



**Quarterly Results
Telefónica del Perú S.A.A.**

January – March 2020

Digitally signed by:
MARCOS DAVID SERRA BENAVIDES
Date: 05/11/2020

Digitally signed by:
ROSA ELENA M MONTENEGRO
Date: 05/12/2020 03:53:45 pm

MOVISTAR ENSURED CONNECTIVITY FACING AN INCREASED DEMAND FOR MOBILE AND FIXED SERVICE DURING THE STATE OF EMERGENCY

- In the first quarter of 2020, revenues amounted to S / 1,774 million, which is 10% lower than in the same period last year.
- Furthermore, revenues from the sale of mobile terminals were S / 199 million, 35% lower than in 1Q19.
- Despite these results, Movistar ensured the continuity of services amid the significant increase in data traffic. In terms of mobile, traffic ranged between 10% and 21%, and for the fixed network it was between 35% and 45%, which implied that internet consumption on the different digital platforms mainly passed through the fixed network.
- One of the most important milestones in this first quarter was the installation of the information and communication technology network in Towers 3, 4 and 7 of the Villa Panamericana Emergency Hospital during the month of March.

Lima, May 12, 2020- Movistar Peru presented the financial results for the first quarter of 2020, a period in which the social isolation required by Government decree began to combat the expansion of Covid-19 in the country. As such, the company focused its efforts on ensuring the sustainability of the network and continuity of services, amid the significant increase in data traffic on the mobile network (between 10% and 21%) and the fixed network (between 35 % and 45%).

In the first quarter of 2020, Movistar Peru registered revenues of S / 1,774 million, 10% less than the same period in 2019. As at 1Q 2020, Movistar continued to lead the fixed segment, with 1.9 million Broadband accesses and 1.5 million Pay TV. In the fixed segment, revenues reached S / 735 million, -0.8% less than in 1Q19 due to less commercial activity, especially in terms of duo and trio packages.

The current context has also led to revenues of S / 801 million from the mobile business, a decrease of 18.4% compared to 1Q19. Furthermore, revenues from terminal sales reached S / 199 million (-35% versus 1Q19), which is mainly due to the decrease in commercial activity and the Covid-19 effect in the last fortnight of March.

It should be noted that Data and Information Technologies reached S / 158 million in 1Q20, higher by some 8% compared to 1Q19.

However, amid the immobility measures and suppression of commercial activities in part of March, the net result for the 1Q20 was less than S / 144 million.

Digital service

“For those of us who work at Movistar, the main thing is people, and the health of our workers and clients. For this reason, as a responsible company, we have complied with all the measures issued by the authorities. We have thus prioritized and encouraged the use of digital attention channels, such as the Mi Movistar and Movistar Hogar apps, which have had an

coverage growth of 31% of new users. To continue operating in a more digital way, we have been radically transformed, which has meant that around 98% of our employees work remotely,” said Pedro Cortez, Executive President of Telefónica / Movistar.

In these difficult times, we understand that clients may have difficulties paying their receipts, which is why payment facilities have been granted for payment of outstanding bills in installments of 6 or 12 months without interest. To date, more than 200,000 clients have requested this benefit. Moreover, prepaid customers are offered free SMS and unlimited calls for S / 5 top ups.

“The country is going through an extremely difficult time. A recognition to thousands of Peruvians who have complied with paying their respective bills because they have not suffered any economic damage. To all of these people, and in the midst of this unprecedented crisis, I ask them to continue with that commitment to maintain the payment chain in the country,” added Cortez.

I am working in this emergency

One of the most important milestones has been the installation of the information and communication technology (ICT) network -in less than a week in Towers 3, 4 and 7 of Villa Panamericana, in Villa El Salvador, so that the institution had everything required to function as a Covid-19 patient emergency hospital. Likewise, Movistar installed at no cost and for the duration of the emergency, a total of 340 Movistar TV connection points in this hospital.

