

Telefónica

Quarterly Results Telefónica del Perú S.A.A.

April - June 2020

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

2020 second quarter results

MOVISTAR DELIVERED GREATER BENEFITS AND ENSURED CONNECTIVITY IN THE MIDST OF THE NATIONAL EMERGENCY

- During the first half of 2020, revenues reached S/ 3,264 million, which is 17.7% less than the first half of 2019.
- In the first quarter of 2020, Movistar Peru registered revenues of S/ 1,490 million, 25.7% less than the same period in 2019.
- Movistar maintained leadership in market share in Q2, with 1.9 million Broadband accesses, 1.4 million Cable TV and 10 million mobile lines.
- Movistar approved installment payments for more than 2.1 million customers without interest or penalties and is the company in the sector that handled the largest number of applications for installments.
- *Internet Para Todos* has managed to connect 4G internet to more than 10,000 rural communities throughout the country, including 685 rural localities in Puno, and it is expected to close 2020 with 850 communities in this region having access to high-speed mobile internet.

Lima, July 27, 2020.- Movistar Peru submitted the financial results for the second quarter of 2020, a period in which social isolation continued to combat the expansion of Covid-19 in the country. In this quarter, the Company recorded revenues of S/ 1,490 million, 25.7% less than in the same period for 2019. Throughout the state of emergency, Movistar guaranteed the continuity of the service in the midst of an exceptional situation in which fixed network traffic increased by up to 40%.

In the fixed segment, Movistar has reinforced its offer based on the differentials it offers to its clients, such as exclusive content and greater benefits in convergent products. In this segment, revenues reached S/ 686 million in 2Q20, 11.5% less than in 2Q19. This variation was caused by a fall in the B2C segment, partially offset by growth in the Large Companies segment. In this segment, Movistar adapted to the new needs of the market with a portfolio based on digital teleworking services, online education, telemedicine, among others, which have grown by 11% during this pandemic. The mining sector is significant where 95% of sales correspond to digital solutions.

Insofar as the mobile segment, revenues have decreased 38.3% compared to 2Q19, down to S/ 599 million. Sales restrictions due to the state of emergency impacted commercial activity mainly in the sale of new lines, recharges and portability. Despite this context, Movistar maintains the leadership of the mobile segment with 10 million mobile accesses in 2Q20.

Following the provisions of the Government's economic recovery plan, in May commercial activities were partially re-started through remote channels and delivery. While the progressive re-opening of stores began in late June. Movistar Peru will continue to gradually re-start all of its operations, in line with the health and prevention protocols established by the authorities to protect our clients and employees.

Movistar at the service of education

As part of the Company's efforts to contribute to education in the midst of the national emergency, since July 7 the Ministry of Education (MINEDU) and Movistar have made educational content available to secondary school students through Movistar Play - a video streaming platform that can be accessed from any device with an internet connection, and without schedule restrictions.

Students have access to 10 hours of weekly content endorsed by the *MINEDU* on communication, mathematics, citizenship, and other skills included in the National Basic Education Curriculum. "For 20 years, Movistar has contributed to the educational development of Peru as a vehicle for social transformation. This is a new way of contributing, in the midst of the national emergency, so that students can continue studying without leaving home," said Cortez.

Connectivity in vulnerable areas

Movistar announced that *Internet Para Todos* (IPT) has managed to connect a total of 685 rural localities in Puno to 4G internet and hopes to close 2020 with 850 communities in this region having access to high-speed mobile internet. IPT is a company created by Telefónica del Perú, Facebook, IDB Invest and CAF, whose purpose is to close the digital divide in the country and deploy 4G internet access to the most remote areas of the country.

"*Internet Para Todos* started operations in May 2019 and in twelve months has connected 1.6 million Peruvians in 10,000 rural communities. Thanks to "*Internet para Todos*", it was possible to connect more than 135 thousand inhabitants of rural localities in the Puno region. As a result, many children do not have to travel long distances to access online education and do so from their homes. One of these cases is the story of the students of Villa Hermosa Cañicuto. They had to walk for hours through the steep hills of the Peruvian highlands to get a signal on the Ichuk'ollo hill to be able to study. Our response was to prioritize and accelerate the deployment of 4G technology in the most vulnerable areas," added Cortez.

IPT aims to end 2020 with 2.3 million Peruvians connected in rural areas by the end of the year.

