 2020 it was with Telefónica Latinoamérica Holding S.L.

(d) As of December 31, 2021 and 2020, the Company maintains the following trade balances with related entities:

	<u>2021</u>		<u>2020</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:				
Internet para Todos S.A.C.	15,103	38,556	18,953	10,576
Telefónica Global Solutions S.L.	11,291	12,606	33,714	17,686
Media Networks Latin América S.A.C.	21,426	33,701	15,972	37,092
Telxius Cable Perú S.A.C.	9,288	28,648	11,817	15,950
Telefónica Global Solutions Perú S.A.C.	5,378	11,369	4,663	13,545
Telefónica Digital España S.L.	4,438	23,041	3,213	27,306
Telefónica Data USA	3,062	888	2,754	803
Telefónica Cybersecurity & Cloud Tech Perú S.A.C.	7,349	61,485	-	14,027
Telefónica Ingeniería de Seguridad S.A. Sucursal del Perú	1,871	14,994	1,534	11,744
Fundación de Telefónica del Perú	1,493	-	1,476	-
Terra Networks Perú S.A.C.	578	-	955	25
Telefónica Latinoamérica Holding S.L.	433	-	397	9,264
Telefónica Servicios Audiovisuales S.A. Sucursal del Perú	96	-	559	13
Telefónica, S.A.	69	21,108	63	19,283
Pegaso Recursos Humanos S.A. de C.V.	-	-	1,458	-
Telefónica Gestión de Tecnología S.A.U.	-	8,393	-	9,317
Telefónica Compras Electrónicas	-	3,750	-	2,440
Telxius Torres Perú S.A.C.	-	-	3,029	2,634
Others	<u>19,060</u>	<u>22,159</u>	<u>22,518</u>	<u>9,378</u>
Commercial accounts receivable and payable related, (See Notes 7(a) and 19(a))	<u>100,935</u>	<u>280,698</u>	<u>123,075</u>	<u>201,083</u>

- (e) On September 30, 2020, the Company granted a loan to Telfisa Global B.V. for US \$135,000,000 equivalent to S/ 485,325,000 which was collected upon maturity on December 29, 2020. The loan accrued interest of S/ 682,000 at the annual rate fixed of 0.56%, and is presented in the Note "Financial income and expenses" of the income statement. See Note 31(a).

As at December 31, 2021 and 2020, the Company had an account payable to Telefónica S.A. for an amount of approximately S/9,320,000 and S/7,873,000, 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 2021. See Note 2.25.

The Company obtained a loan payable from Telefónica Hispanoamérica, S.A. for US \$180,000,000 equivalent to S/ 647,820,000, which was paid upon maturity on December 30, 2020 and accrued an interest expense of S/ 10,015,000 at a fixed annual rate of 2.36%. The foregoing is presented in the note "Financial income and expenses" of the income statement. See Note 31(a).

(f) Loans to Staff -

The Company grants loans to its staff and officers for terms of up to 24 months. The interest rates applied are generally below the interest rates existing in the market; however, the other loan terms are substantially the same as those of the market. The balance of the loans to employees was approximately S/13,069,000 and S/ 16,620,000 as of December 31, 2021 and 2020, respectively. The loans are presented in the section "Other accounts receivable, net" of the statement of financial position. See Note 8(a).

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

The remuneration received by the directors and key management personnel amounted to approximately S/ 23,150,000 during 2021 (approximately S/25,436,000 in 2019), which include short-term benefits, compensation for time served, and others.

- (h) As of December 31, 2021, the Group maintains current accounts in Telfisa Global, B.V., for an amount of US\$3,826,000 equivalent to S/15,208,000, which are presented under the heading "Cash and cash equivalents." (As at December 31, 2020, the Group held current accounts in Telfisa Global, B.V., for an amount of US \$4,987,000, equivalent to S/ 18,043,000, 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, 2021 and 2020, 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, 2021 and 2021, will be collected and paid in the short term.

24 TAX SITUATION

(a) Deferred Taxes -

The movement of the item is as follows:

	As of January 1 2020 S/000	Credit (Charge) to the state results S/000	Credit (charge) to the statement of financial position S/000	Credit (charge) of other comprehensive results S/000	As of 31 December 2020 S/000	Credit (Charge) the state results S/000	Credit (charge) to the state statement of financial position S/000	Credit (charge) of other comprehensive results S/000	As of 31 December 2021 S/000
Deferred Assets / (Liabilities)									
Depreciation	338,280	21,549	(720)	-	359,109	(1,371)	(872)	-	356,866
Estimate for doubtful account collection	319,232	24,512	-	-	343,744	27,971	-	-	371,715
Provision for various contingencies	34,893	(607)	-	-	34,286	(758)	-	-	33,528
VAC Bonds	25,125	1,028	-	-	26,153	5,707	-	-	31,860
Personnel expenses	91,121	1,148	(34)	-	92,235	(18,260)	(57)	-	73,918
Provision for decommissioning of equipment	7,369	(18,416)	-	-	(11,047)	4,824	-	-	(6,223)
Others	34,715	(1,218)	-	-	33,497	(5,676)	-	-	27,821
Lambayeque project subsidy	33,768	5,373	-	-	39,141	3,899	-	-	43,040
Expenses with non-resident	29,566	30,924	-	-	60,490	(9,434)	-	-	51,056
Deterioration of inventories and property, plant, and equipment	5,585	2,216	-	-	7,801	(3,595)	-	-	4,206
Deferred income from tower sales	574	-	-	-	574	-	-	-	574
Finance lease	(6,800)	-	-	-	(6,800)	-	-	-	(6,800)
Other deferred income	33	-	-	-	33	-	-	-	33
Payroll capitalization for plant construction	(175)	-	-	-	(175)	-	-	-	(175)
Financial instruments	(375)	202	(166)	(166)	(339)	-	-	2,563	2,224
Amortization of software licenses	(750)	290	181	-	(279)	13,750	(6)	-	13,465
Allocation of the price paid for fixed assets	(3,170)	2,374	-	-	(796)	-	-	-	(796)
Cost attributed to fixed assets	(12,345)	-	-	-	(12,345)	-	-	-	(12,345)
IFRS 15	(63,780)	13,310	-	-	(50,470)	(31,115)	-	-	(81,585)
IFRS 16	49,150	15,061	(370)	-	63,841	44,123	-	-	107,964
Administrative concession	(536,439)	45,925	-	-	(490,514)	45,571	-	-	(444,943)
Deferred costs and income-Decos	(154,776)	24,844	-	-	(129,932)	(2,346)	-	-	(132,278)
Income from connection fee	15,516	1,152	-	-	16,668	(3,260)	-	-	13,408
Capitalized finance costs	(4,594)	554	-	-	(4,040)	645	-	-	(3,395)
Tax loss	762	516	-	-	1,278	20,907	-	-	22,185
Total Deferred Assets/(Liabilities), net	<u>202,485</u>	<u>170,737</u>	<u>(943)</u>	<u>(166)</u>	<u>372,113</u>	<u>91,582</u>	<u>(935)</u>	<u>2,563</u>	<u>465,323</u>

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

	<u>2021</u> \$000	<u>2020</u> \$000
Deferred Income Tax Assets:		
Expected reversal in the next 12 months	63,659	69,156
Expected Reversal after 12 months	<u>401,664</u>	<u>302,957</u>
Total, Deferred Income Tax	<u>(465,323)</u>	<u>372,113</u>

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

	<u>2021</u> \$000	<u>2020</u> \$000
Current	672,153	102,339
Deferred	<u>(91,582)</u>	<u>(170,737)</u>
	<u>580,571</u>	<u>(68,398)</u>

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

	<u>2021</u> S/000	%	<u>2020</u> S/000	%
Pre-tax income	(1,045,530)	<u>100.00</u>	(763,616)	<u>100.00</u>
Income tax according to tax rate (income)	(308,431)	29.50	(225,267)	29.50

Tax Impact:

Contingencies and taxes (non-deductible). Notes 21 and 33(b)	692,892	(66.27)	61,959	(8.11)
Expenses from prior years	6,729	(0.64)	5,004	(0.66)
Results in subsidiaries and associates	5,974	(0.57)	773	(0.10)
Capital gains impairment	75,522	(7.22)	-	-
Expenses not allowed	74,934	(7.17)	55,842	(7.31)
Derivative instruments	(8,728)	0.83	2,169	(0.28)
IRD Recovery Evaluation	26,679	(2.55)	27,326	(3.58)
Debt forgiveness	3,501	(0.33)	4,188	(0.55)
Others, net	<u>11,499</u>	<u>(1.10)</u>	<u>(392)</u>	<u>0.05</u>
Expenses / (Income) from Income Tax	<u>580,571</u>	<u>(55.52)</u>	<u>(68,398)</u>	<u>8.96</u>

- (e) The Company is subject to the Peruvian tax regime. The income tax rate as of December 31, 2021 and 2020, 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 resident in territories with low or no taxation must be supported by documentation and information on the valuation methods used, and the criteria

considered for their determination. Based on the analysis of the Company's operations, Management and its legal advisors believe that, as a consequence of the application of these standards, no material contingencies will arise for the Company as at December 31, 2021 and 2020 .

As at December 31, 2021, the Company recorded a provision for income tax of S/ 27,628,000 that, net of the payments of tax installments and the other provisions recorded, resulted in a balance of S/ 182,992,000 (S/ 102,339,000 from income tax payable. The foregoing's net effect of tax installment payments and other recorded provisions resulted in a positive balance of S/ 136,886,000 as at December 31, 2020). The balance is thus presented as an asset. Likewise, the Company produced a tax loss in 2018, amounting to S/ 188,263,000; for which deferred income tax of S/ 55,538,000 was recorded. The Company substantially compensated for the 2018 tax loss through the generation of taxable income in 2019 by means of the management plans described in Note 3.1(iii). In 2021, the Company had a tax loss of S/75,204,000, which it expects to recover in 2022 due to Management's plans.

In accordance with the requirements of IFRIC 23 uncertainties in the processing of income tax, the Company maintains provisions for 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. These balances show a net increase in the provision as of December 31, 2020 of S/602,111,000, as a consequence of the (i) change in the contingency rating related to the carry-over of the balance in favor of fiscal year 1999 in the determination of the annual payment, and the monthly payments on account of income tax for fiscal year 2000, and the consequent adjustment of the provision of S/939,549,000; and (ii) rebate of the provision of S/477,577,000 registered in the first quarter as a result of the judgment issued by the Constitutional Court in the amparo action initiated by it. See Note 33(b), (S/2,217,840,000 current Income Tax, and S/78,380,000 in current long-term Income Tax as of December 31, 2020).

- (g) The sworn declarations on the income tax and the general sales tax for the years 2016 to 2021 are pending inspection by the Tax Authority in Peru. During the 2017 and 2016 periods, the 2009 and 2010 tax periods for income tax were audited.

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

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's Management and its legal advisors, any possible additional tax settlement will not be significant for the consolidated financial statements as at December 31, 2021 and 2020.

- (h) As at December 31, 2021 and 2020, the "Other accounts payable" item included other taxes for approximately S/ 50,569,000 and S/ 28,392,000 respectively.

In accordance with Supreme Decree No. 013-93-TCC, which approves the Single Ordered Text of the Telecommunications Law, and its Regulations, approved by Supreme Decree No. 020-2007- MTC,

the Company, as a telecommunications service concessionaire, must pay the following rights and fees:

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

The amount recorded as an expense for these items amounts to approximately S/93,331,000 and S/91,060,000 for the years ending December 31, 2021 and 2020, 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 2021, certain tax provisions were published. The most significant points are detailed below:

- Through Supreme Decree No. 271-2021-EF, regulatory norms are issued that, among others, regulate how the percentage of work progress referred to in clause b) of paragraph 3.1 of article 3 of Legislative Decree No. 1488 will be determined " Special Accelerated Depreciation Regime", regarding constructions that, without being completed as of December 31, 2022, are used in the generation of taxable income. Likewise, the depreciation accepted for tax purposes will be that which does not exceed the corresponding maximum percentage, even if the depreciation recorded during the year is lower, and tax depreciation will not be accepted if the depreciation of the fixed assets is not recorded during the tax year in the accounting books and records.
- Through Supreme Decree No. 402-2021-EF the Regulations of the Income Tax Law Modifications in relation to the deduction of net interest is amended. It has a limit of 30% EBITDA of the previous year regulated in subsection a) of Article 37 of the Income Tax Law:
 - EBITDA is calculated by adding to the net income for the year, the net interest, depreciation and amortization that would have been deducted to determine such net income, after offsetting the losses referred to in Article 50 of the Law.
 - In those cases in which in the taxable year the taxpayer does not obtain net income or, having obtained such income, the amount of losses from previous years that can be offset against such income is equal to or greater, EBITDA will be equal to the sum of net interest, depreciation, and amortization deducted in the year in question.
 - Net interest is calculated by deducting the interest income subject to income tax from the interest expense, which complies with the provisions of the first paragraph of paragraph a) of Article 37 of the Law and which is allocable in the year in accordance with the provisions of the Law and, if applicable, with other regulations that establish special provisions for recognizing the expense.
 - The net interest that is not deductible in the taxable year for exceeding the limit of thirty percent (30%) of EBITDA, may be deducted in the four (4) immediately following years, together with the net interest of the corresponding year. In the above assumption, the net interest not deducted must be added to the net interest of the following fiscal year(s) and will only be deductible in the part that does not exceed thirty percent (30%) of the EBITDA.

