



Quarterly Results
Telefónica del Perú S.A.A.

July - September 2020

2020 third quarter results

MOVISTAR PROVIDED GREATER BENEFITS TO ITS CLIENTS AND REINFORCED ITS CONVERGENT OFFER

- In the third quarter of 2020, Movistar Peru recorded revenues of S / 1,640 million.
- Movistar continued to strengthen its "Movistar Total" offer, integrating mobile services with landlines, which has allowed it to achieve a 10.1% growth in total revenues compared to 2Q20.
- Movistar offered a 10 GB monthly bonus for postpaid clients and increased the speed for fixed internet users by up to 50%. This offer was in place for three months for connectivity needs during the pandemic.
- Movistar and the Ministry of Transport and Communications announced the free internet connection of 48 health centers distributed in various provinces of Cajamarca and Ayacucho.
- More than 10,000 rural communities throughout the country that did not have adequate access to mobile internet have been connected to the 4G network through Internet Para Todos (IPT) (Internet for All), a company created by Telefónica, Facebook, IDB Invest and CAF.
- IPT connected more 900 rural communities to 4G during the pandemic so that they can access virtual education, telemedicine, among other services.

Lima, October 21, 2020- Movistar Peru presented the 2020 third-quarter financial results, a period in which economic and commercial activity re-commenced in the midst of the country's Covid-19 health emergency. In this quarter, the company recorded revenues of S/ 1,640 million.

In 3Q20, Movistar continued to strengthen its "Movistar Total" offer, integrating mobile services with landlines, which has allowed it to achieve 10.1% growth in total revenues compared to 2Q20.

In the fixed landline segment, revenues from fixed voice, broadband and pay TV services reached S/ 690 million.

In the mobile segment, income reached S/ 798 million. It should be noted that the prepaid business has been recovering due to top-ups offering greater benefits, and a greater dissemination of digital channel use to purchase top-ups.

In response to the needs and changes in consumption habits due to the state of emergency, postpaid mobile customers were offered a 10 GB monthly voucher and the speed for fixed internet users was increased by up to 50%. Both offers were available for three months.

It should be noted that Movistar has continued to strengthen its leadership position in the corporate segment as the country's largest companies and public sector institutions have activated projects. Additionally, the sale of new services increased thanks to the digital business won in 3Q20, and thus achieving the highest sales in the last 3 years.

Integrating more Peruvians with connectivity

In mid-August, Movistar and the Ministry of Transport and Communications announced free internet connection for 48 health centers in various provinces of Cajamarca and Ayacucho. This health center access to free internet is part of a government-approved initiative that allows the temporary allocation of spectrum that improves mobile service quality per connectivity commitments in hospitals and health centers.

Furthermore, it was announced that Internet Para Todos (IPT) [Internet for everybody], a company created by Telefónica del Perú, Facebook, IDB Invest and CAF, has managed to connect more than 10,000 population centers to 4G that did not have adequate access to mobile internet. During the pandemic IPT has connected more than 900 rural communities to 4G in order to access virtual education, telemedicine, among other services.

Committed to the most vulnerable

During 3Q20, Movistar reaffirmed its commitment to Peruvian society. By doing so, Fundación Telefónica delivered 6,250 face shields, 3,800 pairs of surgical gloves and 560 bottles of alcohol gel to hospitals, police stations, shelters and charitable institutions, among others. The delivery of these materials took place in regions such as Ayacucho, Arequipa, Chiclayo, Chimbote, Iquitos, Piura, Pucallpa, Tarma and Tarapoto, as well as in the most vulnerable areas of Lima.

This contribution was in parallel to the company's efforts to promote technological development and scientific research in the country. For this reason, together with the Pontifical Catholic University of Peru and the Cayetano Heredia University, Movistar has financed the production of 65 mechanical ventilators for the Ministry of Health, 50 of which were delivered on October 8.

About Telefónica

For 26 years Telefónica has grown together with Peru, operating under the trading name of Movistar. It has more than 17 million clients, and since it began its operations in Peru, Movistar has invested more than S/ 30,000 million in telecommunications infrastructure to improve our competitiveness, and to unite Peruvians with more communication. The company has an economic impact equivalent to 1% of GDP as at 2019. Since 1994, Telefónica has paid more than S / 9,300 million in Income Tax, and thus is one of the main taxpayers in the country. Telefónica is a socially responsible company, founding initiatives such as Fundación Telefónica, Wayra, ConectaRSE para Crecer, Somos Grau, Reciclame, among others. It also has implemented projects to expand coverage in rural areas such as "Internet para Todos". Telefónica is committed to the country's transformation and digital inclusion, and to the improvement of Peru's competitiveness and productivity. www.telefonica.com.pe