About Telefónica

Telefónica has grown together with Peru for 26 years; it operates commercially under the Movistar brand. It has more than 17 million clients, and since it began its operations in Peru, it 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, based on initiatives such as Fundación Telefónica, Wayra, ConectaRSE para Crecer, Somos Grau, Reciclame, among others, and projects to expand coverage in rural areas such as "*Internet para Todos*". Telefónica is committed to the transformation and digital inclusion of the country and to the improvement of Peru's competitiveness and productivity. www.telefonica.com.pe

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

1. On April 1, the following was communicated regarding File No. 2020011900:
That, in accordance with the provisions of article 28 of the Single Ordered Text of the Securities Market Law, approved by Supreme Decree No. 093-2002-EF and the Important Facts Regulation, approved by SMV Resolution No. 005-2014-SMV/01, we made it publicly known that to date our controlling shareholder, Latin American Cellular Holdings, S.L.U., has submitted a new Purchase Order for the acquisition of up to 36,060,823 Class B Shares representing 100% of the remaining Class B Shares of Telefónica del Perú S.A.A., currently owned by minority shareholders, at the price of S/ 2.08. Said Purchase Order will remain open until the close of the Stock Market on April 23, 2020. Finally, it has been disclosed that Class B shares will remain listed in the Public Registry of the Stock Market. Finally, it has been disclosed that Class B shares will remain listed in the Public Registry of the Stock Market.
2. On April 2, the following was communicated regarding File No. 2020012089:
That, in accordance with the provisions of article 28 of the Single Ordered Text of the Securities Market Law, approved by Supreme Decree No. 093-2002-EF and the Regulation of Significant Facts, approved by Resolution SMV No. 005 -2014-SMV/01, we comply with informing that the Company has entered into a Commercial Loan Agreement through which Telefónica S.A. (Spain) undertakes to lend an amount of US \$ 180,000,000.00 (one hundred eighty million US Dollars) to Telefónica del Perú S.A.A. The expiration term of the contract is December 30, 2020. It should be noted that the amount involved in this transaction does not constitute even 5% of the assets of Telefónica del Perú S.A.A., so it is not within the scope of article 51, section c) of the Securities Market Law and its complementary regulations established by SMV Resolution No. 029-2018.SMV/01. Notwithstanding the foregoing, and in compliance of the same, we inform that said transaction has been carried out under market terms.
3. On April 6, the Interest Maturity of the Sixth Bond Program, 11 Issue, series B was reported. Total payment of S/ 3,712,500.00 was made on Friday, April 3, 2020.
4. On April 7, the maturity of interest for the Fifth Bond Program, 22 Issue, Series A was announced. Total payment of S/ 560,133.2 was made on Monday, April 6, 2020.
5. On April 7, monthly position of derivative instruments was reported as at March 2020.
6. On April 13, the Interest Maturity of the Sixth Bond Program, 15 Issue, series A- was reported. Total payment of S/ 3,691,406.25 was made on Wednesday, April 8, 2020. On April 13, the Capital Stock was reported as at March 31, 2020.
7. On April 16, the maturity of interests of the First Private Bond Program, 1 Issue, series A was announced. Total payment of S/ 2,912,500.00 was made on Wednesday, April 15, 2020.
8. On April 20, the Interest Maturity of the Sixth Bond Program, 16 Issue, series A was reported. Total payment of S/ 2,890,800.00 was made on Friday, April 17, 2020.
9. On April 22, the maturity of interests of the Fourth Bond Program, 19 Issue, Series B, was announced. Total payment of S/ 986,180.90 was made on Tuesday, April 21, 2020.
10. On April 23, the following was communicated regarding File No. 2020012089:
That, in accordance with the provisions of article 28 of the Single Ordered Text of the Securities Market Law, approved by Supreme Decree No. 093-2002-EF, and the Regulation of Important Facts, approved by Resolution SMV No. 005 -2014-SMV/01, we inform that on the date the new Purchase Order was formulated by Latin America Cellular Holdings, S.L.U. (LACH) on April 1, 2020 for the acquisition of up to 36,060,823 Class B Shares of Telefónica del Perú S.A.A. owned by minority shareholders, at the price of S/ 2.08. We make it publicly known that in execution of said Order, LACH acquired 767,595 Class B shares owned by minority shareholders. It should be noted that such shares are in addition to the

1,679,667,042 and 11,455,712 acquired from Telefónica Latinoamérica Holding, S.L. and minority shareholders on March 30 and the 30th and 31st of the same month, respectively, at the price of S/ 2.08 per share. As a consequence of its previous holding and the aforementioned acquisitions, LACH is now the holder of 3,308,879,584 Class B shares and has a 98.93900356% share in the capital stock of Telefónica del Perú S.A.A. The aforementioned acquisitions of shares do not constitute a change of control in Telefónica del Perú S.A.A., therefore, according to the law, LACH did not have to carry out a Public Offer for the Acquisition of Shares.