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

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

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

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

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

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

25 EQUITY

(a) Issued Capital -

As at December 31, 2021 and 2020, 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/ 0.86 each. See Note 32.

The capital structure issued as at December 31, 2021 and 2020, is composed in percentages of the following share classes:

	<u>2021</u> %	<u>2020</u> %
Class B		
Telefónica Hispanoamérica, S.A.	98.939	98.939
Other Minor Shareholders	1.055	1.055
Class C	0.006	0.006
	<u>100.000</u>	<u>100.000</u>

Class "B" and "C" shares enjoy the same rights, privileges, and restrictions, except for the provisions of article 27 of the Company's bylaws, related to the appointment of directors, who may not be less

than five (5) nor more than nine (9) members. The class "B" shares choose as many directors as required to complete the number of members set by the General Shareholders' Meeting for each term while bearing in mind the director that, where appropriate, has the task of designating the shareholders for class "C".

Furthermore, 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 -

These correspond 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.

The legal reserve as of December 31, 2021 and 2020, 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 2021 and 2020, the unrealized loss generated by the valuation of hedging derivatives amounts to S/8,610,000 and S/485,000, respectively. The net loss of its tax effect amounts to S/6,047,000 (S/319,000 in 2020). See Note 17.2(d).

26 FIXED BUSINESS INCOME

The following shows the composition of this item:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Services	2,824,862	2,785,517
Data + IT	436,935	430,840
Wholesaler	167,004	169,154
Handsets	72,734	77,253
Others	59,068	74,955
	<u>3,560,603</u>	<u>3,537,719</u>

27 MOBILE BUSINESS INCOME

The following shows the composition of this item:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Postpaid	1,705,599	1,644,337
Terminals	964,849	667,020
Prepaid	589,093	559,274
Wholesaler	145,329	150,521
Others	<u>83,742</u>	<u>17,792</u>
	<u>3,488,612</u>	<u>3,038,944</u>

28 GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Services provided by third parties (c)	3,437,585	3,249,368
Taxes and royalties (b)	163,297	188,189
Provision for doubtful accounts and for Impairment of Inventories. Notes 7(c), 8(f), and 10(c), Net of recoveries	390,455	492,985
Fee for brand use and transfer of management capacity. Note 23(a)	125,579	114,827
Various management charges	<u>28,028</u>	<u>25,218</u>
	<u>4,144,944</u>	<u>4,070,587</u>

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

(c) Third-party services include:

	<u>2021</u> \$000	<u>2020</u> \$000
Fees, commissions and services	1,527,108	1,390,932
Television signals and circuits	680,240	655,732
Maintenance and repair	350,864	345,348
Interconnection and correspondent expenses	257,447	262,403
Capacity services	161,372	157,696
Basic services	133,477	133,677
Advertising	95,578	84,350
Rentals	38,868	34,737
Value-added services	24,444	24,188
Transportation and storage	23,226	30,068
Roaming expenses	18,432	11,969
Others	126,529	118,268
	<u>3,437,585</u>	<u>3,249,368</u>

29 PERSONNEL EXPENSES

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

	<u>2021</u> \$000	<u>2020</u> \$000
Remuneration	523,548	534,731
Restructuring expenses. Note 20(b)	135,031	61,943
Security and Social Welfare	69,910	55,755
Compensation for Long Service	38,481	40,148
Employee shareholding	-	19,666
Other personnel expenses	15,668	9,589
Payroll capitalization for plant construction	(55,665)	(54,998)
	<u>726,973</u>	<u>666,834</u>

(b) The Company has 3,664 employees as of December 31, 2021 (4,165 as of December 31, 2020).

30 OTHER OPERATING INCOME AND EXPENSES

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

	<u>2021</u> \$000	<u>2020</u> \$000
Other operating income		
Income from Asset Disposal (c), (d), (e) and (f)	59,096	80,014
Government Grants. Notes 8(d) and 22(b)	13,728	24,939
Claims reimbursement	-	12,134
Others	12,904	38,185
	<u>85,728</u>	<u>155,272</u>
Other Operating Expenses		
Other provisions (b)	(31,983)	(21,621)
Others	(20,725)	(9,583)
	<u>(52,708)</u>	<u>(31,204)</u>

- (b) The other provisions 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 at December 31, 2021 and 2020, asset sales created a net profit; the composition of which is detailed below:

	<u>2021</u> \$000	<u>2020</u> \$000
Net Profit from Disposal of Assets (e)		
Income from Asset Sales	175,414	169,683
Net cost of assets sold	(116,318)	(89,669)
	<u>59,096</u>	<u>80,014</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. The net profit from this operation was S/ 11,953,000.
- (e) In October 2020, the sale of Telefónica Cybersecurity & Cloud Tech Peru S.A.C. was completed in Peru for S/47,565,000, which included the assets related to this line of business. The net profit from this operation was S/17,223,000.
- (f) In 2021, a contract for the sale of 42 towers was signed, which meant an income of S/18,125,000 and a profit of S/9,867,000, and furthermore a 10-year rental contract was signed.

In 2021, various properties were also sold, providing an income of S/115,303,000 and a profit of S/37,111,000. The Company signed a lease contract for up to 10 years to guarantee operations.

In 2020, contracts were signed for the transfer of ownership of up to 18 towers in favor of Telxius Torres Peru for S/ 7,186,000, plus IGV. In order to safeguard the continuity of telecommunications services, a contract for the usufruct of spaces in the same towers for a period of 10 years was signed, for which the Company must pay rent to Telxius. See Note 18(d).

In 2020, income is recognized from the sale of towers in 2019 by the devolution agreement which amounts to S/6,387,000.

Likewise, various properties were sold in 2020 for S/108,473,000, which contributed a profit of S/57,220,000. The Company signed lease contracts for up to 10 years for certain properties.

31 INCOME AND FINANCIAL EXPENSES

The following shows the composition of this item:

	<u>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Financial income		
Interest on Accounts Receivable	6,107	44,439
Time Deposit Interest	2,316	3,079
Profit on Disposal of Financial Investments	23,199	-
Others	<u>81</u>	<u>133</u>
	<u>31,703</u>	<u>47,651</u>
Financial Expenses		
Interest on Bonds and Commercial Papers	(216,214)	(208,744)
Lease interest	(70,528)	(39,614)
Interest on other debts	(2,901)	(15,398)
Loss from Financial Instruments for		
Interest Rate Hedge	(29,038)	(19,992)
Others	<u>(70,518)</u>	<u>(53,512)</u>
	<u>(389,199)</u>	<u>(337,260)</u>
Net Exchange Differences		
Net loss from net exchange differences	(104,073)	(97,595)
Net Income from Exchange Differences		
Related to Derivative Financial Instruments	<u>105,985</u>	<u>89,356</u>
	<u>1,912</u>	<u>(8,239)</u>

32 LOSS PER SHARE

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

	<u>Shares in circulation</u>	<u>Days of validity during period</u>	<u>Average weighted of shares</u>
2020 Fiscal year			
Balance as of January 1, 2020	<u>3,344,363,158</u>	360	<u>3,344,363,158</u>
Balance as of December 31, 2020	<u>3,344,363,158</u>		<u>3,344,363,158</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>

(b) The calculation of the loss per basic and diluted share for the years ending December 31, 2021 and 2020, is presented below:

<u>2021</u>		<u>2020</u>			
<u>Income (numerator) S/000</u>	<u>Number of shares (denominator)</u>	<u>Income share S/000</u>	<u>Loss (numerator) S/000</u>	<u>Number of shares (denominator)</u>	<u>Loss on share S/000</u>
(1,626,101,000)	3,344,363,158	(0.486221)	(695,218,000)	3,344,363,158	(0.207878)

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, 2021, these bond letters amount to approximately S/1,911,506,000 and US\$84,841,000 (S/1,866,211,000 and US\$90,558,000 as of December 31, 2020).

Operating Lease Commitments - Company as Lessee -

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

The future minimum payments as per non-cancellable operating leases as at December 31, 2021 and 2020, 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>2021</u> <u>\$000</u>	<u>2020</u> <u>\$000</u>
Under one year	8,092	9,336
Between One Year and Less Than 3 Years	<u>21,974</u>	<u>-</u>
	<u>30,066</u>	<u>9,336</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.

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

In certain cases, the Company has decided to appeal particular decisions made by SUNAT and the Tax Court (TF). In other cases, the Company has proceeded to pay the amounts for those defined.

Insofar as:

I. Income Tax:

(a) Fiscal year 1998 -

On July 21, 2011, the TC [Tax Court], by means of Resolution No. 11450-5-2011, issued a pronouncement for the 1998 fiscal year.

SUNAT, for its part, in compliance with the aforementioned Resolution of the TF, dated October 3, 2011, notified the Company of Intendancy Resolution No. 0150150001023, which contemplated an amount of S/ 69,386,327 in favor of the Company.

The Company filed an appeal against the decision before the Tax Court as it did not agree with the balance in favor determined by SUNAT. The Tax Court hearing the aforementioned appeal and by means of Resolution No. 974-5-2012: (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 (DCP), 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.

As per the above-mentioned resolution, SUNAT, on June 20, 2012, notified the Company via Intendancy Resolution No. 0150150001100. When said Resolution was not found to comply with the law, on July 11, 2012, the Company filed an appeal, which was resolved by Tax Court Resolution (TCR) No. 18121-5-2012 (notified on November 2, 2012). The Tax Court ruled that SUNAT could not ignore the credit for donations in the determination of the Tax.

On November 5, 2012, the Company was notified with Intendancy Resolution No. 0150150001152 through which SUNAT, in compliance with the TCR mentioned in the previous paragraph, determined a balance for the 1998 fiscal year of S/137,706,421. As such, the administrative proceedings for this file were terminated.

Notwithstanding the foregoing, on October 10, 2011, the Company filed a contentious-administrative claim against Tax Court Resolution No. 11450-5-2011, by means of which it requests the partial nullity of said Resolution in those cases in which it confirms the modifications for: (i) DCP; and (ii) billing for leases (TPI) [TPI =International Preferential Treatment]. 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 in part confirmed by the Superior Court. An appeal for cassation was filed against the judgment of the Superior Chamber, by virtue of which the Supreme Court declared the nullity of the aforementioned resolution at the end of the DCP and ordered that the Superior Court issue a new judgment, and confirmed the challenge to the TPI in a definitive and favorable manner for the Company.

On July 31, 2019, the Company was notified with the new judgment of the Superior Court that declared the DCP's appeal founded; however, only with respect to the telephone billing. Both parties filed a cassation appeal. The cassation appeals were declared admissible. Since December 1, 2020, the rescheduling of the oral hearing is still pending.

During the course of the aforementioned judicial process, the Company obtained a partial precautionary measure regarding the appeal by the TPI and that the appeal by the DCP was unfounded. The Superior Court, through Resolution No. 16 of October 29, 2015, granted the extension of the precautionary measure regarding this appeal.

It should be noted that a precautionary measure was requested to suspend the effects of the resolution of the contentious-administrative process. On January 17, 2022, the Letter of Guarantee was presented for the amount of S/359,065,459, corresponding to the period 2022-2023.