Main events of importance in the third quarter of the 2020 financial year

1. On July 2, the Monthly Position of Derivative Instruments was reported as at June 2020.
2. On July 3, the Share Capital was announced as at June 30, 2020.
3. On July 7, the following was communicated in relation to File No. 2020022534, Response EMI-332/2020 from the Lima Stock Exchange.
4. On July 13, the Interest Maturity was announced; Fourth Bond Program, 19 Issuance, series A. Total paid S/ 1,594,639.90, the payment was made on Friday, July 10, 2020.
5. On July 14 the Interest Maturity was announced; Sixth Bond Program, 13 Issuance, series A. Total paid S/ 3,850,000, payment was made on Monday, July 13, 2020.
6. On July 14, the following was communicated in relation to File No. 2020023505: Notification was made for a mandatory distance annual shareholder meeting.
7. On July 20, the following was communicated in relation to File No. 2020024375: via Circular Response No. 159-2020-SMV/11.1, "Relevant information on the situation of issuers of securities" was made public.
8. On January 21, the Interest Maturity was reported; Fourth Bond Program, Issue 19, series C-. Total paid S/ 441,751.96, the payment was made on Monday, July 20, 2020.
9. On July 24, the following was communicated in relation to File No. 2020025196:
Resolutions adopted by the Mandatory Annual Shareholders Meeting
 - I. Approval of Corporate Management (Financial statements and Report)
 - II. Appointment of external auditors for 2020 financial year: Appoint the firm GAVEGLIO, APARICIO Y ASOCIADOS S. CIVIL DE R.L., a member of PricewaterhouseCoopers, as external auditor for the 2020 financial year.
 - III. Annual directors' remuneration: Approve directors' remuneration for the 2020 financial year for the following amounts per that indicated below:
 - a. For the quality of regular director and as compensation, the equivalent of US \$17,424.00 per year to be paid at a rate of US \$1,452.00 each month.
 - b. As an allowance for attending Board meetings, directors will receive the equivalent of US \$968.00 for each session.

It is expressly stated that such remuneration has remained unchanged since 2012 and will be paid only to directors who are not themselves executives of any of the Telefónica Group companies.
10. On July 24, the following was communicated in relation to File No. 2020025198: Publication of the Annual Consolidated Financial Information as at 12/31/2019.
11. On July 24, the following was communicated in relation to File No. 2020025199: Publication of the Individual Annual Financial Information as at 12/31/2019.
12. On July 24, the following was communicated in relation to File No. 2020025256: That, at the Compulsory Annual Shareholders Meeting the foregoing was made public knowledge and that, in addition to what was reported as a significant event, said body approved the consolidated annual audited information for the 2019 financial year.
13. On July 24, the following was communicated in relation to File No. 2020025668: Board of Directors decision on the Approval of the separate and consolidated financial statements for the second quarter of fiscal year 2020.
14. On July 27, the following was communicated in relation to File No. 2020025664: Publication of the Quarterly Consolidated Financial Information as at 06/30/2020.
15. On July 27, the following was communicated in relation to File No. 2020025654: Publication of the Individual Quarterly Financial Information as at 06/30/2020.
16. On August 5, the Monthly Position of Derivative Instruments as at July 2020 was reported.
17. On August 7, the Share Capital as at July 30, 2020 was communicated.