11. On April 30, the Moody's Investors Services Risk Rating Report was released.
12. On May 6, the Share Capital was communicated as at April 30, 2020.
13. On May 8, the monthly Position of derivative instruments was reported as at April 2020.
14. On May 12, the Approval of the separate and consolidated Financial Statements for the first quarter of fiscal year 2020 was communicated.
15. On May 15, the Interest Maturity of the Sixth Bond Program, 12 Issue, series B was reported. Total payment of S/ 1,465,625.00 was made on Thursday, May 14, 2020.
16. On May 15, the Interest Maturity of the Sixth Bond Program, 17 Issue, series A was reported. Total payment of S/ 967,402.79 was made on Thursday, May 14, 2020.
17. On May 22, the maturity of interests of the Fourth Bond Program, 37 Issue, Series B was announced. Total payment of S/ 1,048,592.27 was made on Thursday, May 21, 2020.
18. On May 29, the Class & Asociados S.A. risk classification report was communicated.
19. On June 3, the Share Capital as at May 30, 2020 was communicated.
20. On June 8, the monthly Position of derivative instruments was reported as at May 2020.
21. On June 9, the Interest Maturity of the Sixth Bond Program, 11 Issue, series A was reported. Total payment of S/ 8,653,125.00 was made on Monday, June 8, 2020.
22. On June 9, the Apoyo S.A. Risk Classification Report was communicated.
23. On June 15, the Interest Maturity of the Sixth Bond Program, 12 Issue, series A was reported. Total payment of S/ 112,784,375.00 was made on Friday, June 12, 2020.
24. On June 29, the following was communicated regarding File No. 2020021423:
That, according to Board Agreements, the following was approved:
 - I. the simple reorganization of Telefónica del Perú S.A.A. in favor of TELEFÓNICA CYBERSECURITY TECH PERÚ S.A.C. and delegated powers to the Executive President and other officials to call the general shareholders' meeting to pronounce on it.
 - II. hold the general shareholders' meeting remotely (not in person), per the provisions of Superintendent Resolution No. 050-2020-SMV/02 and delegated powers to the Executive President and other officials to determine the date, agenda and execution of the call, among other matters.
25. On June 29, the simple reorganization project was communicated regarding File No. 2020021424.

2Q20 Competitive Environment

In 2Q20, the measures adopted by the authorities to confront the coronavirus pandemic continued with extensive restrictions, which affected the sector by reducing commercial activity. In this period, lower income was generated from the sale of mobile terminals, prepaid recharges, installments, reduction of plans and service cuts.

In this context, Telefónica maintains its commitment to bring connectivity and reduce the digital divide in the country by means of agreements with the Ministry of Education and the deployment of the 4G network in rural areas of the country. In addition, contributing to maintaining the health of all Peruvians, Telefónica donated 100 artificial mechanical ventilators and implemented the highest standards of sanitation and safety in its delivery, commercial and technical services.

Fixed business

According to OSIPTEL information as at 1Q 2020, Movistar continued to lead the fixed market with a 74.3% share in fixed telephony, 70.2%* in broadband, and 66.6% in Cable TV.

The restrictions also affected commercial activity in the Fixed business; however, due to the gradual lifting of said restrictions, our main competitors started selling wireless products. In addition, the new broadband operators took advantage of the opportunity to expand their market by focusing on capturing high-value customers by offering their products with speeds of up to 1 GB. In this context, Movistar has leveraged its differentials such as exclusive content and greater benefits for its convergent clients to maintain our leadership position.

In the B2B segment, Movistar adapted to new market requirements with a leveraged offer in digital services and improvement in network quality. Consequently, the company has rapidly transformed to meet new needs such as teleworking, online education, and telemedicine.

As at 2Q20, Movistar maintained leadership of the fixed services market with 5.4 million fixed lines, of which 1.9 million are broadband accesses and 1.4 million Cable TV, which saw a decrease of -0.3% and -1.2% respectively vs 1Q20.

Mobile business

According to official Osipitel information, in 1Q20 Movistar maintained the leadership of the mobile market with a 31.8% share.