Furthermore, by means of Fundación Telefónica and the Caixa Foundation, Movistar made tools and digital content available to schoolchildren and teachers so that they can continue their schooling without leaving their homes. We have also offered free mobile internet access to the Ministry of Education website www.aprendoencasa.pe, thereby allowing millions of schoolchildren to continue home schooling.

A more connected Peru

After a year of starting operations, *Internet Para Todos* (IPT) - a company created by Telefónica / Movistar, Facebook, IDB Invest and CAF - has managed to connect more than 1.2 million Peruvians from isolated towns on the coast, and in the mountains and jungle, so they can access mobile internet. This initiative aims to connect more than 4.5 million compatriots between now and 2021.

One year after the start of operations, IPT has established itself as a Rural Mobile Infrastructure Operator (OIMR) in the country, so that through a wholesale model it offers all mobile-market operators the possibility of leasing telecommunications infrastructure to offer their services and thus connect more Peruvians. Peru is the pioneer country in implementing IPT, whose experience has been progressively shared with other countries in the region.

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

1. On January 6, the Share Capital Stock as at December 31, 2019 was reported.
2. On January 13, the monthly position of derivative instruments as at December 2019 was reported.
3. On January 13, the Interest Maturity was reported; Fourth Bond Program, Issue 19, series A-. Total paid S / 1,576,233.33. Payment was made on Thursday, January 10, 2020
4. On January 14, the following was communicated regarding File No. 2020001524:
That, on July 11, 2019, the resolution issued by the Supreme Court in the administrative contentious process initiated by the Company against the National Superintendence of Tax Administration (SUNAT) regarding the Income Tax for the 2000 and 2001 fiscal years was reported as an important event, of which, for one aspect, there was discord. In other words, the minimum number of votes required to pass judgment was not obtained. In accordance with the provisions of the Single Ordered Text of the Securities Market Law and SMV Resolution No. 0005-2014-SMV / 01, compliance was made by reporting as an important event that Telefónica del Perú S.A.A. was notified on the date with the final resolution issued by the Supreme Court regarding such discord, declaring the decision of the Superior Court null and void, and ordering the forwarding of the file in order to issue a new judgment.
5. On January 14, the Interest Maturity was reported; Sixth Bond Program, Issue 13, series A-. Total paid S / 3,850,000.00. Payment was made on Monday, January 13, 2020.
6. On January 21, the Interest Maturity was reported; Fourth Bond Program, Issue 19, series C-. Total paid S / 437,194.84. Payment was made on Monday, January 20, 2020.
7. On January 21, the following was reported:
In relation to the EMI in question, by which we were requested additional information regarding the news published on the date in the newspaper "Gestión" about the alleged offer that a group of Latin American entrepreneurs had supposedly made to take control of Telefónica Hispam (which includes the Group's operation in Peru). In this regard, we complied by indicating that Telefónica del Perú S.A.A. is not aware of any information related to that published in the media. We reiterate our commitment to strict compliance with all market reporting obligations in accordance with the applicable legal framework, as we have been doing to date.
8. On February 3, the monthly position of derivative instruments was reported as at January 2020.
9. On February 5, the Share Capital as at January 31, 2020 was communicated.
10. On February 7, the following related to File No. 2020004566 was communicated:
The Board of Directors modified, effective on the date, the current organizational structure of the Company in the following points:
 - I. The functions and nomenclature of the Directorate for Financial and Management Control, which: (i) will maintain financial and fiscal issues; (ii) will be removed from its scope of responsibility with the Directorates for Simplification and Management Control; Accounting; and, Procurement; and, (iii) it will adopt the nomenclature of the Directorate for Finance and Fiscal.
 - II. The functions and nomenclature of the Directorate for Strategy and Public Affairs, which: (i) will maintain its Strategy functions; (ii) will incorporate the Directorates for Simplification and Management Control; Procurement; and special projects within its scope of responsibility; (iii) will be removed from the Wholesale and Rural Business Management, the Regulation Management and the Directorate for Institutional Relations and Sustainability; and, (iv) will adopt the nomenclature of the Directorate for Strategy and Control.