In relation to the DCP, after the corresponding evaluation ratified by the external legal advisors, there are legal arguments to consider that it will be definitively resolved in terms favorable to the Company. Consequently, the contingency must be classified as remote.

On August 7, 2012, the Company was notified of a contentious administrative complaint filed by SUNAT requesting partial nullity of TCR No. 11450-5-2011, as ruling in favor of the company, the Court permitted the revocation of deductions for the account for exceptional expenses. On April 24, 2019, the Supreme Court's resolution finding in favor of the lawsuit was notified. As such, on November 11, 2019, Intendancy Resolution No. 0150160000145 was communicated, and by means of which SUNAT now proceeds to rectify the balance in favor of the 1998 Income Tax.

On May 14, 2013, we were notified with a contentious-administrative claim filed by SUNAT requesting the partial nullification of TCR No. 974-5-2012, to the extent that, ruling in our favor, it decided to revoke the objections due to exchange differences from different accounts. The main argument is that the

TCR has determined that all exchange differences are computed for the determination of net income, in contravention of Article 61 of the Income Tax Law that establishes that it will only be computed in the manner indicated above when dealing with taxable activities. The claim was declared unfounded in the first instance and confirmed by the Superior Chamber on March 21, 2016, for which SUNAT filed a cassation appeal. On January 14, 2020, the votes were notified and reflected the following: three supreme members voted declaring SUNAT's cassation unfounded and, consequently, the claim unfounded; one member voted for the annulment of the resolution of the Superior Court; and one voted in favor of SUNAT's cassation, and thus consequently, its claim founded also founded. On October 23, 2020, final decision hearing was held. By means of resolution of March 31, 2021, the casting vote was notified, which sided with the majority vote and consequently, SUNAT's appeal was declared unfounded. On May 19, 2021, the conclusion and finalization of the proceedings was ordered.

Against what was decided by the Supreme Court, SUNAT filed a request for amparo in order to declare the nullity of the resolution that ruled on the exchange rate objection in our favor, 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, we answered the request, pending the scheduling of the Oral Report in the first instance.

According to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

(b) Fiscal Year 1999 -

The TC, by means of TCR No. 16603-4-2010, notified on December 23, 2010, finalized the administrative procedure corresponding to the aforementioned fiscal year by declaring the nullity of all the proceedings by SUNAT in relation to the same, and furthermore, allowed the Company to invoke its statute of limitations. As such on April 4, 2012, the Company requested the statute of limitations for the aforementioned fiscal year. On May 4, 2012, SUNAT, by virtue of Intendancy Resolution No. 011-020-0000323/SUNAT, notified that the statute of limitations for the fiscal year in question be declared.

In the opinion of the Management, and its legal advisors, there are legal arguments holding that the statute of limitations for the aforementioned fiscal year impedes SUNAT from undertaking a new determination. As such, the balance determined by the Company in 1999 should be that which SUNAT assigns to the year 2000 fiscal year.

(c) Fiscal years 2000 and 2001 -

On December 29, 2010, The Tax Court, by means of TCR No. 17044-8-2010, (and later clarified by TCR No. 1853-8-2011, notified on February 11, 2011) gave notification of finalizing the administrative procedure corresponding to the aforementioned fiscal years.

As these resolutions were not in accordance with the law, the Company filed (on March 21, 2011) a contentious-administrative action against SUNAT and the Tax Court, requesting partial nullity of TCR No. 17044-8-2010, TCR No. 17133-8-2010, and TCR No. 01853-8-2011, insofar as the challenges to: (1) financial charges - FC, (2) DCP, (3) TPI, (4) disposal of assets by means of the transfer of equity to Telefónica Móviles S.A.C. -Reorganization-, and (5) the costs of fixed assets deducted off the books as an expense (overhead) made against the Company. In addition, the Company requested the partial nullity of TCR No. 17133-8-2010, insofar as the compensation of interests corresponding to the payments on account for the year 2000 fiscal year.

On March 20, 2013, a judgment was issued in the first instance, through which the claim was partially founded, protecting the claim of full jurisdiction over the objections to (i) financial charges; (ii) provision for doubtful collections; and (iii) indoor public telephones. Conversely, our claims regarding the objections of (i) disposal of assets due to transfer of assets to Telefónica Móviles S.A.C. - Reorganization- and (ii) costs of fixed assets deducted off-the-books as overhead expenses were declared unfounded. The ruling was appealed by TDP, SUNAT, and the Tax Court.

However, the meaning of the ruling, as a consequence of the analysis carried out and ratified by the legal opinion of the external advisers in charge of the process, is that the initial provision provided by the Company should be maintained.

Subsequently, the higher body partially confirmed the ruling that declared the claim partially founded regarding to the objections to deductions for financial charges and provision for doubtful collection, and furthermore partially confirmed the objection to the documents that do not support expenses. In the case of the objection referred to the provision of doubtful collection, the Court validated the collection management carried out by the Company only with regard to the telephone receipt as long as the indication of the pending debt is recorded. The Court rejected the rest of the collection procedures carried out and ordered that all receipts sent be reviewed again. Furthermore, it upheld the issues that did not protect our challenges for the disposal of assets by transferring assets to Telefónica Móviles S.A.C. –Reorganization – and fixed asset costs deducted off the books as expenses –Overhead. Both parties involved in the process presented appeals, which were admitted and declared admissible. Once the oral report was made on July 11, 2019, the votes of the supreme members were notified. The Supreme Court ruled in favor of SUNAT in terms of the objections to Overhead, Simple Reorganization, and Financial Charges, and in favor of the Company regarding the objection to the TPI, whilst no quorum was obtained regarding the objection to the DCP. Subsequently, after having made the two oral reports before the voting members, and with a majority result, the Superior Court ruling was declared null and void, and a new ruling was issued regarding said appeal. On July 29, 2020, the second instance judgment declared the DCP objection unfounded. On September 21, 2020, the file entered the Supreme Court, and the qualification of the appeal filed by the Company against said judgment is pending.

Regarding the appeals to financial charges, simple reorganization and overhead, the Company reassessed its contingencies in 3Q2019 based on the ruling issued by the Supreme Court. Consequently, the qualification of the case has been adjusted to probable. Regarding the TPI appeal, the qualification of the appeal has been maintained as remote, as it was resolved in favorable terms for the Company. Regarding the DCP appeal, the qualification of the case remains remote.

During the aforementioned proceedings, the Company obtained a partial precautionary measure pursuant to which the suspension of the effects of the disputed resolutions was ordered with respect to the following objections: (1) CF, (2) DCP and, (3) TPI.

On May 7, 2021, our Surety Letter was renewed for the amount of S/ 763,421,534, corresponding to the 2021-2022 period.

On October 4, 2011, as per TCR No. 17044-8-2010 and TCR No. 1853-8-2011, SUNAT gave notice of Intendancy Resolution No. 0150150001030 by means of which SUNAT determined an alleged tax debt amounting to S/ 2,379,451,375.

On October 24, 2011, the Company filed an appeal before the Tax Court against the aforementioned Intendancy Resolution. SUNAT conditioned the admissibility of the same appeal on the prior payment by the Company for the amount of S/1,627,950,109. Subsequently, SUNAT, due to the precautionary measure obtained by the Company in the contentious administrative proceeding initiated against TCR No. 17044-8-2010, reduced the amount of the alleged debt to a total of S/619,814,185.

On November 30, 2011, the Company filed a complaint before the Tax Court against the admissibility requirement that SUNAT had required to admit the appeal mentioned in the preceding paragraph. While the aforementioned appeal is in process, SUNAT notified the Company of a Coercive Execution Resolution for the amount of S/134,353,008, which the Company has also questioned.

The Company (notwithstanding the payment of S/134,353,008 under protest) appealed to the Tax Court (in complaint) regarding the aforementioned Coercive Execution Resolution because it understood that the request made by SUNAT lacked legal basis. On January 27, 2012, the Complaint Appeal filed by the Company was resolved (in favor of the Company) with the Tax Court stating that there was no coercively enforceable debt.

On February 22, 2012, adjudicating the appeal filed against Intendancy Resolution No. 0150150001030, the Tax Court communicated Resolution No. 01973-8-2012 by which it ordered SUNAT to issue a new Intendancy Resolution.

On April 1, 2013, the Company was notified with Intendancy Resolution No. 0150150001203 (replaced by a Resolution of the same number notified on April 3, 2013, which in turn was modified by Intendancy Resolution No. 0150190000041, notified on April 4, 2013) by means of which SUNAT complied with the provisions of the Tax Court. Considering that the aforementioned Resolution does not comply with the provisions of the Tax Court, on April 19, 2013, the Company filed an appeal, which was adjudicated by means of TCR No. 13365-3-2013 and notified on September 23, 2013. In this resolution, the Tax Court upheld the declaration on the Intendancy Resolution issued. On October 7, 2013, the Company submitted a request for clarification, considering that it is not possible to determine the Income Tax for the year 2000; while Chamber 11 of the Tax Court still has a case determination pending related to payments on account of the year 2000.

On November 6, 2013, the Company was notified with TCR No. 15989-3-2013, which confirms that it is not possible to determine Income Tax for the year 2000 until the process related to the payments on account finalizes. On July 1, 2015, the Company was notified with Intendancy Resolution No. 0150150001364, by means of which SUNAT complied with the provisions of the Tax Court. Demonstrating discord with that stated in the aforementioned resolution, on July 22, 2015, SUNAT filed an appeal, which was adjudicated by Resolution No. 1323-3-2017, which provides that for the settlement of this fiscal year such payment can proceed after resolving the case regarding payments on account and in the cases of the return of payments made by coercive collection.

Notwithstanding the aforementioned, it is important to specify that after the issuance of Intendancy Resolution No. 0150150001203, SUNAT communicated Coactive Execution Resolution No. 011-006-0044540, by means of which it demands the payment of S/150,842,142 related to the Income Tax fine for the year 2000. The Company (without prejudicing the payment of S/150,842,142 under protest) appealed to the Tax Court (in complaint) regarding the aforementioned Coercive Execution Resolution as the SUNAT request lacked legal basis.

On January 6, 2014, the Company was notified of TCR No. 18209-Q-2013, which upheld the submitted Appeal. On May 12, 2014, SUNAT filed a contentious administrative action against the aforementioned TCR, which was declared inadmissible by the Superior Court, thus our appeal was upheld. However, the Supreme Court upheld the appeal filed by SUNAT, and consequently ordered the judge of first instance to reconsider the claim. As such, the court admitted the claim for processing. On December 14, 2020, the oral report was carried out in the first instance. On December 14, 2021, a judgment declared the SUNAT lawsuit unfounded in all its aspects. On January 10, 2022, SUNAT filed an appeal. To date, the scheduling of the hearing of the second instance case is pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

On February 24, 2014, SUNAT communicated Coactive Resolution No. 0110070101757 by means of which the coercive collection procedure was revoked, although without ruling on the payment made by the Company. On April 23, 2014, two briefs were submitted to the coercive executor requesting the return of S/134,353,008 (paid in January 2012) and S/150,842,142 (paid in November and December 2013). On May 8, 2014, the coercive executor gave notification of Coactive Resolutions No. 0110070109273 and No. 0110070109274 whereby the same forwarded the files to the Supervision Department of SUNAT in order to evaluate and adjudicate on the request made by the Company. On June 17, 2014, the Company submitted two Complaint Appeals before the Tax Court so that the Court ordered the coercive executor to return the amounts paid. On July 3, 2014, the Tax Court communicated TCR No. 03249-Q-2014, in which it declared the complaints filed to be baseless, stating that according to the law, SUNAT, by means of Coercive Resolutions No. 0110070109273 and No. 0110070109274, had granted them the processing of reimbursement requests and had sent them to the competent area to issue the corresponding ruling.

On July 31, 2014, the Company was notified with Intendancy Resolutions No. 012-180-0007031, No. 012-180-0007032, and No. 012-180-0007038 (related to the request for the return of the S/ 134,353,008, paid in January 2012) and Intendancy Resolution No. 012-180-007033 (linked to the request for refund of the S/ 150,842,142, paid in November and December 2013), by means of which SUNAT declared the Company's requests as inadmissible.

On August 27, 2014, the Company filed the corresponding claim appeals. On January 30, 2015, the Tax Administration adjudicated on the aforementioned appeals, stating that the reimbursement for the amounts requested is inadmissible. As we did not agree with the adjudication, on February 19, 2015, appeals were filed. On May 9 and June 25, 2019, we were notified of Tax Court Resolutions that provide for the revocation of the appealed intendancy resolutions (as indicated in the previous paragraph), and order SUNAT to confirm, at the time of final settlement, if the return of the amounts paid is applicable.