In 2Q20, this segment also had restrictions on sales and portabilities. Consequently, commercial activity decreased and recorded a fall in registrations and portabilities in the industry. The IN Portability of the market reached 164 thousand carriers in 2Q20, which meant a drop of -86.8% compared to 1Q20 and -94% compared to 2Q19. In the mobile business, operators directed their actions towards low income with a focus on the massive channel. In particular, in the prepaid segment they focused on plant management and the sale of self-activating chips, while in the post-paid segment, cash terminals started to be sold and portability discounts returned.

In the case of Movistar Peru, although a year-on-year drop was observed in the 2Q for the prepaid segment, the level of recharges is recovering due to the management of campaigns that encourage more beneficial customer recharges and the greater dissemination of the use of digital channels for recharge purchases. In addition, the offer of unlimited plans with exclusive

benefits such as the use of data in up to 50 countries, the sharing of data with other Movistar clients, and access to exclusive channels through Movistar Play was introduced.

In this context, the Company recorded 10 million mobile accesses in 2Q20, which meant a reduction of -12.1% compared to 1Q 2020 and -23.2% compared to 2Q19. The prepaid segment was the most impacted, totaling 5.4 million customers, -17.7% compared to 1Q20 and -34.2% compared to 2Q19. However, since April Movistar Peru has been recovering plant and *recharge* ARPU. In postpaid, we reached 4.5 million clients, which meant a decrease of -4.4% compared to 1Q20, and -4.0% compared to 2Q19.

**Note: For broadband, MTC information as at 4Q19 is contemplated, Osiptel has not yet published the official results for 1Q20.*

Economic environment

The economy contracted -3.4% in 1Q20 due to the Covid-19 containment measures and the weakening of local and global demand in a context of high uncertainty. Domestic demand fell 1.2%, its first negative result since the 2009 international financial crisis. This contraction was explained by the reduction in private spending: private investment fell 17% and private consumption by 2%. The suspension of activities halted the execution of several investment projects, such as Quellaveco, the new Talara refinery, and the construction of housing complexes and shopping centers. Additionally, the effect of the cessation of activities on employment and household income affected their consumption decisions. This was partially offset by higher public investment, since the paralysis of work from the second half of Mar-20 on failed to reverse the recovery that had been evident since the beginning of the year. Exports showed a negative performance of -11% due to the slowdown in global demand and the limitation to local production of mining, textile and engineering companies.

Given that households remained under social confinement during the entire 2Q20 and companies continued at a limited operational level, greater falls were observed in Apr-20 and May-20; -41% and -33% respectively, for which internal demand is expected to register a drop of around 30% in 2Q20. As long as social immobilization restrictions are relaxed with adequate sanitary controls, and the fiscal and monetary measures are effective to sustain payment chains and stimulate demand, 3Q20 should mark a reversal compared to the previous period, supported by the gradual normalization of private spending, and of exports.

Consumption, Investment and Public Expenditure

Private consumption in 1Q20 contracted 1.7%, the lowest result since 1999. The compulsory social immobilization and the paralysis of activities restricted the purchases of goods and access to most services, also affecting employment - mainly that from the non-primary sectors. This deterioration is reflected in the labor market indicators. The employment rate of Metropolitan Lima went from growing 0.6% in 1Q19 to falling 0.1% in 1Q20, while the real wage bill of Metropolitan Lima contracted 1.6% in 1Q20. The deterioration of the labor market and the uncertainty about the future situation of the economy impacted on consumer confidence for the quarter, whose index fell by 4.6 points compared to 1Q19. Although consumer credit maintained a real expansion rate of close to 10% in 1Q20, this increase was 1.2% less than that registered in the same period of the previous year.

On the other hand, private investment showed a significant drop of 17%, although it had already been weakened by fears about the evolution of the global economy. The most affected was non-mining investment, which fell 18% due to internal demand, the cessation of projects, and the uncertainty of coronavirus's economic impact. On the other hand, mining investment contracted by 12%, a 180-degree about turn compared to the double-digit expansion it had been showing. The decrease is a consequence of the fall in the price of industrial metals, and the suspension of mining megaprojects such as Quellaveco and Mina Justa.

All this was reflected in the deterioration of business's expectations about the future of the economy, the lower internal consumption of cement, and in the reduction of imports of capital goods.

In 1Q20, public spending increased by 8.4%, after the negative 1Q19 result of -4.6%. Public investment grew 16% as it benefited from the recovery in the execution of regional and local governments after the fall of 1Q19 as a result of the learning curve of the newly installed authorities. However, this trend changed dramatically from March 16 because of the stoppage

of public works due to quarantine. Finally, public consumption rose 6.5% in real terms, as explained by the recovery in spending by sub-national governments.