- III. The functions and nomenclature of the General Secretariat, which: (i) will incorporate the Management of Regulation and the Director of Institutional Relations and Sustainability into its current area of responsibility; (ii) will be removed from the Directorate for Security; and, (iii) will adopt the nomenclature of the General Secretariat and Corporate Affairs.
 - IV. The functions and nomenclature of the Directorate for Clients, which: (i) will integrate the Directorates for Digital Transformation and Security into its current area of responsibility; (ii) will be removed from the Customer Experience Director; and, (ii) will assume the new denomination of Operational Excellence.
 - V. The functions of the Directorate for B2C, which: (i) will incorporate the Customer Experience Director into its current area of responsibility; and,
 - VI. The functions of the B2B Management, which: (i) will incorporate the Wholesale and Rural Business Management into its current area of responsibility.
11. On February 11, the following were reported: the formulation of separate and consolidated accounts for the fourth quarter and the preliminary annuals for 2019
 12. On February 11, the presentation of separate financial information for the 2019 financial year was communicated.
 13. On February 11, the presentation of the consolidated financial information for the financial year 2019 was communicated.
 14. On February 17, the following were reported in relation to File No. 2020006077:
In compliance with that required by Letter EMI-047 issued by the Lima Stock Exchange, on January 21, 2020, Telefónica del Perú S.A.A. reported the important event that it was not aware of any information related to the news broadcasted by various media outlets regarding the supposed offer that a group of Latin American businessmen would take control of Telefónica Hispam.

In response to the aforementioned Official letter, we reiterate that we do not have any information on the receipt of said offer by Telefónica, SA or the companies of its economic group and that, as such, we cannot deny, clarify or confirm the news published.

Regarding the application of the presumption established in section 9.2 of article 9 of the Regulation, we specify that it would not be applicable to the present case as long as the aforementioned publication did not originate from within the organization and / or economic group to which it belongs Telefónica del Perú S.A.A.. The news was in fact broadcasted by the international media.

It is important to highlight that from the review of the applicable regulations we understand that they do not establish the obligation of the issuer to require its controlling shareholder to confirm or deny if it has received an offer to purchase its shareholding. Thus, neither the issuer is obliged to comply with such a requirement nor the shareholder to deliver said information.

Without prejudicing the aforementioned, and given the request made in the Official Letter, we will proceed to note that the very announcement published in the international media indicates that a Telefónica spokesperson officially denied that there is evidence of the receipt of such an offer in the company. On the basis of the foregoing, this request for information should be considered as answered.

15. On February 19, the following was communicated, in relation to File No. 2020006750:
Response to EMI Official Letter No. 106-2020 of the Lima Stock Exchange in relation to news articles published in the media on February 15 and 16 about Osiptel's suspension of the rate adjustment made by Telefónica del Perú.

We are writing to you regarding the aforementioned EMI, by which you requested additional information regarding the news article published in the newspapers "El Comercio" and "El Peruano" linked to the initiation of an administrative sanction procedure by Osiptel against Telefónica del Perú S.A.A.

Regarding the foregoing, we wish to make it publicly known that in fact we have been recently notified by Osiptel of the initiation of an administrative sanction procedure. The procedure is for an alleged infringement due to a unilateral modification of the subscriber contracts of 524 new rate plans, carried out in January of this year. As part of the aforementioned sanction procedure, Osiptel has also notified, by means of Resolution No. 00092.2020.GSF / OSIPTEL-, a precautionary measure that orders Telefónica del Perú S.A.A. to comply with the following: (i) to nullify the unilateral modifications made in January 2020 to subscriber contracts as a consequence of the rate increases made; (ii) reinstate subscribers to their original plan and return to them the amount that may correspond for such rate update; and (iii) not to make increases in the fixed Internet rates or in the total rates of the packages of which the service forms part during the rate review initiated, nor to stop or suspend offering the service rate plans.