18. On August 10, the following was communicated in relation to File No. 2020028038: The change of company name of its shareholder Latin America Cellular Holding, SL to Telefónica Hispanoamérica, SL
19. On August 21, the following was communicated in relation to File No. 2020028038:
announcement of the commencement of an external audit
You are hereby informed that the firm Gaveglia, Aparicio y Asociados S. Civil de R.L., a member of PricewaterhouseCoopers and the external auditor for the year 2020 accounts, as designated at the 2020 mandatory annual shareholder meeting, will begin planning work on August 31, 2020 and plans to undertake visits on the following dates:
Planning Stage: August 31 to September 25, 2020
Preliminary Visit: October 19 to November 20, 2020
Final Visit and Report: January 04 to February 12, 2021
20. On August 24, the following was communicated in relation to File No. 2020029710:
The response regarding Circular No 177-2020-SMV/11, "Risk assessment of the measurements, estimates and disclosures in the financial statements prepared according to IFRS" in relation to Covid-19, and our assessment submission was complied as a significant event.
21. On September 2, the Share Capital as at August 30, 2020 was communicated.
22. On September 7, the Interest Maturity of the Sixth Bond Program, 17 Issuance, series A was reported. Total paid S /2,671,875.00, the payment was made on Friday, September 4, 2020.
23. On September 18, the following was communicated in relation to File No. 2020033299:
Board Decisions of September 18:
 - I. Cancel the Simple Reorganization Project approved by the Board of Directors in its session of June 29, 2020 and approve a new Simple Reorganization Project, by virtue of which the cyber security business line of Telefónica del Perú S.A.A. will be segregated and transferred to TELEFÓNICA CYBERSECURITY TECH PERÚ S.A.C. under the provisions of article 391 of the General Companies Act.
 - II. Approve the call to the General Meeting of Shareholders to be held as a distance meeting, under the provisions of Emergency Decree No. 056-2020 and in accordance with the provisions of Superintendent Resolution No. 050-2020-SMV/02, to submit for its consideration the approval of this Simple Reorganization Project and delegate powers for such.
24. On September 18, the following was communicated in relation to File No. 2020033302:
A online General Shareholders' Meeting for September 30, 2020 is called to approve the simple reorganization in favor of TELEFÓNICA CYBERSECURITY TECH PERÚ S.A.C.
25. On September 30, the following was communicated in relation to File No. 2020034672:
By resolution of the General Shareholders' Meeting it has been determined:
Simple Reorganization in favor of Telefónica Cybersecurity Tech Perú S.A.C.: In accordance with the provisions of article 391 of the General Companies Act, the Board approved the simple reorganization of Telefónica del Perú S.A.A. in favor of Telefónica Cybersecurity Tech Perú S.A.C. and, as a consequence of the same, the segregation and transfer to the latter, effective as of October 1, 2020, of an equity block owned by the former that will be made up of assets and liabilities related to the cybersecurity business. The Board delegated powers to (i) undertake the simple reorganization in favor of Telefónica Cybersecurity Tech Perú S.A.C.; (ii) sign on behalf of Telefónica del Perú S.A.A. the contracts that are required or convenient with said company for service contracts and others that correspond, once the reorganization has been executed, as well as the contract for the sale of shares representing the share capital of Telefónica Cybersecurity Tech Perú S.A.C., considering its market value for this purpose.
26. On September 30, the following was communicated in relation to File No. 2020034678:
Board Decision:
The placement of Company funds is authorized via deposits, loans, or investments in banking institutions, in Telefónica S.A., or any of its subsidiaries up to an amount of S/ 500 million, or its equivalent in other currency, for a period of 90 calendar days. The respective contracts will be concluded in market terms within the framework of the authorization granted.

27. On September 30, the following was communicated in relation to File No. 2020034783:
- I. That, in compliance with the Securities Market Act, it is reported that: the General Meeting of Shareholders of Telefónica del Perú S.A.A. approved the Simple Reorganization Project in favor of Telefónica Cybersecurity Perú SAC, as reported on the date as a significant event. The approved Project is attached, and whose effective operative date is October 1, 2020. Additionally, since it is a simple reorganization, information required by the MVnet system such as the exchange rate, audited financial statements, among others, is not applicable.
 - II. It is noted that the equity block contributed through Simple Reorganization has considered the net book value of its components as at September 30, 2020, as stated in the attached Project.
 - III. It is expressly stated that this transaction has not produced any modification regarding the shares of Telefónica del Perú S.A.A., which will remain listed on the Lima Stock Exchange.

Competitive environment 3Q20

The economic and commercial openness together with a significant decline in the Covid-19 mortality curve has allowed an improvement in the results of the telecommunications market in 3Q20 compared to the previous quarter.

However, economic recovery has slowed down, in part, due to the delay in the start of Phase 4 of the re-opening of the economy, taking place on October 1, as well as the slow recovery of family income. According to August indicators, GDP growth continues on a downward trend, far from 2019 levels. The unemployment situation and the drop in household income is reflected in the level of delinquency, reaching 6.3 million sector debtors. The sector has thus become the most affected by the high percentage of delinquent debtors.

In this context, companies in the sector have increased their commercial activity seeking to recover the income lost in the previous quarter (especially in the terminal sales business, which was down 76% in 2Q20 compared to 1Q20). In the mobile business, greater commercial activity was reflected in the increase in portability and market registrations, while in the fixed business, performance was increased mainly in broadband products offering higher speeds. At this juncture, Movistar continued to leverage the strength of our sales force, thereby boosting all of our broadband, pay TV and mobile services, especially postpaid. The latter was a beneficiary of our convergent offer "Movistar Total." Thus, monthly Movistar Total package sales have been double as compared with what was observed in January and February. These actions have allowed us to regain a competitive position and achieve 10.1% growth in total revenues compared to 2Q20.

Fixed business

According to information from OSIPTEL as at 2Q 2020, Movistar continues to lead the fixed market with a 70.3% share in fixed telephony, 65.9% in broadband and 62.9% in Pay TV.