Inflation, Exchange Rate and Fees

June-20 monthly inflation contracted 0.3%. There were two factors that explain the performance during the month: (i) the drop in food of -0.8% due to the gradual reopening of the economy that has allowed distribution channels to begin to normalize, increasing the supply of various products, and (ii) the contraction in fuel prices as a result of the gradual passing on of the lower international price of oil. With the monthly result of Jun-20, inflation in year-on-year terms slowed to 1.6% compared to 1.8% as at Mar-20.

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 5.7%, going from S/ 3.31 to S/ 3.50 per dollar. At the beginning of the quarantine, in Mar-20, the exchange rate reached its highest point (S/ 3.58) and was affected by four factors: i) the general sell-off in financial assets associated with the rapid expansion of Covid-19 after the WHO declared the pandemic; ii) the increase in global risk aversion at historical levels after the rapid spread of the virus outside of China; iii) the fall in the international price of oil; and iv) greater fears of a global recession.

At the beginning of the period 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%. This level of the monetary policy rate responded to the extraordinary magnitude of the economic activity contraction and it was feasible to do so due to the high credibility of monetary policy. This rate was the lowest in emerging economies at the time of its implementation. The expansionary position was reinforced by a set of actions aimed at maintaining credit flow and the payment chain.

Financial Markets

Due to the effects of the coronavirus pandemic and the expectation of greater indebtedness of the Peruvian State to face this situation, Fitch adjusted the risk rating for sovereign debt in local currency from A- to BBB+. For their part, Moody's and S&P maintained their ratings at A3 and BBB+, respectively. It should be noted that Fitch highlighted the solid prospects for economic recovery in 2021, as well as the country's macroeconomic institutional nature.

Financial Year Results

Income from ordinary activities

Revenues amounted to S/ 1,490.2 million in 2Q20, 25.7% less than in 2Q19. This reduction is mainly due to the state of emergency and less commercial activity. Accumulated to 2Q20, we have S/ 3,263.9 or 17.7% less than the same period of the previous year.

Service revenues (Voice + BA + TV) reached S/ 685.9 million, 11.5% less than 2Q19. The lower income is explained by the absence of commercial activity in April, May, and part of June. In accumulated terms, during the first semester, income from this item amounted to S/ 1,420.7 million, 6.7% less than in 1H19, and is explained by the commercial activity limited by the state of emergency.

Data and Information Technology revenues totaled S/ 133.4 million in 2Q20, lower by 9.9% compared to 2Q19. The lower impact in the quarter on this segment is explained by the increase in demand for digital services, mainly in the Large Companies business line. As at 1H20, this segment generated revenues of S/ 290.9 million, 1.1% lower compared to 1H19.

Other Fixed income reached S/ 11.3 million in 2Q20, S/ 21.7 million less than in 2Q19 due to less commercial activity. In accumulated terms, in 1H20 Other Fixed income closed at S/ 31.2 million, a 41% drop compared to 1H19.

Mobile Telephony revenues in 2Q20 reached S/ 599.2 million, a decrease of 38.3% compared to 2Q19, which is equivalent to S/ 372.2 million. As of 1H20, this item registered accumulated revenues of S/ 1,399.8 million, 28.3% below 1H19.

Postpaid income in **2Q20** closed at S/ 401.9 million, showing a decrease of 8.4% compared to 2Q19, which is equivalent to S/ 36.9 million. In accumulated terms, as at 1H20, Postpaid revenues closed at S/ 828.9 million, 6.1% lower than in 1H19. The decrease in income is due to less commercial activity.

Terminal sales revenue in 2Q20 amounted to S/ 23.4 million, representing a 92% decrease compared to 2Q19. Furthermore, accumulated income of S/ 222.7 million was recorded in 1H20, which represented a drop of 63.7% compared to 1H19. This reduction is mainly explained by the stoppage of sales that continued during 2Q20 due to the state-of-emergency measures implemented by the Government.

On the **Prepaid front**, revenues show a -16.8% decrease compared to 2Q19, which is equivalent to S/ 26.1 million less. This year-on-year drop is explained by the shutdown of the proactive channel, in which the majority of discharges from this business were generated, and the impact of restrictions on the commercial activity of the main recharging points. In accumulated terms, in 1H20 this segment accumulated revenues of S/ 263.8 million, which represented a decrease of 17.8% compared to 1H19.