Regarding the sanction procedure initiated and the precautionary measure imposed, we must specify that Telefónica del Perú S.A.A. scrupulously complied with the procedure set forth in the sectorial regulation for updating its tariffs, informing Osiptel and its subscribers in a timely manner, and in the manner and time periods as provided by the law. For this reason, and in response to the evident violation of the constitutional rights of free enterprise, commerce, industry, contracting and equality as enshrined in the law, which the Regulator has incurred by arbitrarily interfering in tariff updating processes carried out by Telefónica del Perú, we will proceed to question the precautionary measure indicated in the corresponding instances.

Finally, we maintain compliance by stating that the initiation of the aforementioned sanction procedure does not have a significant impact on Telefónica del Perú S.A.A., and therefore it does not constitute an important event in accordance with the Regulation of Relevant Events and Undisclosed Information.

16. On February 19, the Mandatory Annual Shareholders Meeting was called.
17. On February 26, the resignation of Marcelo Echeguren due to new responsibilities in the Group was announced.
18. On March 5, the Share Capital as at February 28, 2020 was communicated.
19. On March 6, the Interest Maturity was reported; Sixth Bond Program, Issue 14, series A. Total paid S / 2,671,875.00. Payment was made on Friday, March 6, 2020.
20. On March 9, the monthly position of derivative instruments as at February 2020 was reported.
21. On March 23, the following was reported in relation to File No. 2020010926:
That by means of Supreme Decree No. 044-2020-PCM, published on March 15, 2020 in the Official Gazette El Peruano (hereinafter SD No. 044-2020), the Executive Power declared a State of National Emergency for a period of fifteen calendar days and ordered compulsory social isolation, effective from March 16, 2020 until 11:59 p.m. of the 30th of the same month. In compliance with this provision, the Mandatory Annual Shareholders Meeting convened for March 20 and 25 on the first and second summons, respectively, may not be held as they are within the period of mandatory social isolation. Even though the third summons - scheduled for March 31 - is outside the scope of the emergency period, it has been planned to cancel the same. Consideration has been made for the postponement of the deadlines for the presentation of audited individual or separate information and the annual report corresponding to the fiscal year 2019. The foregoing was approved by the Superintendence of the Securities Market by means of Superintendent Resolution No. 033-2020-SMV / 02, published last March 21. For these reasons, a new call will be made to the Annual Mandatory Shareholders' Meeting to make a decision on the agenda points and any others that may correspond.

22. On March 26, the Press Release of Fitch Ratings regarding the company's credit rating was published.
23. On March 30, the following was communicated regarding File No. 2020011512:
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 Events Regulation, approved by SMV Resolution No. 005-2014- SMV / 01, compliance was maintained by reporting that, for the purpose of the Telefónica Group's corporate reorganization, on March 30, 2020, Telefónica Latinoamérica Holding, SL transferred 1,679,667,042 Class B shares to Latin American Cellular Holdings, SLU, representing the share capital of Telefónica del Perú S.A.A.
The price paid per share was S / 2.08 of and the total amount involved in the operation was S / 3,493,707,447.36
It is recorded that the said transfers do not constitute a change of control in Telefónica del Perú S.A.A., therefore, it is not appropriate to carry out any Public Offer for the Acquisition of Shares.
24. On March 30, the following was communicated regarding File No. 2020011546:
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 Events Regulation, approved by SMV Resolution No. 005-2014- SMV / 01, compliance was maintained by reporting that, for the purpose of the Telefónica Group's corporate reorganization, on March 30, 2020, Telefónica Latinoamérica Holding, SL transferred 1,679,667,042 Class B shares to Latin American Cellular Holdings, SLU, representing the share capital of Telefónica del Perú S.A.A. ("The Transaction")
Additionally, we communicate that we have been informed by the Lima Stock Exchange that, within the framework of said Transaction, the suspension of the trading on the Stock Market of Class "B" Shares of Telefónica del Perú S.A.A. (from 8 : 47 am), given in order for these values to enter a price formation process (until 08:52 am). Additionally, we have been informed by Latin American Cellular Holdings SLU that, until the closing of the Stock Market Meeting on tomorrow March 31, 2020, a Purchase Order has been opened for the acquisition of up to 47,516,535 Class B Shares of minority shareholders at the price of S / 2.08, which represent 100% of the outstanding Class B Shares of Telefónica del Perú S.A.A..
25. On March 30, the "Communication of Changes in the Share and Position of Related Parties" was published
26. On March 31, the following was communicated, in relation to File No. 2020011703: Official response to the SMV, attaching a pronouncement from the SMV.
27. On March 31, the following was reported;in relation to File No. 2020011729
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 Events Regulation, approved by SMV Resolution No. 005-2014- SMV / 01, and in relation to the operation executed on March 30, 2020 at the Stock Market trading floor of the Lima Stock Exchange, we complied by stating:
 - I. That within the framework of the law and for the purpose of corporate reorganization, the Telefónica Group performed an operation between the two main shareholders of Telefónica del Perú S.A.A. that does not imply any change of control in the latter. In effect, as is public knowledge, said transaction involved the transfer of 1,679,667,042 Class B shares owned by Telefónica Latinoamérica Holding, SL, to its subsidiary Latin American Cellular Holdings, SLU, of which it is the sole shareholder (the "Transaction").
 - II. That the price paid per share was S / 2.08 and represented, within the framework established by the stock market regulations, a significant increase vis-a-vis the listing price of the Class B share on the Stock Market trading floor of the Lima Stock Exchange.