As Tax Court Resolution No. 13365-3-2013 was not in accordance with the law, on November 19, 2013, the Company filed a contentious-administrative claim against SUNAT and the Tax Court, requesting the partial nullity of Tax Court Resolution No. 13365-3-2013 to uphold the modifications for: (1) the balance in favor of previous fiscal years and, (2) the sale of the Nortel analog network. On March 23, 2015, a first instance judgment that declared the claim unfounded was issued. This ruling was confirmed by the Superior Chamber (3 votes against, and 1 in favor). On July 24, 2018, the hearing took place in the Supreme Court. On May 25, 2021, we were notified with the supreme resolution that declared the claim unsubstantiated. Given that the resolution issued by the Supreme Court contains insurmountable defects, on June 2, 2021, the Company filed an appeal for annulment, which the Supreme Court rejected. Finally, on November 23, 2021, we were notified with the resolution that provides for the definitive termination of the process after having complied with what was executed.

The Company - considering the supreme resolution notified on May 25, 2021 - reassessed its contingencies so the rating of this process varied from remote to probable. Said variation was made in the second quarter of 2021.

(d) Amparo action derived from IR 2000-2001 -

On July 3, 2013, the Company filed a request for protection, by means of which the Company requested, as a consequence of the violation of its constitutional rights to: (i) undertake procedures without delay; (ii) proscription of the abuse of right; and (iii) non-confiscation of taxes, a finding of inapplicability to the specific case of Article 33 of the Tax Code, which regulates the arrears interest of unpaid taxes.

Indeed, SUNAT by means of Intendancy Resolution No. 0150190000041 decided to continue the collection of Determination Resolutions Nos. 0120030008377, 0120030008382, 0120030008383, 0120030008378, 0120030008388, 0120030008380, 0120030008385, 0120030008312, 0120030008386, 0120030008379, 0120030008387, 0120030008384 and 0120030008381, and Fine Resolutions Nos. 0120020008152, 0120020008160, 0120020008157, 0120020008161, 0120020008150, 0120020008154, 0120020008158, 0120020008162, 0120020008151, 0120020008155 and 0120020008159, for the sum of S/2,163,333,920 (updated as at April 1, 2013). This amount includes 73% interest and capitalized interest (under the application of Article 33 of the Tax Code) of which a percentage corresponds to interest accrued within the legal term and other interest accrued in the time lapse in excess of the adjudication's legal term. By means of the amparo the Company is questioning the interest accrued during the time in which the Tax Court has exceeded the deadline for resolving the abovementioned IR appeal, which continues to increase.

On December 26, 2013, the Court declared the submissions as baseless. Consequently, both the Tax Court and SUNAT appealed the decision. On April 7, 2014, the lawsuit was declared inadmissible because it considers that there is an equally satisfactory way to address the question, referring to the processes

in which the Company questions the IR 2000-2001 appeals. On May 22, 2015, the Superior Court declared the ruling null and ordered the Court to issue a new ruling on the submission of failure to exhaust the administrative remedy. The same was declared unfounded. On December 14, 2015, the court declared the lawsuit as inadmissible. Said judgment was revoked by the Superior Court, declaring the exception founded and everything undertaken as null. In view of this, a constitutional complaint was filed on August 29, 2016. On January 23, 2017, the case was referred to the First Chamber of the Constitutional Court. On January 6, 2021, the hearing was held before the plenary session. On February 22, 2021, the judgment that declared the claim founded, and consequently ordered SUNAT to recalculate the interests outside the legal period that both the tax administration and the Tax Court had to resolve the challenges presented by the Company. On March 31, 2021, the nullity of the ruling and the request for disqualification presented by SUNAT were notified.

On March 31, 2021, the Constitutional Court declared the appeal for nullity, as well as the request for disqualification presented by SUNAT, as inadmissible. As a result, the process concluded.

Against the judgment of the Constitutional Court, on November 9, 2021, we were notified with an application for amparo initiated by SUNAT, by means of which it seeks to declare the nullity of the resolution that declared our claim regarding the default interests of IR 2000-2001 substantiated. On November 22, 2021 we responded to the complaint and on December 13 the Oral Report was held, which concluded declaring our plea of lack of jurisdiction to be well founded and, consequently, ordered that the case be referred to the Superior Court to proceed with the qualification of the claim. In the opinion of Management and its legal advisors, there are legal arguments that should be considered that the claim should be declared inadmissible, therefore, the classification of the contingency is remote.

(e) Payments on Account for year 2000:

On December 30, 2010, by means of TCR No. 17133-8-2010 (and later clarified by TCR No. 16430-8-2011, notified on October 13, 2011), the Tax Court gave notice of the finalization of the administrative procedure corresponding to Payments on Account for the aforementioned fiscal year.

On November 17, 2011, as per the aforementioned resolution, SUNAT communicated Intendancy Resolution No. 0150150001039 in which a presumed tax debt amounting to S/678,541,069 was quantified.

On November 28, 2011, the Company filed an appeal before the Tax Court against the aforementioned Intendancy Resolution. SUNAT however conditioned the admissibility of the aforementioned appeal to the prior payment (by the Company) of the amount of S/189,297,341.

On January 12, 2012, the Company filed a complaint before the Tax Court against the admissibility requirement that SUNAT had required to admit the appeal mentioned in the preceding paragraph.

On June 15, 2012, the Tax Court communicated Resolution No. 06671-11-2012, expanded by Resolution No. 08037-11-2012, by means of which it adjudicated on the appeal filed by the Company, stating: (1) that it is appropriate that SUNAT re-settles the adjudications on the fines provided that they had not been revoked; (2) that SUNAT must make the determination of the debit balance in accordance with the powers and parameters established in the Tax Code, authorizing it, however, to modify the balance in favor as declared by the Company in 1999, while ignoring the effects of the statutes of limitations.

On June 21, 2012, the Company requested a clarification of Resolution No. 06671-11-2012, which was resolved by the Tax Court by means of Resolution No. 10322-11-2012, which establishes: (1) that the Tax Court did not annul the fines imposed by SUNAT; and (2) that 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 that year.

On April 1, 2013, the Company received notice of IR No. 0150150001202 by means of which SUNAT complied with the Tax Court provisions.

Having contemplated that the aforementioned Adjudication does not comply with the Tax Court provisions, on April 19, 2013, the Company filed an appeal. On March 16, 2015, the Company was notified with TCR No. 02569-11-2015, by means of which it was adjudicated that SUNAT may modify the balance for fiscal year 1999 despite being subject to the statute of limitations.

On June 26, 2015, the Company was notified with Intendancy Resolution No. 0150150001362, by means of which SUNAT complied with the Tax Court provisions.

Disagreeing with that stated in the aforementioned resolution, on July 20, 2015, an appeal was filed, which was adjudicated by means of Tax Court Resolution No. 3329-2-2017, which ordered the suspension of the administrative proceedings in response to the precautionary measure obtained, and to which we refer in the following paragraphs.

As TCR No. 02569-11-2015 was not in accordance with the law, on June 8, 2015 the Company filed a contentious-administrative action against SUNAT and the Tax Court. We requested the annulment of the aforementioned TCR for the alleged compliance to the provisions of TCR No. 06671-11-2012 of May 3, 2012, regarding the 1999 income tax balance, which must be applied for payments on account for the 2000 fiscal year. On October 20, 2015, the Court declared the claim unfounded.

On January 17, 2017, the judgment revoked the finding of first instance and declared it partially founded. On July 24, 2018, the hearing was held in the Supreme Court. On March 6, 2020, the votes of the supreme justices were notified, with no definitive judgment being reached. Three justices deemed the Company's claim was unfounded, one justice voted for the nullity of the ruling issued by the Superior Court, and one justice voted for the nullity of the first instance ruling. To date, the appointment of a deciding justice and the corresponding oral hearing scheduling are still pending.

In addition, on July 16, 2015, the Company filed a precautionary measure, which the first and second instances declared inadmissible. As the judgment is favorable to the Company, on January 31, 2017, a new innovative precautionary measure was requested, which was granted temporarily, thus suspending the effects of TCR No. 2569-11-2015. On March 09, 2021, the Surety Letter was renewed for the sum of S/41,545,928, corresponding to the 2021-2022 period.

Despite the pending issuance of the final resolution by the Supreme Court, the Company reassessed its contingencies following the resolution issued by the Supreme Court regarding TCR No. N13365-3-2013 of September 23, 2013. The Company thus changed the rating from remote to probable in 2Q2021.

(f) Amparo action derived from the IR 2000-2001 Account Payments

On July 3, 2013, the Company filed a request for protection, by means of which the Company sought, as a consequence of the violation of its constitutional rights: (i) to undertake procedures without delay; (ii) the proscription of the abuse of right; and (iii) the non-confiscation of taxes, a finding of inapplicability to the specific case of Article 33 of the Tax Code, which regulates the arrears interest of unpaid taxes.

In effect, SUNAT, by means of Intendancy Resolution No. 015150001202, decided to continue with the collection of Resolutions of Determination Nos. 012-003-0006189, 012-003-0006190, 012-0030006191, 012-003-0006193, 012-003- 0006194, 012-003-0006195, 012-003-0006196, 012-003-0006197 and Fine Resolutions No. 012-002-0006014 and 012-002-0006022 for an amount of S/657,405,312 that includes 91% interest and capitalized interest (by virtue of the application of Article 33 of the Tax Code). This increase in debt is due to the undue delay in administrative procedures as, to date, the Tax Court has not adjudicated on the appeals against the Determination and Penalty Resolutions mentioned above. The administration has exceeded the legal deadlines for resolving this dispute.

The exception for that non-exhaustion of the administrative proceeding was protected, and thus the proceedings were concluded. Said decision was appealed by TDP and on June 27, 2014, the nullity of Resolution No. 13 was declared and the decision was revoked, declaring the exception of lack of exhaustion of the administrative proceedings without basis, and ordering the process to continue. On November 12, 2014, a first instance judgment was issued that partially declared the lawsuit founded, which was subsequently revoked by the Superior Court, who declared the Amparo Process inadmissible. An appeal for Constitutional Remedy was filed, and granted on November 9, 2015. On January 11, 2016, the file entered the Second Chamber of the Constitutional Court. On November 11, 2019, the Oral Report was carried out before the Plenary of the Constitutional Court. On December 13, 2021, the Constitutional Court declared Telefónica's lawsuit inadmissible, consequently, the violation of the legal term or the irreparability of the damage would not have been proven. Against this decision we filed an appeal for nullity.

On February 19, 2015, we requested a precautionary measure ordering the suspension of collection of late payment interest, as recognized in the first instance ruling. The same precautionary measure was rejected in the first and second instances, as it was considered that there is no danger in the delay. It should be noted that on October 15, 2018, the Constitutional Court declared the appeal filed by the Company against the second instance judgment as inadmissible.

As the Tax Administration has exceeded the legal deadlines for resolving our reconsideration and appeal remedies, thereby generating an excessive amount of interest, the qualification of the contingency is reasonably remote. See Note 24(f).

(g) 2002 Fiscal year -

The Tax Court, by means of TCR No. 04831-9-2012, notified on May 7, 2012, finalized the administrative procedure corresponding to the aforementioned fiscal year.

By means of the aforementioned Resolution, the Tax Court: (1) revoked the deduction related to the exchange difference considering that this is an accounting result to which the principle of causality is not applied; (2) revoked the deduction related to financial interests, and orders SUNAT to perform a new review of the documentation supporting the Cash Flow Statement, as well as third party reports submitted by the Company. Regarding the foregoing, on June 18, 2014 SUNAT, issued a request seeking information which the Company filed on September 17, 2014; (3) with respect to the DCP, upheld a part of the deduction, as it considers that the Company was obliged to present the information that supports the entire DCP even though SUNAT only required a sample; and (4) only recognized the termination notifications as valid collection management, thus, ordering SUNAT to carry out a new review. It should be noted that, unlike that resolved in the file for the years 2000 and 2001, the Tax Court does not recognize that the DCP that was modified in 2001 may be deducted in 2002 for being greater than 12 months. Likewise, the TC confirmed the objections related to non-business TPI expenses, unsecured credit notes, among others. SUNAT must proceed with the issuance of the corresponding Intendancy Resolution.