In the fixed segment, competitive intensity increased in the quarter. Movistar continued to promote its convergent offer "Movistar Total", increasing the speed of its internet plans and launching new fiber optic plans of up to 1 GB. The competition meanwhile continued to strengthen its offers of duos and trios. In addition, they renewed their commercial offer with higher speeds in fixed and wireless internet along with new fiber optic plans of up to 1 GB. The new entrants (Fibreras) have focused on value areas with high speeds in broadband service.

As at 3Q20, Movistar maintained the leadership of the fixed services market with 5.3 million fixed accesses, which include 1.9 million broadband accesses and 1.4 million Pay TV, with a quarterly drop of 0.2% and 3.4% respectively.

In the B2B segment, we continue to strengthen our commercial offer, seeking to capture new business generated by recent market needs (education, telework, call center, etc.). In B2B Corporate, an increase in the portfolio of opportunities has been achieved, mainly due to the undertaking of projects by the country's largest companies and public sector institutions. Additionally, the sale of new services increased thanks to the digital business acquired in 3Q20, and thus achieving the highest sales in the last 3 years.

Mobile business

According to official Osiptel information, in 2Q20 Movistar maintained the leadership of the mobile market with a 30.9% share.

In 3Q20, the mobile market showed greater competitive intensity as operators were more aggressive in seeking to recoup the market and protect valuable customers. The mobile IN portability of the market reached 1.0 million ported numbers, which was six times higher than that observed in 2Q20, while registrations increased 28% compared to 2Q20. In the postpaid segment, operators encouraged their customers' consumption by augmenting their commercial offers with an increase in GB, and launching discounts and portability bonuses. In addition, financing and discounts for the sale of terminals were again offered. Furthermore, in the prepaid segment, they continued to focus on the mass channel and offered bonuses for digital top-ups.

In this context, Movistar reached 10.2 million mobile accesses in 3Q20, which meant an increase of 288 thousand accesses, 2.9% more compared to 2Q20. The foregoing was driven by prepaid accesses that increased by 7.4%; however, compared to 3Q19, accesses fell 18.1%.

Economic Environment

Economic activity contracted 30% in 2Q20 compared to 2Q19, in a context of national mandatory social isolation, high economic uncertainty and a reduction in global demand. During this quarter, the GDP underwent the most critical moment of the crisis in Apr-20, when it recorded a fall of 40%, while in May-20 the recession moderated to 33% after the start of the plan for economic resumption. The reversal continued in Jun-20 with a fall of 18%. The stoppage of activities and home confinement produced a supply shock and thus, a significant deterioration in employment, income and the suspension of investment projects on private and public spending. This affected the household spending capacity, which materialized as a demand shock, thus supposing a 27% drop in domestic demand in 2Q20, a level not observed since the GDP started being recorded in 1980.

The economic result of Jul-20 (-12%) confirms a trend of economic recovery. Additionally, the leading indicators for the months of Aug-20 and Sep-20 point to a fall of approximately 10% for 3Q20. Furthermore, the resumption of activities, which is currently in phase 4, will make it possible to increase economic operations in the last quarter of the year. The foregoing with greater private investment in the restarting construction of mining projects and infrastructure will help to reactivate the labor market and private consumption.

Consumption, Investment and Public Expenditure

Private consumption in 2Q20 decreased 22%, its biggest drop since 2Q89. This result explains the reduction in GDP of 15 percentage points. The stoppage of operations in most economic sectors implied a sharp decrease in purchases of goods and services, and a major deterioration in labor market indicators. Employment in Metropolitan Lima fell 55% year-on-year in 2Q20, equivalent to a loss of 2.7 million jobs. Also, the nominal wage bill contracted 60% year-on-year in 2Q20.

The deterioration in the labor market and economic uncertainty impacted on consumer confidence for the quarter, whose index was 11 points less compared to 2Q19. On the back of the aforementioned, consumer credit registered a real expansion rate of 2.5% in the analysis period, 7.7% lower than that achieved in 2Q19. However, the gradual reopening of the economy, added to fiscal and monetary stimuli, has since May-20 driven a reversal in the fall of the highest frequency of consumption indicators.

For its part, private investment fell 60% in 2Q20 due to lower investment both in the mining sector (-34%) and in that from other sectors (-64%). The quarterly result was affected by the interruption of various activities, economic uncertainty and the real impact of Covid-19 on the economy. These factors were reflected in the worse business outlook on the future of the economy, lower domestic cement consumption and the reduction in imports of capital goods.

Finally, public spending was reduced by 23% in 2Q20, reversing the positive result of the same period of 2019 (+ 3.9%). On the one hand, public consumption was slightly affected with a fall of 3.9% in real terms, explained by the decrease in spending by the national and local governments. However, on the other hand, public investment fell by 70% compared to 2Q19, affected by the decrease in investment at the three levels of government. National government investment contracted by 69%, mainly due to the interruption of projects during the quarantine period, and to a lesser extent, due to projects that concluded or presented contractual problems before the declaration of the State of Emergency. Regional and local government investment spending fell by 69% and 79%, respectively, which was typical of all areas and departments of the country.