- III. That said Transaction, in accordance with the law, did not imply the legal obligation of the controlling shareholder to formulate a Public Offer for the Acquisition of Shares (OPA), which has been recognized by the Superintendence of the Stock Market (SMV) in its public pronouncement. Notwithstanding not being legally required to formulate a takeover bid or to extend the benefits of the Transaction, Latin American Cellular Holdings SLU, as part of the principles of transparency and investor protection, decided to do the latter. Consequently, the same provided an Open Purchase Order for the acquisition of 100% of Class B shares, at the same price of S / 2.08, until the close of the Stock Market floor on March 31, 2020. The foregoing was communicated on March 30 by means of an important event notice, in addition to the fact that all the stockbroker companies in the market are aware of this and are actively participating in conducting transactions with minority interests.
- IV. We are aware of the state of emergency and the timing of the transaction. It is however the responsibility of the organizations, abiding by the law and in strict compliance with the measures dictated by the Government in this exceptional situation, to continue with the development of their operations. Considering that securities trading is still legally permissible, it has been possible to perform the Transaction, which in a complex environment has allowed - in addition to the intragroup transaction - the settlement at the close of the Stock Market trading floor on March 30 of operations of minority shareholders for S / 22,164,130.56, which represents the largest transaction day for our shares in recent years.

Finally, we inform you that we have not been informed by the controlling shareholder that it currently has plans to exclude Class B shares of Telefónica del Perú S.A.A. from the Public Registry of the Securities Market or to make a public offer to purchase shares by exclusion. We reiterate our permanent commitment to transparency in the stock market.

28. On March 31, the following was reported in relation to File No. 2020011830: Ref.: OFFICIAL LETTER No. 1458-2020-SMV / 11.1

We maintained compliance by informing that in effect we have incurred a regrettable error of interpretation in relation to the previous Official Letter issued by the Superintendence of the Securities Market. The situation has arisen due to the fact that the Letter does not contain an acknowledgment of the statement that we made in the sense that there is no a legal obligation by the controlling shareholder to formulate a Public Offer for the Acquisition of Shares (OPA).

We are respectful of the competences of the Superintendence of the Securities Market. We understand that, within the framework said competences, it will be up to the latter to carry out an evaluation on the observance of the legal framework applicable to the transactions carried out, for which we are now at its full disposition.

Telefónica del Perú reiterates its commitment to transparency, investor protection and compliance with stock market regulations and will proceed to meet any information request that is made for this purpose.