Notwithstanding the foregoing, on August 3, 2012 the Company filed a contentious-administrative claim against TCR No. 04831-9-2012 insofar as it confirms the objections to: (1) DCP; (2) undocumented expenses - submarine cable; (3) expenses unrelated to the business - judicial deposits; (4) deductions requested by the Company, and (5) TPI. On July 7, 2015, the court declared the claim baseless, which was declared null by the Superior Court. On November 12, 2018, the ruling that the claim was justified on various grounds was communicated. On July 5, 2019, the Company was notified of the hearing verdict that upheld the judgment of first instance in an unfavorable manner for the Company regarding the deductions from the TPI, Submarine Cable and Deductions not accepted, and revoked the ruling declaring the deductions for the DCP (on telephone bills) and expenses outside the business to be baseless. Finally, it upheld the ruling of first instance regarding the non-validation of the procedure for calculating the interest used by SUNAT between December 25, 2016 and March 15, 2017. On May 11, 2020, the appeals filed by the parties were declared admissible. Since December 1, 2020, the oral report is still pending rescheduling.

In the opinion of Management and its legal advisors, there are legal arguments that indicate that the contingency must be classified as remote with respect to the objections to: (i) non-business expenses - judicial deposits, (ii) provision for doubtful collection, and (iii) indoor public telephones. Furthermore, we consider that the qualification of the contingency of the challenges referring to i) the requested deductions, and ii) the expenses without supporting documentation (Pan American submarine cable) is possible.

II. General Sales Tax -

The Company has been notified by means of the Intendancy Resolutions issued by SUNAT regarding the General Sales Tax for the years 1998, 1999, 2000, and 2001. In this regard, the Company made the payment corresponding to the determination made by SUNAT, except for the case related to the General Sales Tax of 2001 (for which the Tax Court ruled in favor of the Company). Regarding the General Sales Tax for 2002, by means of TCF No. 04831-9-2012, the Tax Court upheld the deductions made for this item.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider the contingency rating of this case is remote.

III. Income Tax Withholdings of Non-Residents -

SUNAT issued determinations and fines against the Company for withholding Income Tax, supposedly corresponding to revenues of non-resident companies operating a satellite. For the purposes of SUNAT, said income is revenue from Peruvian sources.

The Tax Court revoked the SUNAT resolutions that declared the claims presented by the Company to be unfounded and, therefore has annulled the determination and fine resolutions for these matters. SUNAT challenged these decisions in the courts by means of five proceedings for the years 1999-2000 (merged into in a single process), 2001, 2002, 2003, and 2004. To date, the five proceedings have concluded unfavorably for the Company. In response to the fact that the rulings issued by the Supreme Court have violated constitutional rights, the Company initiated five amparo processes to question said rulings.

Regarding the 2002 financial year, on October 6, 2020, the judgment of first instance was notified that the claim for protection filed by the Company was deemed unfounded, considering that the constitutional rights demanded have not been violated. On October 9, 2020, the appeal was submitted, and subsequently granted on December 10, 2020. To date, a ruling on the appeal is still pending.

It should be noted that a precautionary measure was requested to suspend the effects of the resolution of the contentious-administrative process. On January 22, 2019, the appeal presented by SUNAT was granted, pending resolution. On September 25, 2020, the Surety Letter was presented for the amount of S/9,500,000 corresponding to the 2020-2021 period. However, in January 2021, the court, whilst contravening the express norm of the Constitutional Procedural Code, erroneously declared the cessation of the precautionary measure. The Company filed an appeal against the aforementioned resolution. To date, the file is in the Superior Court, pending the resolution of the appeal. On October 12, 2021, a Surety Letter was presented for the amount of S/9,500,000, corresponding to the period 2021-2022.

In the opinion of management and its legal advisors, we believe that the probability of success of the amparo process is possible.

Regarding fiscal year 2004, on January 22, 2013, the Company received notice of the judgment issued in the first instance that declared the claim to be unfounded in all aspects. Said ruling was confirmed by the second instance. On July 20, 2018, the Supreme Court ruled that the appeal filed by the tax administration is justified. In this process, the Supreme Court has adhered to the same criteria for the 2002 financial year, and consequently qualified the provision of satellite capacity as a service provided in Peruvian territory, and therefore, it is on the onus of the provider to pay the tax, and that Company

withholds the same. On August 16, 2019, the compliance to the Tax Court Resolution was notified (as ordered by the Supreme Court).

Disputing the compliance of the Company to Tax Court Resolution for tax year 2004, on November 14, 2019, a new administrative contentious process was presented. The claim is based on the fact that the Tax Court failed to rule on the terms of the Supreme Court, and therefore failed to rule on two arguments put forward by the Company in the administrative branch, thus contravening the right to due administrative procedure. On December 31, 2019, the Court admitted the lawsuit filed by the Company. On April 22, 2020, the responses of SUNAT and the TC were notified, as well as the exception of failure to exhaust the administrative remedy filed by SUNAT. To date, the scheduling of the date of the oral report in the first instance is pending.

In view of the fact that the supreme resolution contained deficiencies that affect the constitutional rights of the Company, an amparo process was initiated. On October 12, 2018, the claim was admitted for processing. On February 8, 2019 and February 14, 2019, the Tax Court and SUNAT respectively responded to the lawsuit, and to which the Company has likewise subsequently responded. On September 10, 2019, the oral report was heard in the first instance. The decision is still pending.

On August 16, 2019, TCR No. 07066-2-2019 corresponding to IRND - 2004 was received. By means of this resolution, the TC complies with the provisions of the judicial headquarters, and thereby fifteen (15) values between Determination Resolutions and Fine Resolutions are confirmed. Furthermore, the Tax Court revoked six (6) Fine Resolutions per the argument of *reformatio in peius*.

Subsequently, payment of the amount of S/24,864,916 was made. Additionally, on October 29, 2019, we filed an appeal against Intendancy Resolution No. 0150600000143, notified on October 7, 2019, by means of which the provisions of the Tax Court are complied with.

As the appeal filed by the Company before the Tax Court was ruled on unfavorably, on July 6, 2021, a second lawsuit was filed against the Fulfillment TCR (2) regarding the point that provides that interest be suspended in application of article 33 of the Tax Code, and its clarification to the extent that it establishes that the application of interest is not suspended for the period of the judicial process to which SUNAT subjected us. The oral report in the first instance has been scheduled for May 17, 2022.

In the opinion of management and its legal advisors, we believe that the probability of success of both cases is possible.

Insofar as the 2003 Fiscal year, on February 4, 2019, a ruling was received, via which the cassation appeal filed by the tax administration was declared justified. On June 3, 2019, the Company received notification via a compliance TCR (as ordered by the Supreme Court).

On July 9, 2019, the Company paid the amount of S/11,212,971, considering the default interest as at that date as a fine.

The Company initiated a new administrative contentious process against the Tax Court compliance resolution for the 2003 fiscal year on June 24, 2019. The claim is based on the fact that the Tax Court failed to rule on the terms of the Supreme Court, and therefore failed to rule on two arguments put forward by the Company in the administrative headquarters, thereby contravening the right to due administrative procedure. On August 1, 2019, the claim was declared inadmissible, and the Company appealed the resolution on August 15, 2019. On October 16, 2019, the hearing of the case was carried out in the second instance and the inadmissibility of the claim was declared null. The claim was admitted for processing. SUNAT responded to the claim and filed a *res judicata* exception, which was declared unfounded. An oral hearing has been scheduled for November 11, 2021. On June 17, 2021, we were notified with the legal report presented by SUNAT which argues the alleged lack of interest in acting by Telefónica. On November 11, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

It should be noted that, on June 26, 2019, we submitted a precautionary measure in the aforementioned process aimed at suspending the effects of the resolution of the administrative contentious process. On September 10, 2019, which was rejected as the lawsuit was declared inadmissible and it has been confirmed by the Superior Court.

In view of the fact that the supreme resolution contained deficiencies that affect the constitutional rights of the Company, an amparo proceeding was initiated. Unlike the other two processes initiated by the Company in the periods 2002 and 2004, said proceeding incorporates and furthered the arguments on the application of Legislative Decree No. 1120 and Supreme Decree No. 22-2017-MTC. On May 29, 2019, the claim was admitted for processing. On August 19, 2020, the oral hearing was carried out. On November 9, 2020, the Company filed an appeal against the judgment of first instance that declared the claim unfounded, which was upheld. To date, the oral report in second instance scheduled for April 7, 2022 is pending.

In the opinion of management and its legal advisors, we believe that the probability of success of both cases is possible.

In regards to the 1999-2000 financial period, on August 28, 2019, the Company was notified with the supreme resolution that ruled against the interests of the Company. On November 14, 2019, the Tax Court issued the Tax Court compliance resolution, pursuant to which on November 26 the Company paid the sum of S/187,614,698 corresponding to the 1999 financial year, while for the 2000 financial year, an amount of S/30,913,192 was paid.

Against the TCR regarding compliance for the 1999-2000 fiscal year, the Company, on February 5, 2020, presented a new administrative contentious process. On April 28, 2020, the res judicata objection filed by SUNAT and the response to the claim filed by SUNAT and the TC were notified. The objection presented by SUNAT was declared inadmissible. On December 29, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

In parallel, as the supreme resolution ordering the issuance of the TCR on compliance for fiscal year 1999-2000 contains deficiencies that affect the Company's constitutional rights, an amparo protection process has been initiated. On October 28, 2019, the procedure was admitted for processing. On November 16, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

In the opinion of management and its legal advisors, we believe that the probability of success of the amparo process is possible.

Regarding the 2001 financial year, the Company filed a new litigation claim, which was admitted on June 17, 2020. On July 29, 2020, the objection of res judicata and SUNAT's response were notified, as well as the TC's response to the claim. On October 25, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

On March 6, 2020, the amount of S/12,982,365 was paid, considering the default interest as at that date.

In response to the fact that the supreme resolution regarding the 2001 fiscal year contained deficiencies that affect the constitutional rights of the Company, an amparo process was initiated. The same was admitted for processing on March 11, 2020. On October 9, 2020, SUNAT responded to the lawsuit. On May 13, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

In the opinion of management and its legal advisors, we believe that the probability of success of the amparo process is possible.

IV. General Sales Tax from 2003 to 2010 and Income Tax from 2003 to 2010 -

The Intendancy Resolutions resolving the claims presented for the years 2003 to 2010 by the Company were notified by SUNAT between 2008 and 2017. Disagreeing with that adjudicated by SUNAT, appeals were filed on which the Tax Court must rule. On January 9, 2018, the Tax Court adjudicated

on the file relating to the General Sales Tax for 2005, ordering SUNAT to make a new settlement. The same occurred with the General Sales Tax for 2004 (the ruling of the Court was notified on November 14, 2018). As such, the Company is awaiting a new settlement.

Regarding Income Tax and General Sales Tax for the 2003 financial year, on January 25, 2019, Tax Court Resolution No. 10820-4-2018 was communicated, ordering SUNAT to carry out a new settlement after revoking the following challenges: i) excess depreciation for difference in computable cost, ii) amortization of training and maintenance, iii) expenses without reliable supporting documentation, iv) IR and VAT of unsecured credit notes, v) documents that do not support expenses, vi) DCP, vii) collection of interest and fines. Regarding the foregoing, on July 2, 2019, the contentious administrative claim filed by the Company was admitted for processing. On August 19, 2019, the Court considered the claim as responded to by the Company and the Tax Court. On August 26, 2021, the oral hearing was carried out. The issuance of the judgment of first instance is still pending.

In the opinion of Management and its legal advisors, we consider that the qualification of the contingency of this process is reasonably remote.

Furthermore, on April 14, 2019, we were notified of a contentious administrative claim filed by SUNAT against TCR No. 10820-4-2018, whereby the appeals adjudicated in favor of the company at the administrative headquarters were challenged: i) expenses for compensation without supporting evidence, ii) DCP, iii) amortization of intangibles without supporting evidence, iv) modification of the coefficient. On November 12, 2019, the oral report was carried out in the first instance and, on June 11, 2020, we were notified of the ruling that partially upheld the claim insofar as the objections to compensation expenses without substantiation and amortization of intangibles. Furthermore, the ruling declared the claim to be unfounded in relation to the DCP objections and modification of the coefficient. On June 30, 2020, the appeals filed by the parties were admitted. On November 19, 2020, the hearing of the case in second instance was held. On December 31, 2020, the hearing judgment that declared SUNAT's claim founded, solely insofar as the reparation of compensation without reliable substantiation was notified. The judgment declared in favor of the Company, declaring the DCP (sampling) and amortization of intangibles as unfounded. On January 18, 2021, the Company filed a cassation appeal against the unfavorable objection. The cassation appeal is yet to be ruled on.