Inflation, Exchange Rate and Fees

Monthly inflation for Sep-20 increased 0.14%, largely explained by three factors; (i) the increase in the prices of Fuels (+ 1.54%), (ii) the readjustment in the Electricity rates (+ 0.86%) and (iii) the increase in the prices of Food and Beverages due to the normalization some food prices per seasonal factors, and to a lower supply in some cases. With this result, the year-on-year trend in prices has risen from 1.7% in Aug-20 to 1.8% in Sep-20. Core inflation, which excludes food, energy and other groups, usually more closely linked to demand pressures, continued to decline, going from 2.23% in Jan-20 to 1.56% in Sep-20. Furthermore, it is important to point out that from Apr-20 to Sep-20 the monthly average of inflation excluding food and energy was 0.1%, which in annual terms is equivalent to a growth of approximately 1.0%. In Sep-20, with the exception of the Rest of Services and Health consumption groups, all the components of inflation excluding food and energy recorded very low or negative price increases.

The effects of the COVID-19 pandemic's shock on the economy, especially during the period of social isolation, have been reflected in the financial markets. They have been subject to greater volatility in the exchange rate of the stock market and government bond yields, an increase in credit spreads, a greater demand for liquidity from the financial system, and a decrease in the participation of non-residents in the debt and equity markets. In the period from Dec-19 to Jun-20, the Sol depreciated 8.6%, sliding from S/ 3.31 to S/ 3.60 per dollar. This exchange rate fluctuation so far this year can be explained in two parts. The first part is associated with the beginning of the Covid-19 crisis. The exchange rate behavior is fundamentally due to capital outflows from emerging countries as a global phenomenon as a result of uncertainty. The second part, is that in the last three months the rise in the exchange rate is mainly explained by the large local monetary expansion that has responded to the Reactiva Peru Program. It is expected monetary expansion impact will fade from Nov-20 onwards, thus implying a downward trend in the exchange rate.

At the beginning of social isolation, the Central Reserve Bank reduced the monetary policy reference interest rate by 100 basis points in Mar-20 to 1.25%: a rate that until then had only been reached in 2009 during the international financial crisis. Subsequently, upon extending the quarantine for the first time, the rate decreased in Apr-20 to a historical minimum level of 0.25%. Since then, the BCRP has maintained the rate at 0.25%. This monetary policy rate responds to the extraordinary magnitude of the contraction in economic activity. It was feasible to do so due to the high credibility of the monetary policy. This was the lowest rate in emerging economies at the time of implementation. The expansionary position was reinforced by a set of actions aimed at maintaining credit flow and the payment chain.

Financial Markets

Peru has maintained its classification of sovereign debt in foreign currency: Moody's with stable A3, S&P with stable BBB + and Fitch with stable BBB +. The key factors that influenced maintaining classification were public debt levels, the credibility of the monetary policy, and the improved profile of the external sector.

Financial Year Results

Income from ordinary activities

Income amounted to S/. 1,640.1 million in 3Q20, -19% less compared to 3Q19. Due to the slow economic reactivation after social isolation during the state of emergency.

Revenues from **Services (Voice + BA + TV)** reached S/ 689.7 million, -13% less compared to 3Q19. The lower revenues are explained by the progressive opening of channels after the quarantine, the reduced capacity in commercial premises, and the reduced fixed charges as a result of the degraded plans to part of the plant.

Data and Information Technology revenues reached S/ 76.9 million in 3Q20, lower by -60% compared to 3Q19, explained by the pandemic putting projects on hold.

Other Fixed Income reached S/ 12.9 million in 3Q20, S/ 4.6 million less than in 3Q19 due to lower commercial activity.

Mobile Telephony revenues in 3Q20 reached S/ 798.2 million, a decrease of 14.8% compared to 3Q19 and equivalent to S/ 138.4 million.

Postpaid revenues in **3Q20** closed at S/ 394.4 million, showing a 7% decrease compared to 3Q19, and equivalent to S/ 28 million. The decreased revenue is mainly explained by the effect of lower commercial activity and regularization of cuts as provided by the regulatory body.

Revenues from the **sale of terminals** in 3Q20 amounted to S/ 222.7 million, with a decrease of 26.4% from 3Q19. This is equivalent to S/. 79.8 million less, and is mainly explained by decreased commercial activity due to the post-pandemic effects, and added to the significant reduction in financing in terminals.

On the **Prepaid front**, revenues show a -2.7% decrease compared to 3Q19, equivalent to S/ 4.0 million less. The prepaid business has been recovering due to the commercial management carried out during the period of social immobilization and the state of emergency.