29. On March 31, the following was reported in relation to File No. 2020011868

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 Events Regulation, approved by SMV Resolution No. 005-2014- SMV / 01, we comply by informing that, in addition to the 1,679,667,042 Class B Shares representing the share capital of Telefónica del Perú S.A.A. that were owned by Telefónica Latinoamérica Holding, SL and that were acquired on March 30, 2020 by the company Latin America Cellular Holdings, SLU., as reported through the relevant Significant Event, the latter has also acquired 11,455,712 Class B Shares owned by minority shareholders of Telefónica del Perú S.A.A., with the total price paid being S / 23,827,880.96.

After these acquisitions, Latin America Cellular Holdings, SLU has become the owner of 3,308,111,989 Class B shares of the capital stock of Telefónica del Perú S.A.A., increasing its share from 48,350% to 98,916%.

It is noted that the said transfers do not constitute a change of control in Telefónica del Perú S.A.A. As such, it is not required to carry out any Public Offer for the Acquisition of Shares.

Competitive environment 4Q19

The advent of Covid-19 has partially halted the country's economic and social activity. The telecommunications sector in particular, is being affected due to the reduction in revenue collection, higher expenses generated by the maintenance of the networks to support the increase in the demand for data and in the investment plans of the operators.

Once the state of emergency began in the country, OSIPTEL allowed operators to attend to some commercial procedures such as migration of the rate plan, or the temporary suspension or termination of service. However, it prevented services from being terminated for lack of payment for the duration of the quarantine, the installation of fixed internet lines in the home, mobile portability and the sale of services in physical places. This context led to a reduction in market commercial activity. In the mobile segment, the portability of the market had a drop of -20.9% compared to 4Q 2019 and -49.0% compared to 1Q 2019, while in the fixed business there were fewer sales of duo and trio packages. Telefónica has been working to maintain the levels of care and continuity of services so as not to affect customer experience.

Despite the context, Telefónica maintains its commitment to its clients and the country. Payment facilities are being provided for expired bills in installments of 6 or 12 months without interest for fixed and mobile post-paid customers, and free SMS and unlimited calls for top ups of S / 5 for prepaid customers. Additionally, in order to bring entertainment and information to all Peruvian households, Telefónica released the exclusive channels of the FOX Premium package and all clients can access the live news signals of channel N and RPP through the Movistar Play platform.

Moreover, Telefónica maintains its commitment to Peruvian education by providing digital tools and content to teachers and schoolchildren through Fundación Telefónica and the Caixa Foundation. In addition, the Company made itself available and actively collaborates with the Ministry of Health, providing technological support for the national health survey through the USSD platform and through the installation of the information and communication technology (ICT) network in the Towers 3, 4 and 7 of the Villa Panamericana of Villa El Salvador, which have been set up as an emergency hospital to attend Covid-19 patients.

Mobile business

According to official information from Osiptel, in 4Q19 Movistar maintained the leadership of the mobile market with a 33.4% share. As of 1Q20, Movistar reached 11.3 million mobile accesses (6.6 million prepaid and 4.7 million postpaid), which meant a decrease of -4.7% compared to 4Q 2019 and -14.8% vis-a-vis 1Q19. The mobile IN portability of the market amounted to 1.3 million-line migrations (50.4% are postpaid), which meant a reduction of -20.9% compared to 4Q 2019 and -49.0% compared to 1Q 19. In 1Q20, Movistar reached -271 thousand net migrations.

Until the first half of March, operators continued to focus on the medium and high value postpaid segment with offers and promotions accompanied by attractive equipment, offering equipment financed with an initial fee from S / 0. Movistar renewed its commercial offer with new plans and GB increases, in addition to promotions in equipment with "Movistar Total". For its part, the competition doubled GB in some of its portability plans. The prepaid segment maintained its commercial activity with equipment promotions, top up bonuses and GB increase offers. Due to the declaration of a state of emergency, some operators offered free SMS and data for their customers.

Fixed business

According to Osiptel information as at 4Q19, Movistar continues to lead the fixed market with a 72.2% share in fixed telephony, 69.8% * in broadband and 63.6% in Pay TV. As of 1Q 2020, Movistar is the leader in the fixed services market with 5.5 million fixed lines, of which 1.9 million are broadband accesses and 1.5 million Pay TV, which meant a respective reduction of -4.8% and -6.6% compared to 4Q 2019.