In the opinion of Management and its legal advisors, we consider that the qualification of the contingency of this process is reasonably remote.

The Company disputes the nullity of TCR No. 1858-1-2019 by means of which the IR No. 0150140013079 is confirmed, thus declaring the claim made against DR Nos. 012-003-0072541 to 012-003-0072552 and MR Nos. 012-002-0028443 to 012-002-0028454 as unfounded, and which were issued for the VAT from January to December 2010, and for the commission of the infraction typified by section 1 of art. 178 of the Tax Code. The nullity is based on the following arguments: i) violation of the principle of legality, ii) violation of the principle of non-retroactivity of the rules, iii) violation of the principle of legal certainty, iv) contravention of the provisions of article three of the Preliminary Title of the Tax Code and fifth article of the Preliminary Title of the Law of the General Administrative Procedure, v) violation of the principle of predictability and legitimate trust, vi) is inconsistent and contains a faulty motive. On June 27, 2019, the claim was filed. On April 21, 2021, the oral report was undertaken. To date, the ruling is still pending.

It should be noted that, on October 2, 2020, judgment No. 556/2020 of the Constitutional Court was downloaded, which declared as unfounded the claim of unconstitutionality of the First Transitory Complementary Provision of LD No. 1421 that modified the Tax Code, extending the scope of a rule that had come into effect in 2012, regulating new statutes of limitations to collect the debt. In view of this, this criterion will be applied to the processes and procedures in documentary procedure as initiated by the taxpayers.

In the opinion of Management and its legal advisors, we consider that the qualification of the contingency of this process is reasonably remote.

Furthermore, the Company disputes the nullity of the TCR No. 7453-4-2019, questioning the VAT of the year 2009, and is challenging the following appeals: (i) statute of limitations of the period of commencement of the faculty of collection, and (ii) the excess of recreational expenses. On January 16, 2020, the lawsuit was filed, and the same was admitted on March 9, 2020. On May 23, we were notified with SUNAT's response. On August 25, 2021, the oral hearing was carried out. A ruling is still pending.

In the opinion of Management and its legal advisors, we consider that the qualification of the contingency of this process is reasonably remote.

It should be noted that we were notified with Coercive Execution Resolution No. 011-006- 0059149, by means of which we are requested to pay an amount of S/ 144,962, which was performed on November 6, 2019.

Finally, on December 27, 2019, we were notified with Intendancy Resolution No. 0150150002269 by means of which SUNAT complies with that indicated by the Tax Court. As we disagreed with that indicated by SUNAT, on January 20, 2020, we submitted the corresponding appeal.

Subsequently, on February 27, 2020, the file entered the Tax Court, assigned to Chamber 4. Furthermore, the oral hearing occurred on March 13, 2020.

On September 7, 2020 we were notified with the TCR No. 04088-4-2020, which confirms Intendancy Resolution No. 0150150002269.

Furthermore, on August 6, 2020, we were notified with Determination Resolutions and Fine Resolution for the months of March, July, August, September, November, and December. It should be noted that the values for said periods were declared null by TCR No. 07453-4-2019.

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

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

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

Subsequently, we were notified with the Intendancy Resolution No. 0150140015914 declaring the appeal filed on September 3, 2020 unfounded. Consequently, the corresponding appeal was filed.

The TDP disputes the nullity of TCR No. 6587-9-2021 (and TCR No. 7846-9-202 that rejected the request for clarification and extension) with respect to the IR 2004, to the extent that it confirms the following objections: (i) Rental expenses not supported by payment vouchers that support their deduction, (ii) Expenses for financial interests with related companies, (iii) Financial charges, (iv) DCP, only to the extent that the TC maintained this objection, (v) Excess depreciation due to difference in the computable cost, and: (vi) Amortization of capitalized maintenance expenses. The nullity also refers to the following aspects related to the collection of late payment interest: a) during the periods of excess in the time periods for the attention of our claims and appeals, b) capitalization of late payment interest, which is prohibited 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 November 9, 2021, the lawsuit was filed, which was admitted on November 10 of the same year. On November 29, 2021, SUNAT's response was notified and on December 6, 2021, that of the TC. To date, the re-scheduling of the oral hearing in the first instance is still pending.

According to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

Against the same TCR, on December 17, 2021, we were notified with a SUNAT lawsuit by means of which it requests nullity insofar as that it provided for declaring the decisions of the Tax Court null and void so as to reject the DCP that was not the subject of the sample. On December 31, 2021, we responded to the lawsuit.

According to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

For the same period, on December 17, 2021, a lawsuit was filed requesting the nullity of the TCR No. 7509-4-2021 corresponding to the IR 2004, insofar as it confirmed the following objections unfavorably for the Company: (i) Depreciation and amortization of unsubstantiated asset cost of 2002; (ii) Retail package commission - account 632004; (iii) Prior years' expenses billed by Beltsouth; (iv) Loss on exchange difference - Account 676001; (v) Charges to income accounts for unsubstantiated credit notes; (vi) Salaries abroad; (vii) IR 2004 deduction for repaired expenses; (viii) late payment interest.

According to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

As a result of the audits of the years 2000 to 2009 on Móviles, this has been notified by SUNAT with various resolutions for alleged omissions regarding income tax, income tax withholdings of non-residents, withholding of income tax from fifth category, and general sales tax, in the latter case, up to the 2012 fiscal year.

In some cases, Móviles has filed claim appeals for failing to find the corresponding resolutions in accordance with the legal regulations in force in Peru and, in others, it has paid the assessments received.

With regard to:

a) Tax on Revenue for the fiscal year 2000 -

On March 30, 2007, SUNAT issued an Intendancy Resolution adjudicating on the claim presented by Móviles for the Income Tax for the year 2000. Disagreeing with the decision, an appeal was presented before the Tax Court.

The Tax Court notified Móviles on February 7, 2013, by means of TCR No. 20274-9-2012, which states that the appeal file related to the Income Tax for the year 2000 was adjudicated on. This TCR upheld the following challenges: (i) Financial charges; (ii) Provisions for doubtful collection; (iii) Over Head; (iv) Expenses re-invoiced by TDP; (v) Cellular Sales Commission; and, (vi) Voluntary Retirement Program. In addition, the Tax Court declared the nullity of the deductions related to: (i) Interconnection expenses; (ii) Management fee; and, (iii) Doubtful collection provision for the months of February to June, August and October to December, and revoked the deductions related to depreciation not accepted for fixed assets transferred to the equity block, and loss due to exchange differences. On July 13, 2020, the Tax Court notified us of TCR No. 2275-5-2020, by means of which it declared null the appeal made by the Tax Administration regarding the Nortel Analog Network. Despite this declaration of nullity, on August 3, 2020, SUNAT notified us of the Intendancy Resolution without complying with that ordered by the Tax Court. Therefore, on August 24, 2020 an appeal was filed, which is pending in the Tax Court.

Notwithstanding the foregoing, on May 6, 2013, the claim was filed against the aforementioned resolution. On February 17, 2015, the claim was declared unfounded, which was confirmed by the Superior Chamber. On July 4, 2019, the Supreme Court ruling was notified by means of which the ruling of the second instance was declared null and void regarding the challenges denominated Nortel Analog Network, Simple Reorganization, and DCP. Consequently, the Superior Court of Justice of Lima is required to issue a ruling again. Regarding the challenges to the Financial Charges and Overhead, the Supreme Court has adjudicated favorably to SUNAT. On September 30, 2019, the new proceedings judgment was issued, declaring the deductions unfounded for unaccepted depreciations and DCP, and that the deduction for the withdrawal of majority shareholder assets (Red Nortel) is

inadmissible. Against that resolution, on October 21, 2019, a cassation appeal was filed; the same entered the Supreme Court on December 6, 2019 and declared admissible. Since December 4, 2020, the oral report is still pending rescheduling.

Since the financial charges and Overhead objections were resolved unfavorably for the Company, in the second quarter of 2019 the rating of the process was changed to probable; however, regarding the Nortel Network, Unaccepted Depreciation and DCP objections, the aforementioned objections have been declared null and void. Consequently, according to the analysis carried out and in accordance with the evaluation of the external advisors, the contingency is remote.

b) Income Tax and General Sales Tax for 2001 tax year -

On October 22, 2007, SUNAT issued the Intendancy Resolution adjudicating the claim presented by Móviles for the Income Tax and General Sales Tax for the 2001 fiscal year. Disagreeing with the decision, an appeal was presented before the Tax Court.

The Tax Court notified Moviles on January 20, 2017, with TCR No. 11549-2-2016, by means of which the appeal file was adjudicated. This TCR upheld the objections, with the exception of (i) the Management fee; and, (ii) the amortization of intangibles, which were dismissed. Likewise, the Tax Court ordered a new review of a part of the doubtful collection provision, and of the loss due to the exchange difference, pending a new pronouncement by SUNAT. On August 18, 2020, we were notified of the Intendancy Resolution that complies with that ordered by the Tax Court. As we are not satisfied with that stated in said resolution, on September 8, 2020 we filed an appeal, which is pending in the Tax Court. Likewise, we have been notified with the Intendancy Resolution No. 0150150002773 which declares the refund requests submitted for overpayments as inadmissible. However, the Company complied with presenting the corresponding Appeal.

Without prejudicing the foregoing, on April 19, 2017, the Company filed an administrative claim against the aforementioned resolution. On May 7, 2019, we were notified with the judgment of first instance that declared that the claim filed by the Company was unfounded in all aspects. On October 14, 2019, the Court declared the resolution of first instance void. As such, the Court is still yet to re-issue a ruling. On November 20, 2020, the oral hearing was held in the first instance. On December 6, 2021, the judgment declaring the lawsuit unfounded was served. On December 14, 2021, we appealed the judgment at first instance. To date, the scheduling of the hearing of the second instance case is pending.

In the opinion of the Management, and its legal advisors, considering the result of TCR No. 17044-8-2010, TCR No. 17133-8-2010, and TCR No. 01853-8-2011, the classification of the process was modified to probable, insofar as what was decided upon by the Supreme Court in the contentious administrative processes of the 2000-2001 fiscal year of TDP and the 2000 fiscal year of TM with respect to the objections of Overhead and Carveout.

On the other hand, SUNAT has also questioned the TCR in court as, on May 3, the ruling was notified that declared the claim founded and was declared null by the Superior Chamber on December 7, 2018. On April 9, 2019, the ruling of first instance was communicated, stating that the Tax Court Resolution was partially justified and partially invalid. The Tax Court was thus ordered to issue a new resolution, confirming Intendancy Resolution No. 0150140006682 insofar as to the objections to various expenses transferred by its related party for those that do not prove causality (a deduction referring to the payments undertaken) and for third-party taxes assumed by the taxpayer. On January 24, 2020, the discord hearing was held, to the extent that two superior judges voted for the ruling to be upheld, and one voting that the ruling be revoked. On March 3, 2020, the second instance judgment was notified, which declared SUNAT's claim founded in all its aspects. On May 19, 2020, we filed a cassation appeal against the aforementioned judgment. On September 8, 2020, the file entered the Supreme Court. A ruling is yet to be made on the admission of the cassation appeal.

In the opinion of Management and its legal advisors, there are legal arguments to consider that indicate the contingency should be classified as remote.

c) Income Tax and General Sales Tax for 2002 tax year -

On January 23, 2008, SUNAT issued an Intendancy Resolution adjudicating the claim presented by Móviles for the Income Tax and General Sales Tax for the 2002 fiscal year. Disagreeing with the decision, an appeal was presented before the Tax Court.

The Tax Court notified Moviles on September 15, 2017, with Tax Court Resolution No. 12003-8-2016, by means of which the appeal file was determined. This TCR mainly raised the following objections: (i) Management fee; and, (ii) amortization of intangibles; likewise, it declared the nullity of a part of the objection to the DCP and ordered a new review of the objection related to the financial interests (carveout).