Revenues from **Mobile Wholesale** services reached S/ 40.6 million in 3Q20, 13.6% lower than in 3Q19. The foregoing is explained by lower interconnection charges.

Currently, the Company's commercial strategy is focused on 4 fronts: keeping the set of installations connected, promoting digital recharging, strengthening the value proposition, and further utilizing the sales force. Additionally, campaign management has been encouraging customers to top ups with the delivery of greater benefits, and the greater dissemination of the use of digital channels to purchase top ups.

Income from other operating activities

Income from Operating Activities in 3Q20 was S/ -123.5 million, S/ 150.1 million better than that registered in 3Q19, mainly due to the reduction in administrative and personnel expenses, and the restructuring plan launched in 3Q20 compared to that launched in 2020.

Non-Operating Income

Non-Operating Income in 3Q20 was negative by S/ 65.5 million, higher by S/ 2 compared to 3Q19. The results are mainly explained by higher financial income.

Net yearly income

The net income for the year in 3Q20 was S/ -168.3 million, an improvement of S/ 149.2 compared to 3Q19. The foregoing is mainly explained by improved better operating and non-operating results compared to 2019.

Statement of Financial Position

Total current assets in 3Q20 amounted to S/ 3,342 million, an amount of S/ 124.7 million greater than when compared to the previous quarter. This result is mainly explained by the higher balance in Accounts receivable from related entities stemming from the strategy of making profitable cash surpluses through a loan made to a company of the Telefónica S.A. Group. In addition to the loan was the disposal of available-for-sale assets, which was partially offset by a reduction in trade accounts receivable, and a drop in inventories.

Total non-current assets closed at the second quarter of 2020 at S/ 10,813.2 million, an amount of S/ 277.5 million less than that observed in the previous quarter. The foregoing is due to the reduced execution of investment plans and higher depreciation recorded in the period.

On the back of the foregoing, total assets were S/ 14,245 million, an amount S/ 152.8 million lower when compared to that recorded at the end of 2Q20.

At the close of 2T20, total current liabilities were S/ 5,585 million, S/ 55 million greater than 2T20. The variation is mainly explained by the increase in the balance of commercial Accounts Payable due to the renegotiation of payment terms with suppliers.

Total non-current liabilities amounted to S/ 4,410 million at the end of 3Q20, a balance of S/ 39 million less than when compared to that observed in the previous quarter. This variation is mainly due to the decrease in Lease liabilities.

Finally, total Equity decreased by S/ 168 million in 3Q20, to S/ 4,251 million largely due to the results of the fiscal year.

Relevant Financial Ratios

At the end of 3Q20, liquidity ($[\text{Total current assets} - \text{Cash and equivalents}] / \text{Total current liabilities}$) closed at 0.52x, a ratio similar to that obtained in the previous quarter that closed at 0.5x.

Financial leverage ($\text{Financial liabilities} * / \text{Total equity}$) reached the level of 0.74x in the first quarter of the year compared to the level of 0.72x in the previous quarter, thus remaining at low industry levels.

***Does not include the lease debt recorded by the alignment to IFRS 16.**

TABLE 1

TELEFONICA DEL PERU S.A.A.

INCOME STATEMENT IN SOLES (000) FOR THE PERIOD ENDING SEPTEMBER 30, 2020 AND 2019

(Prepared in accordance with International Financial Reporting Standards - IFRS)