Mobile Wholesale services revenues totaled S/ 38.2 million in 2Q20; 8.4% lower than in 2Q19, which is explained by the lower interconnection charge and lower mobile traffic. As at 1H20, revenues from this segment closed at S/ 70.8 million, down 17.3% compared to 1H19.

Results from other operating activities

The Income from Operating Activities in 2Q20 was -S/ 99.6 million, S/ 174 million lower than that recorded in 2Q19. The foregoing was mainly due to the decrease in Income from Ordinary Activities and from Other operating income and expenses, that in 2Q19, had an extraordinary positive impact of S/ 97 million. In accumulated terms, the Income from Operating Activities was -S/ 186.1 million as of 1H20, 330.6% less when compared to 1H19.

Non-Operating Result

Non-operating result in 2Q20 was minus S/ 92.4 million, S/ 11.8 lower compared to 2Q19. The foregoing is due to higher financial expenses associated with the intragroup loan received in April to finance temporary working capital needs. In accumulated terms, in 1H20 the Non-Operating Result was negative by S/ 171.7 million, 38% higher than the Non-Operating Result in 1H19.

Net yearly income

The net result for the year in 2Q20 was -S/ 187.7 million, an improvement of S/ 425.4 when compared to 2Q19. The foregoing is mainly explained by the recognition of an income tax provision associated with a tax contingency with SUNAT in 2Q19. In accumulated terms at 1H20, the net result for the year closed at S/ 332 million, an improvement of 50.1% compared to 1H19.

Statement of Financial Position

Total current assets in 2Q20 amounted to S/ 3,307 million, an amount S/ 106.7 million greater than when compared to the previous quarter. This result is mainly explained by the higher balance in the Cash and Cash Equivalents account due to the company's initiatives to maintain a stable liquidity position, including the negotiation of payment terms with large suppliers and the reduction in investment activities.

Total non-current assets closed at the second quarter of 2020 at S/ 11,091 million, an amount of S/ 372 million lower than that observed in the previous quarter. The foregoing is due to the lower execution of investment plans and higher depreciation recorded in the period.

On the back of the foregoing, total assets were S/ 14,398 million, an amount S/ 748 million lower when compared to that recorded at the end of 1Q20.

At the closure of 2T20, total current liabilities were S/ 5,531 million, S/ 48 million greater than the amount in 2T20. The variation is mainly explained by the increase in the balance of Other Accounts Payable to related entities due to the disbursement of an intragroup loan to temporarily finance the Company's activities. This was partially offset by the drop in the Commercial Accounts Payable for the actions to reduce operating expenses such as fewer purchases of terminals and services provided by third parties.

Total non-current liabilities amounted to S/ 4,449 million at the end of 2Q20, a balance of S/ 126 million less than when compared to that observed in the previous quarter. This variation is mainly due to the decrease in Other financial liabilities and Lease liabilities.

Finally, total equity decreased by S/ 188 million in 2Q20, to S/ 4,419 million largely due to the results of the fiscal year.

Relevant Financial Ratios

At the end of 2Q20, liquidity ([Total current assets -- Cash and equivalents] / Total current liabilities) closed at 0.5x, a ratio similar to that obtained in the previous quarter that closed at 0.53x.

Financial leverage (Financial liabilities * / Total equity) reached the level of 0.72x in the first quarter of the year compared to the level of 0.75x in the previous quarter, thus remaining at low levels compared to the industry.