On December 15, 2017, the Company filed a contentious administrative claim for the confirmed challenges. On October 24, 2019, the oral hearing was carried out in the first instance. The judgment is still pending.

In the opinion of management and its legal advisors, the qualification of this process must be classified as reasonably remote.

Subsequently, on December 2, 2020, we were notified with Intendancy Resolution No. 0150150002588, by means of which the Tax Administration, in supposed compliance with the Tax Court Resolution No. 12003-8-2016, has reinstated the Tax Income, payments on account from January to December 2002, as well as the General Sales Tax for the periods of February, May, September to December 2002, and also the fine resolutions.

However, as we do not agree with that indicated by SUNAT, we have complied with presenting the corresponding appeal, which is pending Tax Court action.

Furthermore, we have initiated an action of amparo. We seek to stop the computing of interests that exceed the legal deadlines that the administration has to determine the repayments and fines of the Income Tax of the 2002 fiscal year. On January 20, 2020, we were notified with the judgment of first instance that declared the claim filed by the Company partially founded, stating that there is a violation of the reasonable period. The same that has been the subject of clarification at the request of SUNAT. On December 29, 2020, the appeals filed by the parties were admitted. On October 14, 2021, the case was heard in the second instance. On January 10, 2022, the second instance resolution was notified that declared the exception of non-exhaustion of the administrative channel to be founded, the lawsuit was inadmissible, and all actions were null and void, including the judgment that declared the lawsuit to be partially founded. Against what has been decided by the High Court, we have filed a constitutional complaint before the Constitutional Court

Since the Tax Administration has exceeded the legal deadlines for resolving our reconsideration and appeal remedies, thereby generating an excessive amount of interest, the likelihood of success of this process is probable, and consequently, the qualification of the contingency is remote.

On January 30, 2018, the Company was notified of a contentious-administrative claim filed by SUNAT regarding the objections dismissed by the Tax Court. On September 3, 2020, the new judgment of the first instance once again declared SUNAT's claim founded in all its aspects. On January 11, 2021, the oral report was held in the second instance. On January 31, 2021, the Superior Court issued the second-instance judgment, declaring the nullity of the first-instance judgment that declared SUNAT's claim founded. On July 8, 2021, the first instance oral report was held. To date, the issuance of the judgment is pending.

In the opinion of Management and its legal advisors, there are legal arguments to consider that indicate the contingency should be classified as remote.

On October 24, 2018, SUNAT challenged TCR No. 05108-1-2018 by means of which the request for a refund filed by TDP was declared inadmissible. The aforementioned claim was admitted on October 31, 2018. On December 24, 2019, we were notified with the first instance judgment that upheld SUNAT's lawsuit. On August 24, 2020, the second instance judgment that declared SUNAT's claim as inadmissible was notified, revoking the decision in the first instance. On September 18, 2020, the file entered the Supreme Court. A procedural qualification hearing was scheduled for January 27, 2022.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

d) Income Tax and General Sales Tax for 2004 tax year

On August 29, 2009, SUNAT issued an Intendancy Resolution determining the claim presented by Móviles for the Income Tax and General Sales Tax for the 2004 fiscal year. Disagreeing with the decision, an appeal was presented before the Tax Court.

The Tax Court notified Moviles on January 29, 2018, with TCR No. 10997-1-2017, stating that the appeal file has been determined. The aforementioned determination invalidated the modification for the provision of doubtful collection by the party that was not subject to SUNAT's review; revoked the modification for debt interests with Telefónica del Perú in order to undertake a new review of the evidence; revoked the modification for the amortization of intangibles; and indicated that SUNAT would recognize the deductions requested, if applicable and upheld the other aspects. We are currently awaiting the Intendancy Resolution that complies with that indicated by the Tax Court.

Regarding the objections that were sustained by the TC: i) DCP, ii) expenses recorded for contracts for the granting of line-of-credit account 671110, iii) depreciation of asset cost, and iv) modification of the coefficient of payments on account. On April 27, 2018, TCR No. 10997-1-2017 was challenged in court. On March 11, 2019, the ruling of first instance was deemed as invalid regarding the claim on the modifications to the DCP; the expenses registered for the granting of a line-of-credit contract, Account 671110; depreciation of the cost of assets and calculation of late interest between December 25, 2006 and March 15, 2007; and inadmissible regarding the modification of the coefficient of payments on account. Furthermore, the challenge to the capitalization of interest for the period between December 25, 2006 and March 15, 2007 was declared invalid.

On August 27, 2019, the judgment upheld the claim for the modification of the DCP only insofar as the telephone receipts. As such, on September 17 and 18, 2019, the parties filed appeals, which were submitted to the Supreme Court on September 23, 2019. Since March 18, 2021, the oral report before the Supreme Court has been pending rescheduling.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Furthermore, on February 14, 2020, we were notified with TCR No. 10982-9-2019, which ruled that the objection to financial expenses by contract of granting a line of credit be maintained, while the objection to financial expenses by mutual agreement must be ruled upon by virtue of that indicated in TCR No. 10997-1-2017, as cited above.

Consequently, on February 27, 2020 we were notified with Coercive Execution Resolution No. 01100-0059983, which requests us to pay the amount of S/3,052,111, the payment for which was undertaken on March 4, 2020.

Subsequently, on October 1, 2020, we were notified with Intendancy Resolution No. 0150140015607, whereby the Tax Administration, in supposed compliance with the Tax Court Resolution No. 10982-9-2019, has declared the appeal filed by MÓVILES against Fine Resolution No. 012-002-0015547 unfounded. Said Resolution was issued for the alleged offense contained in number 1 of article 178 of the Tax Code, regarding the General Sales Tax for the period of June, 2004.

As we do not agree with the aforementioned, on October 21, 2020, we filed a corresponding appeal, which was resolved by TCR No. 03230-9-2021 that declared our appeal unfounded.

On March 12, 2020, we were notified with a new lawsuit from SUNAT which focuses on the partial nullity of the Tax Court Resolution indicated in the previous paragraph insofar as said Resolution ordered the revocation of IR No. 0150140009010 in relation to the objection to the tax credit for "Financial expenses by mutual contract" (Carveout) in the Determination Resolutions and related Fine Resolutions. The TC and the Company have responded to SUNAT's request and filed an exception for failure to exhaust the administrative channel. On August 12, 2021, the Court declared our objection of failure to exhaust the administrative remedy as founded and, consequently, the process was terminated.

On April 23, 2018, SUNAT made a legal challenge to TCR No. 10997-1-2017, questioning the following appeals: i) DCP (as they were not sampled), ii) Expenses recorded by mutual contract account 671110 - TDP debt interest (S/ 717,765) (interest on debt transferred by TDP using the Carveout method), and iii) Modification of the coefficient of payments on account of Income Tax for January and February 2004. On March 8, 2019, notification was made of the ruling of first instance that deemed the claim filed by SUNAT as invalid in all aspects. On July 27, 2019, the hearing judgment upheld the SUNAT claim in terms of the objection to the Carveout, and overruled the objections to the DCP and coefficient modification. Consequently, we filed a cassation appeal against the unfavorable objection on August 5, 2019. On September 3, 2020, the case was heard in the Supreme Court. The supreme decision was issued by which (i) the objection was resolved in a favorable manner, (ii) the coefficient was unfavorable in Carve Out (orders the Tax Court to rule on the causality or not of loans and assets) (iii) by DCP, the High Court was declared null and void,

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Furthermore, we have initiated an action of amparo. We seek to stop the computing the interests that exceed the legal deadlines that the administration has to determine the modifications and fines for the Income Tax of the 2004 fiscal year. By means of Resolution No. 01 of June 13, 2018, the claim was admitted for processing. On January 10, 2020, we were notified with the judgment of first instance that declared the lawsuit filed by the Company partially founded, stating that there is a violation of the reasonable period. On January 15, 2020, we filed an appeal against said judgment. The very same was admitted on October 1, 2020. On April 8, 2021, the oral report was held in the Superior Court. On April 26, 2021, a ruling notified that the Superior Court had declared the exception of lack of exhaustion of the administrative remedy filed by SUNAT as founded and, consequently, the claim was inadmissible and all the proceedings were annulled. On May 10, 2021, we filed an appeal for constitutional grievance in order for the Constitutional Court to rule on our claim.

Since the Tax Administration has exceeded the legal deadlines for resolving our reconsideration and appeal remedies, thereby generating an excessive amount of interest, the likelihood of success of this process is probable and, consequently, the qualification of the contingency is remote.

e) General Sales Tax from 2003 to 2010 and Income Tax from 2003 to 2010 fiscal years -

As a result of the audits of the years 2000 to 2009 on Móviles, this has been notified by SUNAT with various resolutions for alleged omissions regarding income tax, income tax withholdings of non-residents, withholding of income tax from fifth category, and general sales tax, in the latter case, up to the 2007 fiscal year.

In some cases, Moviles has filed claim appeals for failing to find the corresponding resolutions in accordance with the legal regulations in force in Peru and, in others, it has paid the assessments received.

TM challenges Tax Court Resolution No. 5018-1-2019 through which the IR of 2003 is disputed, challenging the following objections: (i) objection to account 634003 "Maintenance and repair of equipment and cabins", (ii) objection to account 635001 "Office real estate rental", (iii) objection to depreciation and/or

amortization of assets, (iv) Dismissal of questioning of the carry-over loss, (v) Dismissal of recognition of payments made against IRs on VAT February and March 2003, (vi) Improper calculation of default interest, (vii) Objections to expense accounts 621002, and (viii) Inapplicability of interest for justified delay. The claim was filed on October 30, 2019 and admitted on November 11, 2019. The first instance oral report was set for February 15, 2021. The court of first instance declared the claim filed by the Company to be unfounded. On October 12, 2021, we filed an appeal. To date, the appeal is yet to be declared admissible.

According to the analysis carried out and ratified by legal advisors, the qualification of the contingency is remote.

The TM challenges Tax Court Resolution No. 7639-9-2010 through which the VAT of the year 2010 is questioned regarding the following challenges: (i) Prescription regarding the commencement period for the power of collection of DR Nos. 012-003-0076597 to 012-003-0076608, and MR No. 012-002-0029133, (ii) Excess recreational expenses that are not deductible according to Income Tax rules. On December 23, 2019, a lawsuit was filed, which was accepted on May 7, 2020. On June 19, 2020, we appeared before the TC process, and SUNAT presented its response. On October 01, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Furthermore, on January 10, 2010, we were notified of a SUNAT claim questioning the objections to: (i) Management fee, (ii) Expenses for management services and business management advice, (iii) Intangibles deducted and not paid for the 2003 period, (iv) DCP, (v) Financial expenses recorded in accounts 637110 and 671110; (vi) Loss of exchange difference from forward contract and mutual contract, (vi) Recovery of DCP, (vii) Modification of the coefficient applicable to payments on account, (ix) Objection to the tax credit for management expenses and business management advice, (x) Objection to the tax credit for reimbursement of interest expenses, ruled on by the Tax Court in TCR No. 6575-10-2019. On January 24, 2020, we submitted our response to the lawsuit. On June 10, 2021, the oral report was carried out. The issuance of the corresponding ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Additionally, TM disputes the invalidity of Tax Court Resolution No. 6575-10-2019 by means of which the 2003 IR and VAT are disputed in the following appeals: (i) Depreciation of the cost of assets and assets without documentary support, (ii) DCP, (iii) Loss of exchange difference, (iv) Fines related to these objections, and (v) Default interest. Subsequently, on March 2, 2021, we were notified with Intendancy Resolution No. 0150150002700 by means of which the Tax Administration is supposedly in compliance with the Resolution of the Tax Court. However, as we do not agree with the provisions of SUNAT, on March 23, 2021 we presented an appeal, which is pending its due attention. On February 7, 2020, the lawsuit was filed and subsequently admitted on February 13, 2020. On June 17, 2020, the Court received a complete response for the lawsuit from SUNAT and the TC. On June 10, 2021, the oral report was carried out. The issuance of the corresponding ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Regarding the 2009 fiscal year, on February 27, 2020, we were notified with TCR No. 12147-4-2019. On this occasion, the Tax Court decided to raise the following objections: (i) Expenses accrued in the year invoiced and/or received extemporaneously, (ii) Roaming services substantiated by payment vouchers received extemporaneously, and (iii) Deduction not accepted for untimely operations, accrued in accordance with IAS, while maintaining the following objections: (i) Unsubstantiated credit notes linked to El Pacífico Peruano - Suiza Cia - others, (ii) ITF expenses that do not comply with the principle of causality, and, also, (iii) Incidence of challenges made in TM SAC due to depreciation of fixed assets. On May 27, 2020, we filed an administrative contentious claim against the

aforementioned resolution, which is pending processing. On September 09, 2021, the oral submission was heard. A ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Furthermore, regarding the 2004 fiscal year, Telefónica Móviles disputes the partial nullity of TCR No. 10982-9-2019 to the extent that it decided to revoke IR No. 0150140009010 in relation to the following matters: (i) Inadmissibility of reconsideration appeals 012- 003-0019178 and 012-003-0019180; (ii) Tax credit linked to the Expenses Recorded for the Award Contract of the credit line (S/51,072); and (iii) Default interest. On May 24, 2020, we filed an administrative contentious lawsuit, which has been admitted for processing. On August 8, 2021, the first instance oral report was held. On October 28, 2021, the judgment that declared the claim for default interest founded and unfounded with respect to the tax credit was notified. On November 8, 2021, the sentence was appealed. On January 18, 2022, the oral report was carried out in second instance.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Regarding the same financial year, we were notified with TCR No. 02663-1-2020 that declares the appeal unfounded insofar as the request for the statute of limitations; and, in addition, upholds the Intendancy Resolution regarding the objection to the tax credit for excess recreational expenses. On October 22, 2020, administrative litigation was filed. To date, it is pending admission.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is probable.