	3Q20		3Q19		Var Abs	Var %	9M20		9M19		Var Abs	Var %
					3Q19-3Q20	3Q19-3Q20					9M19-9M20	9M19-9M20
		%		%		%		%		%		%
Income from ordinary activities	1,640,107	100.0	2,031,958	100.0	(391,851)	(19.3)	4,904,005	100.0	5,999,159	100.0	(1,095,154)	(18.3)
Landline Income	841,897	51.3	1,095,386	53.9	(253,489)	(23.1)	2,705,990	55.2	3,109,852	51.8	(403,862)	(13.0)
Income from services (Voice + BA + TV)	689,666	42.1	791,117	38.9	(101,451)	(12.8)	2,110,397	43.0	2,313,717	38.6	(203,320)	(8.8)
Data + IT	76,926	4.7	193,896	9.5	(116,970)	(60.3)	367,899	7.5	488,150	8.1	(120,251)	(24.6)
Wholesale	43,562	2.7	69,006	3.4	(25,444)	(36.9)	125,813	2.6	169,677	2.8	(43,864)	(25.9)
Sets (Voice + BA + TV)	18,849	1.1	23,817	1.2	(4,968)	(20.9)	57,799	1.2	67,929	1.1	(10,130)	(14.9)
Other Fixed Incomes	12,894	0.8	17,550	0.9	(4,656)	(26.5)	44,082	0.9	70,379	1.2	(26,297)	(37.4)
Mobile income	798,210	48.7	936,572	46.1	(138,362)	(14.8)	2,198,015	44.8	2,889,307	48.2	(691,292)	(23.9)
Postpaid	394,438	24.0	422,540	20.8	(28,102)	(6.7)	1,223,377	24.9	1,305,099	21.8	(81,722)	(6.3)
Terminals (Customer Recruitment + Loyalty)	222,682	13.6	302,445	14.9	(79,763)	(26.4)	445,433	9.1	916,365	15.3	(470,932)	(51.4)
Prepaid	144,011	8.8	148,061	7.3	(4,050)	(2.7)	407,805	8.3	468,991	7.8	(61,186)	(13.0)
Wholesale	40,565	2.5	46,947	2.3	(6,382)	(13.6)	111,417	2.3	132,665	2.2	(21,248)	(16.0)
Other Mobile income	(3,486)	(0.2)	16,579	0.8	(20,065)	(121.0)	9,983	0.2	66,187	1.1	(56,204)	(84.9)
Operating Expenses	1,795,876	109.5	2,407,688	118.5	(611,812)	(25.4)	5,245,902	107.0	6,411,442	106.9	(1,165,540)	(18.2)
General and Administrative	782,801	47.7	962,050	47.3	(179,249)	(18.6)	2,325,545	47.4	2,729,503	45.5	(403,958)	(14.8)
Cost of equipment sales	274,193	16.7	324,198	16.0	(50,005)	(15.4)	604,795	12.3	1,011,214	16.9	(406,419)	(40.2)
Depreciation and Amortization	338,622	20.6	332,265	16.4	6,357	1.9	987,047	20.1	1,013,090	16.9	(26,043)	(2.6)
Depreciation of user rights	51,815	3.2	45,874	2.3	5,941	13.0	152,060	3.1	132,708	2.2	19,352	14.6
Employees	175,548	10.7	505,730	24.9	(330,182)	(65.3)	480,101	9.8	879,817	14.7	(399,716)	(45.4)
Interconnection expenses	66,608	4.1	69,018	3.4	(2,410)	(3.5)	196,611	4.0	179,556	3.0	17,055	9.5
Estimate for doubtful accounts and inventory devaluation	83,336	5.1	166,196	8.2	(82,860)	(49.9)	415,198	8.5	460,412	7.7	(45,214)	(9.8)
Fees for transfer of technical and management capacity	22,953	1.4	2,357	0.1	20,596	873.8	84,545	1.7	5,142	0.1	79,403	1,544.2
Operating income before other income and expenses, net	(155,769)	(9.5)	(375,730)	(18.5)	219,961	(58.5)	(341,897)	(7.0)	(412,283)	(6.9)	70,386	1,544.2
Other operating income - expenses, net	32,184	2.0	102,036	5.0	(69,852)	(68.5)	32,193	0.7	219,299	3.7	(187,106)	(85.3)
Profit from operating activities	(123,585)	(7.5)	(273,694)	(13.5)	150,109	(54.8)	(309,704)	(6.3)	(192,984)	(3.2)	(116,720)	60.5
Financial Income	12,926	0.8	10,171	0.5	2,755	27.1	40,950	0.8	35,696	0.6	5,254	14.7
Financial Expenses	(80,298)	(4.9)	(80,484)	(4.0)	186	(0.2)	(262,945)	(5.4)	(223,115)	(3.7)	(39,830)	17.9
Exchange Difference, net	568	0.0	3,146	0.2	(2,578)	(81.9)	(12,747)	(0.3)	(2,277)	(0.0)	(10,470)	459.8
Share in Income of related parties	1,348	0.1	(263)	(0.0)	1,611	(612.5)	(2,463)	(0.1)	(2,189)	(0.0)	(274)	12.5
Non-Operating income	(65,456)	(4.0)	(67,430)	(3.3)	1,974	(2.9)	(237,205)	(4.8)	(191,885)	(3.2)	(45,320)	23.6
Income before income tax	(189,041)	(11.5)	(341,124)	(16.8)	152,083	(44.6)	(546,909)	(11.2)	(384,869)	(6.4)	(162,040)	42.1
Income tax	20,729	1.3	23,601	1.2	(2,872)	(12.2)	46,569	0.9	(597,583)	(10.0)	644,152	(107.8)
(loss) for the period, net	(168,312)	(10.3)	(317,523)	(15.6)	149,211	(47.0)	(500,340)	(10.2)	(982,452)	(16.4)	482,112	(49.1)

We recommend reading this document simultaneously with the corresponding Financial Statements and accompanying notes, which are an integral part of this document and contain complementary information.