*** 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 JUNE 30, 2020 AND 2019

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

	2Q20		2Q19		Var. Abs. 2Q19-2Q20	Var. % 2Q19-2Q20	6M20		6M19		Var. Abs. 6M19-6M20	Var. % 6M19-6M20
		%		%		%		%		%		%
Income from ordinary activities	1,490,242	100.0	2,004,709	100.0	(514,467)	(25.7)	3,263,898	100.0	3,967,201	100.0	(703,303)	(17.7)
Fixed Income	891,037	59.8	1,033,314	51.5	(142,277)	(13.8)	1,864,093	57.1	2,014,466	50.8	(150,373)	(7.5)
Revenue from services (Voice + BB + TV)	685,871	46.0	775,134	38.7	(89,263)	(11.5)	1,420,731	43.5	1,522,600	38.4	(101,869)	(6.7)
Data + IT	133,359	8.9	148,046	7.4	(14,687)	(9.9)	290,973	8.9	294,254	7.4	(3,281)	(1.1)
Wholesale	42,575	2.9	55,425	2.8	(12,850)	(23.2)	82,251	2.5	100,671	2.5	(18,420)	(18.3)
Equipment (Voice + BB + TV)	17,899	1.2	21,699	1.1	(3,800)	(17.5)	38,950	1.2	44,112	1.1	(5,162)	(11.7)
Other Fixed Incomes	11,333	0.8	33,010	1.6	(21,677)	(65.7)	31,188	1.0	52,829	1.3	(21,641)	(41.0)
Mobile Income	599,205	40.2	971,395	48.5	(372,190)	(38.3)	1,399,805	42.9	1,952,735	49.2	(552,930)	(28.3)
Postpaid	401,950	27.0	438,884	21.9	(36,934)	(8.4)	828,939	25.4	882,559	22.2	(53,620)	(6.1)
Terminals (Recruitment + Loyalty)	23,355	1.6	306,245	15.3	(282,890)	(92.4)	222,751	6.8	613,920	15.5	(391,169)	(63.7)
Prepaid	129,441	8.7	155,622	7.8	(26,181)	(16.8)	263,794	8.1	320,930	8.1	(57,136)	(17.8)
Wholesale	38,155	2.6	41,666	2.1	(3,511)	(8.4)	70,852	2.2	85,718	2.2	(14,866)	(17.3)
Other mobile income	6,304	0.4	28,978	1.4	(22,674)	(78.2)	13,469	0.4	49,608	1.3	(36,139)	(72.8)
Operating Expenses	1,587,155	106.5	2,026,932	101.1	(439,777)	(21.7)	3,450,026	105.7	4,003,754	100.9	(553,728)	(13.8)
General and Administrative	723,635	48.6	874,388	43.6	(150,753)	(17.2)	1,542,744	47.3	1,767,453	44.6	(224,709)	(12.7)
Cost of equipment sales	92,206	6.2	334,390	16.7	(242,184)	(72.4)	330,602	10.1	687,016	17.3	(356,414)	(51.9)
Depreciation and Amortization	322,595	21.6	334,367	16.7	(11,772)	(3.5)	648,425	19.9	680,825	17.2	(32,400)	(4.8)
Depreciation of use rights	50,539	3.4	44,651	2.2	5,888	13.2	100,245	3.1	86,834	2.2	13,411	15.4
Personnel	121,203	8.1	194,137	9.7	(72,934)	(37.6)	304,553	9.3	374,087	9.4	(69,534)	(18.6)
Interconnection Expenses	74,581	5.0	60,496	3.0	14,085	23.3	130,003	4.0	110,538	2.8	19,465	17.6
Estimate for doubtful accounts and inventory devaluation a	175,944	11.8	184,184	9.2	(8,240)	(4.5)	331,862	10.2	294,216	7.4	37,646	12.8
Fees for transfer of technical and management capacity	26,452	1.8	319	0.0	26,133	8,192.2	61,592	1.9	2,785	0.1	58,807	2,111.6
Operating result before other income and expenses, net	(96,913)	(6.5)	(22,223)	(1.1)	(74,690)	336.1	(186,128)	(5.7)	(36,553)	(0.9)	(149,575)	2,111.6
Other net operating income (expense)	(2,712)	(0.2)	97,011	4.8	(99,723)	(102.8)	9	0.0	117,263	3.0	(117,254)	(100.0)
Results from other operating activities	(99,625)	(6.7)	74,788	3.7	(174,413)	(233.2)	(186,119)	(5.7)	80,710	2.0	(266,829)	(330.6)
Financial Revenue	18,003	1.2	11,945	0.6	6,058	50.7	28,024	0.9	25,525	0.6	2,499	9.8
Financial Expenses	(96,548)	(6.5)	(81,684)	(4.1)	(14,864)	18.2	(182,647)	(5.6)	(142,631)	(3.6)	(40,016)	28.1
Exchange Difference, net	(9,440)	(0.6)	(8,015)	(0.4)	(1,425)	17.8	(13,315)	(0.4)	(5,423)	(0.1)	(7,892)	145.5
Share in Results of related parties	(4,452)	(0.3)	(2,816)	(0.1)	(1,636)	58.1	(3,811)	(0.1)	(1,926)	(0.0)	(1,885)	97.9
Non-Operating Result	(92,437)	(6.2)	(80,570)	(4.0)	(11,867)	14.7	(171,749)	(5.3)	(124,455)	(3.1)	(47,294)	38.0
Result before income tax	(192,062)	(12.9)	(5,782)	(0.3)	(186,280)	3,221.7	(357,868)	(11.0)	(43,745)	(1.1)	(314,123)	718.1
Income tax	4,358	0.3	(607,341)	(30.3)	611,699	(100.7)	25,840	0.8	(621,184)	(15.7)	647,024	(104.2)
(loss) for the period, net	(187,704)	(12.6)	(613,123)	(30.6)	425,419	(69.4)	(332,028)	(10.2)	(664,929)	(16.8)	332,901	(50.1)