Finally, for fiscal year 2005, we were notified with the TCR No. 01849-1-2020 that resolves: (i) uphold the objection and rule in favor of the appeal regarding the unaccepted depreciation expenses related to the cost of works in progress and other assets fixed assets transferred by TDP, (ii) declare the nullity of the value and that appealed insofar as that the objection was not pertinent to the sample, (iii) overrule the value insofar as that interconnection expenses originating from calls with cards prepayment 147, and (iv) revoke that appealed insofar as payments on account. In this regard, on October 16, 2020, we filed a contentious administrative claim. Since March 31, 2021, the claim is still to be admitted for processing.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

On the other hand, regarding the same TCR No. 01849-1-2020 for fiscal year 2005, on October 21, 2020, we were notified with the contentious-administrative lawsuit filed by SUNAT, which disputes the objection to the doubtful collection provision that was not the subject of the sample. On October 01, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Finally, in relation to fiscal year 2002, on October 6, 2021, we filed a lawsuit against TCR No. 5586-4-2021, which ruled against the Company, citing the following objections (i) Expense for "Undue depreciation and amortization" for allegedly not having credited the value of the cost; (ii) Expenses for payments for telephone sales commission services, rebates, and related reclassifications, included under the expense "Retail Package Commission"; (iii) Expenses for payments for miscellaneous services, rebates and related reclassifications, included under the expense "Services rendered by third parties - deduction for INTERCON"; (iv) Maintenance and repair of equipment and booths; (v) Other assessments confirmed by the TCR, only with respect to the items confirmed in each assessment: Various local fees, Local and other fees, Monthly fixed charge, Deductions claimed, IGV of expenses that do not comply with causality; the same which is pending qualification.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Regarding the payments on account of IR 2005, on November 30, 2021, an administrative litigation lawsuit was filed against TCR No. 7061-3-2021 that confirmed the following objections in a manner unfavorable to the company: (i) Payments on account; (ii) Modification of the coefficient; (iii) Recognition of payments made in excess; (iv) Fine Resolutions. On December 20, 2021, the exception of non-exhaustion of the administrative route filed by SUNAT was notified.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

SUNAT filed a contentious-administrative lawsuit questioning the same TCR insofar as it revoked IR No. 0150140009504 of December 30, 2010 in the modification of the coefficients applied for the determination of the payments on account of the IR January to December 2005 and recognition of the overpayments made in the months of March to May 2005, applied against the IR 2005, as well as the associated fines. On December 31, 2021, we responded to the lawsuit, which is pending the scheduling of the oral report in the first instance.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Regarding IR 2005, on January 4, 2022, we filed a contentious-administrative lawsuit against TCR No. 8157-4-2021, insofar as it confirmed the following objections unfavorably for the company: (i) Disallowed depreciation expense referring to the cost of the assets (with an acquisition date as of December 31, 2000) transferred by Telefónica del Perú not supported by documentation; and (ii) Disallowed tax depreciation expense referring to the cost of the assets not supported by documentation transferred by Telefónica del Perú. Additionally, the Company is requesting the declaration of statutes of limitation of the collection action (due to capitalization of the Paramonga judgment), as well as the non-application of capitalized late payment interest and interest for delay in resolving the case, which is pending to be admitted for processing.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

f) Mobile Royalties -

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

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

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

The claim of Bureaucratic Barriers was resolved in the last administrative instance on February 19, 2016, declaring that the calculation methodology contained in the General Scheme constituted a Bureaucratic Barrier and therefore was not applicable to Telefónica. This determination applies not only for year 2012, but also for subsequent fiscal years.

Regarding the mobile canon corresponding to the years 2012, 2013, and 2014, the Company made the payments under protest according to the settlements formulated by the MTC. The payment corresponding to the years 2015 and 2016 were not made as a precautionary measure was obtained in the procedure of Bureaucratic Barriers, and as a consequence of the definitive determination from INDECOPI.

However, on January 18, 2017, the Company was notified with the requirement formulated by the MTC for the payment of the corresponding royalties for the years 2015 and 2016. The requirement was based on the existence of a precautionary measure issued by the 25th Contentious-Administrative Court of the Superior Court of Justice of Lima, which ordered INDECOPI to suspend the effects of the ruling that declared that the calculation of the royalties, as per the General Scheme, constituted a Bureaucratic Barrier. The Court specified that if the payment was not made within the term granted, the respective coercive collection actions would proceed.

On January 27, 2017, the Company responded to the aforementioned requirement stating that (i) as at that date, it had not been notified of any precautionary measure; (ii) it had not been notified with any INDECOPI resolution that ordered the suspension of the effects of its determination; and (iii) pursuant to the provisions of Articles 136 and 115 of the Tax Code, Article 16, subparagraph e) of the Coercive Enforcement Procedure Act, and paragraph 28, Article 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 submitted, within the established legal deadlines, claims before the MTC for the years 2015 and 2016.

On March 7, the Coactive Executor suspended the Enforcement procedure. However, in order to avoid a possible allegation by the Ministry that Telefónica would not be paying the royalties and, due to this, start a procedure stop the concession, Telefónica proceeded to pay the 2015 and 2016 periods for amounts amounting to S/50,787,968 and S/52,107,136.

On September 24, 2020, the Supreme Court declared the MTC's cassation appeal founded, and consequently the judgment of the Superior Court was overruled. On February 3, 2021, the judgment of the Superior Court declared the claim as unfounded. On February 18, 2021, we learned that the MTC filed a cassation appeal (we have not yet been notified). The file has been in the Supreme Court since July 12, 2021.

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

g) Income tax Telefónica Multimedia 2007, 2010, 2012, 2013, and 2014 -

As a result of the audits of the financial years 2007, 2010, 2012, 2013, and 2014, SUNAT has notified of various resolutions for alleged omissions regarding income tax.

In some cases, Moviles has filed claim appeals for failing to find the corresponding resolutions in accordance with the legal regulations in force in Peru and, in others, it has proceeded to pay the assessments received.

Regarding the Income Tax for the year 2012 for Multimedia, on June 17, 2015, SUNAT issued Determination Resolutions No. 012-003-0059229 to 0059241 and Fine Resolutions No. 012-002-0025995 to 0025997. The main remedy undertaken by SUNAT corresponds to the expenses that are supported with documentation and that were received after the presentation of the sworn statement. Disagreeing with the stipulations of the Determination and Fine Resolutions, the Subsidiary filed a Claim Appeal. On January 22, 2016, SUNAT communicated Intendence Resolution No. 0150140012250, by means of which the aforementioned Claim Appeal was declared invalid. As such, an appeal was filed with

the TC, which was resolved through TCR No. 3752-3-2020, and notified on September 7, 2020. In this resolution, the Court overrules the main objection related to the expenses that are substantiated with vouchers received after the sworn statement. Regarding the remaining objections, these were upheld and we are awaiting SUNAT to comply.

Subsequently, on December 1, 2020, the Company was notified with Intendence Resolution No. 0150150002586 issued in compliance with what was resolved by the Tax Court in Resolution No. 03752-3-2020. However, as we do not agree with that stated by SUNAT, we have filed an appeal.

In the opinion of Management and its legal advisors, there are legal arguments that indicate that the tax process could be resolved on favorable terms for Multimedia. If so, any favorable result derived from the aforementioned tax proceedings will not have a significant impact on the Company's financial statements.

Finally, with respect to fiscal year 2012, on December 11, 2020, we filed a contentious-administrative claim against TCR No. 3752-3-2020 that ruled against the interests of the Company in terms of the following objections: (i) income improperly considered as deferred and that accrued in 2012; (ii) provision for expenses not accepted as they have not been substantiated; (iii) late payment interest on account from March to December 2013; and (iv) fine resolutions regarding IR 2012 and its payments on account. On December 11, 2020, the court accepted the claim for processing. On January 18, 2021, the oral hearing was heard in the first instance. The ruling is still pending.

From the analysis carried out, ratified by the legal opinion of the external consultants overseeing the case, we consider that the contingency rating of this case is remote.

Furthermore, regarding the 2014 fiscal year, Tax Court Resolution No. 149-4-2019 is disputed as it confirms IR No. 0150140014378, thereby declaring the claim made against payment orders No. 011-001-0123981 to 011-0123989 drawn for IR account payments from January to July, October, and December 2014, as unfounded. On April 24, 2019, the lawsuit was filed. On August 20, 2020, the oral hearing was carried out. On November 2, 2020, the judgment of first instance declared our claim founded and consequently the TCR null. As such, the payment of late interest due to modification of the coefficient is not applicable. However, the Superior Court reversed the judgment of first instance, by virtue of the SUNAT appeal, and declared our claim unfounded. On January 12, 2021, we filed a cassation appeal against said judgment, which is pending acceptance.

In the opinion of Management and its legal advisors, for the aforementioned administrative contentious processes there are sufficient arguments to consider the contingency as reasonably remote.

Finally, regarding the 2007 financial year, on October 21, 2020 we were notified with a contentious-administrative claim filed by SUNAT through which it discusses the objections of financial expense for execution of the letter of guarantee and expenses for payment of metallic promotion 2005-2006-2007. On April 21, 2021, we attended the proceedings. On January 13, 2022, the oral hearing was heard in the first instance. The ruling is still pending.

In the opinion of Management and its legal advisors, for the aforementioned administrative contentious processes there are sufficient arguments to consider the contingency as reasonably remote.

In relation to the processes detailed above, as of December 31, 2021, as set out in note 2.19 and 2.20, the Company has recorded the necessary provisions for the cases considered probable, leaving as possible contingencies an amount of S/1,128,539,000 (S/721,219,000 as of December 31, 2020). See Note 21. Management and its legal advisors estimate that the individual outcome of the claims should not have a significant impact on the Company's financial statements.

Furthermore, the Company has several legal, (labor and administrative) regulatory, and customs lawsuits that are being undertaken by its external and internal legal advisors. As of December 31, 2021, as stated in Note 2.19, the Company has recorded the necessary provisions for the cases considered probable, leaving as possible contingencies an amount of S/749,917,000 (S/567,148,000

as of December 31, 2020). See Note 21. Management and its legal advisors estimate that the individual outcome of the claims should not have a significant impact on the Company's financial statements.

34 SUBSEQUENT EVENTS

By Supreme Decree No. 010-2022-PCM dated January 29, 2022, the state of emergency was extended until February 28, 2022. This Supreme Decree establishes restrictions on commercial activities, cultural activities, establishments and recreational activities, hotels, restaurants, pedestrian and vehicular traffic in various regions of Peru. To date and in comparison to the 2020 period, the Company assesses that it will not have a significant impact on this extension of the state of emergency on its financial position and performance in the year 2022.

Between December 31, 2021 and the date of approval of the financial statements, there have been no significant subsequent events that in the opinion of Company management require any additional disclosure or any adjustment to the balances presented in the financial statements.