TABLE 2
TELEFONICA DEL PERU S.A.A.
STATEMENT OF FINANCIAL POSITION IN SOLES (000) AS AT JUNE 30, 2020
(Prepared in accordance with International Financial Reporting Standards - IFRS)

Assets						Liabilities and equity					
	3Q20	2Q20	1Q20	4Q19	3Q19		3Q20	2Q20	1Q20	4Q19	3Q19
Current assets						Current liabilities					
Cash and cash equivalents	532,850	552,682	268,802	1,001,213	440,032	Other financial liabilities	157,868	229,361	424,360	408,070	584,569
Trade accounts receivable, net	1,393,112	1,744,841	1,837,458	1,744,651	1,776,322	Lease Liabilities	309,465	300,048	279,392	243,083	222,949
Contractual assets	48,874	54,434	84,502	129,295	175,613	Trade accounts payable	1,374,293	1,246,034	1,693,739	2,049,040	1,706,044
Accounts receivable from related companies	485,325	-	7,186	26,746	552,452	Contract liabilities	144,403	155,339	150,737	137,566	154,966
Other accounts receivable, net	171,420	160,606	127,431	123,390	114,439	Other accounts payable to related companies	654,356	642,044	3,641	2,991	2,475
Inventories	173,085	273,153	269,788	306,834	382,389	Other accounts payable	305,641	323,633	327,622	532,024	447,688
Income tax assets	154,751	141,210	196,064	208,399	206,851	Deferred Income	36,776	40,559	41,959	48,996	36,031
Other non-financial assets	413,399	380,472	409,401	348,202	395,028	Other provisions	381,490	382,839	382,050	362,967	2,691,168
Available-for-sale assets	59,316	-	-	-	20,479	Income tax liabilities	2,220,905	2,210,832	2,178,817	2,177,835	-
Total current assets	3,432,132	3,307,398	3,200,632	3,888,730	4,063,605	Total current liabilities	5,585,197	5,530,689	5,482,317	5,962,572	5,845,890
Trade accounts receivable, net	526	412	3,013	15,918	15,333	Other financial liabilities	2,973,363	2,972,546	3,038,760	3,036,855	3,051,665
Accounts receivable from related companies	-	-	-	587	587	Lease Liabilities	813,316	850,030	888,213	922,268	872,051
Contractual assets	3,406	1,257	2,850	6,110	24,095	Other accounts payable	114,085	113,742	118,239	190,467	193,777
Other accounts receivable, net	179,825	180,194	175,191	177,433	178,507	Other accounts payable to related companies	987	1,882	2,320	1,938	1,671
Investments in subsidiaries and associated companies	268,079	266,731	274,293	272,970	272,774	Contract liabilities	52,255	53,539	56,453	79,391	85,797
Property, plant and equipment	28,493,326	28,826,374	28,826,695	28,630,851	28,397,625	Deferred Income	93,103	97,923	98,856	99,611	110,923
Accumulated depreciation	(22,786,839)	(22,919,146)	(22,680,154)	(22,443,709)	(22,207,964)	Other provisions	284,567	281,408	278,238	276,957	451,211
	5,706,487	5,907,228	6,146,541	6,187,142	6,189,661	Non-current income tax liabilities	77,866	77,495	93,413	90,880	-
						Deferred tax liabilities	-	-	-	-	-
Intangible assets other than capital gain (net)	1,927,660	1,998,206	2,025,289	2,078,047	2,103,500	Total non-current liabilities	4,409,542	4,448,565	4,574,492	4,698,367	4,767,095
Rights-of-use assets	949,454	994,456	1,049,598	1,057,095	1,025,448	Total liabilities	9,994,739	9,979,254	10,056,809	10,660,939	10,612,985
Deferred tax assets	299,372	266,754	250,535	202,026	133,326						
Capital gains	1,215,145	1,215,145	1,215,145	1,215,145	1,215,145	Equity					
Other non-financial assets	263,262	260,427	320,519	310,703	293,590	Issued capital	2,876,152	2,876,152	2,876,152	2,876,152	2,876,152
Total non-current assets	10,813,216	11,090,810	11,462,974	11,523,176	11,451,966	Issuance premiums	77,899	77,899	77,899	77,899	77,899
						Other capital reserves	582,513	582,513	582,513	582,513	578,891
						Accumulated results	716,477	884,789	1,072,493	1,216,817	1,371,501
						Other equity reserves	(2,432)	(2,399)	(2,260)	(2,414)	(1,857)
						Total equity	4,250,609	4,418,954	4,606,797	4,750,967	4,902,586
Total assets	14,245,348	14,398,208	14,663,606	15,411,906	15,515,571	Total liabilities and equity	14,245,348	14,398,208	14,663,606	15,411,906	15,515,571

We recommend reading this document simultaneously with the corresponding Financial Statements and accompanying notes, which are an integral part of this document and contain complementary information.