We recommend reading this document with the corresponding Financial Statements and their accompanying notes simultaneously, 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				
	2Q20	1Q20	4Q19	3Q19	2Q19	2Q20	1Q20	4Q19	3Q19	2Q19
Current assets		638,403				Current liabilities				
Cash and cash equivalents	552,682	268,802	1,001,213	440,032	436,814	Other financial liabilities	229,361	424,360	408,070	584,569
Trade accounts receivable, net	1,744,841	1,837,458	1,744,651	1,776,322	1,619,325	Lease liabilities	300,048	279,392	243,083	222,949
Contractual assets	54,434	84,502	129,295	175,613	199,937	Trade accounts payable	1,246,034	1,693,739	2,049,040	1,706,044
Accounts receivable from related companies	-	7,186	26,746	552,452	473,105	Contract liabilities	155,339	150,737	137,566	154,966
Other accounts receivable, net	160,606	127,431	123,390	114,439	116,917	Other accounts payable to related companies	642,044	3,641	2,991	2,475
Inventories	273,153	269,788	306,834	382,389	361,049	Other accounts payable	323,633	327,622	532,024	447,688
Current income tax assets	141,210	196,064	208,399	206,851	219,559	Deferred income	40,559	41,959	48,996	36,031
Other non-financial assets	380,472	409,401	348,202	395,028	433,747	Other provisions	382,839	382,050	362,967	2,691,168
Available-for-sale assets	-	-	-	20,479	43,281	Income tax liabilities	2,210,832	2,178,817	2,177,835	-
Total current assets	3,307,398	3,200,632	3,888,730	4,063,605	3,903,734	Total current liabilities	5,530,689	5,482,317	5,962,572	5,539,259
Trade accounts receivable, net	412	3,013	15,918	15,333	9,565	Other financial liabilities	2,972,546	3,038,760	3,036,855	3,051,665
Accounts receivable from related companies	-	-	587	587	587	Lease liabilities	850,030	888,213	922,268	872,051
Contractual assets	1,257	2,850	6,110	24,095	21,834	Other accounts payable	113,742	118,239	190,467	193,777
Other accounts receivable, net	180,194	175,191	177,433	178,507	184,177	Other accounts payable to related companies	1,882	2,320	1,938	1,671
Investments in subsidiaries and associated companies	266,731	274,293	272,970	272,774	273,037	Contract liabilities	53,539	56,453	79,391	85,797
Property, plant and equipment	28,826,374	28,826,695	28,630,851	28,397,625	28,334,387	Deferred income	97,923	98,856	99,611	110,923
Accumulated depreciation	(22,919,146)	(22,680,154)	(22,443,709)	(22,207,964)	(22,042,445)	Other provisions	281,408	278,238	276,957	451,211
	5,907,228	6,146,541	6,187,142	6,189,661	6,291,942	Income tax liabilities	77,495	93,413	90,880	-
						Deferred tax liabilities	-	-	-	-
						Total non-current liabilities	4,448,565	4,574,492	4,698,367	4,767,095
Intangible assets other than capital gains (net)	1,998,206	2,025,289	2,078,047	2,103,500	2,140,279	Total liabilities	9,979,254	10,056,809	10,660,939	10,612,985
Rights of use assets	994,456	1,049,598	1,057,095	1,025,448	1,046,263	Equity				
Deferred tax assets	266,754	250,535	202,026	133,326	13,869	Issued capital	2,876,152	2,876,152	2,876,152	2,876,152
Capital gains	1,215,145	1,215,145	1,215,145	1,215,145	1,224,872	Issuance premiums	77,899	77,899	77,899	77,899
Other non-financial assets	260,427	320,519	310,703	293,590	290,143	Other capital reserves	582,513	582,513	582,513	576,456
Total non-current assets	11,090,810	11,462,974	11,523,176	11,451,966	11,496,568	Accumulated results	884,789	1,072,493	1,216,817	1,371,501
						Other equity reserves	(2,399)	(2,260)	(2,414)	(1,857)
						Total equity	4,418,954	4,606,797	4,750,967	5,216,438
Total assets	14,398,208	14,663,606	15,411,906	15,515,571	15,400,302	Total liabilities and equity	14,398,208	14,663,606	15,411,906	15,515,571

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