In the fixed business, Movistar continued to leverage its “Movistar Total” convergent offer and its differentials to maintain leadership. The competition continued to focus on broadband plans and offers with reduced prices and increased benefits in response to the converged offer. In this context, wireless broadband plans were launched, and fiber optic coverage areas were expanded. In Pay TV, DirecTV launched promotions in its plans that include free subscription to DirecTV Go, while other operators offered additional channels and premium packages at no additional cost.

** Note: 3Q19 data is being considered for broadband since Osiptel has not yet published the statistics for the end of 2019.*

Financial Year Results

Income from ordinary activities

Revenues amounted to S / 1,774 million in 1Q20, -10% less than in 1Q19.

Fixed telephony, Internet and Pay TV services revenues reached S / 735 million, -1.7% less than in 1Q19. The lower income is explained by less sign ups as a consequence of the Covid-19 crisis; and less commercial activity due to the search for plant quality improvement and lower entry ARPU's.

Data and Information Technology revenues reached S/ 158 million in 1Q20, greater by +28.3% compared to 1T19. The results are explained by an increase in the Information Technology business.

Equipment revenues reached S / 21 million, signaling a decrease of 6% compared to 1Q19, associated with the collection of the installation fee.

Other Fixed Income reached S / 20 million in 1Q20, which is a similar figure to the same period of 2019.

Mobile Telephony revenues in 1Q20 reached S / 801 million, decreasing 18.4% compared to 1Q19. The decrease in income is explained in part by the lower commercial activity due to the state of emergency in the country, affecting prepaid and post-paid businesses. Thus, the prepaid front showed a -19% decrease compared to 1Q19. This year-on-year drop is mainly due to the search for higher value customers. The company shut down the proactive registration channel for this business, while the competition maintained commercial aggressiveness in this segment, allowing its customers to maintain their benefits without continuously topping up.

Postpaid revenues in **1Q20** reached S / 427 million, showing a decrease of 4% compared to 1Q19. This segment was mainly affected by the exit of customers through Portabilidad Out, which led to increased shielding campaigns, encouraging the renewal of equipment.

Revenues from **Terminal sales** in 1Q20 amounted to S / 199 million, showing a decrease of 35% compared to 1Q19. These figures are mainly explained by the Covid-19 effect on commercial activity through the stoppage of sales in the last fortnight of March.

Revenues from **Wholesale Mobile Services** reached S / 33 million in 1Q20, 26% lower than in 1Q19, explained by the lower interconnection charge.

Finally, Other mobile revenues totaled S / 7 million in 1Q20, which represented a 65% drop compared to 1Q19, mainly because the penalty for leaving the contract for postpaid customers was no longer charged in the period.

Results from other operating activities

The Income from Operating Activities in 1Q20 was -S / 86 million, S / 92 million lower than that recorded in 1Q19, mainly due to the decrease in Income from Ordinary Activities.

Non-Operating Result

Non-Operating Income in 1Q20 was -S / 79 million, which shows a decrease of S / 35 million compared to 1Q19. The decrease is mainly explained by higher financial expenses generated by the international issuance of bonds in April 2019, and by the variation by Exchange difference that there was compared to 1Q19, due to the high volatility of the dollar during the period.

Net yearly income

The net result for the year in 1Q20 was -S / 144 million, lower by S / 93 million compared to 1Q19, mainly explained by the lower operating and non-operating result compared to 2019, partially offset by a better result concerning Income Tax.

Economic environment

In 4Q19, the economy grew 1.8% year-on-year due to lower public investment by sub-national governments and a more moderate growth rate of private spending, particularly consumption. Added to this scenario is the supply shock to the primary sectors that did not fully recover in 4Q19. Consequently, the GDP closed 2019 having grown 2.2%, its lowest expansion rate in the last ten years. This occurred in a context of slowdown in world growth, which went from 3.6% in 2018 to 3% in 2019, causing a drop in the terms of trade from -1.8%, to which was added: the prolonged impact of the shocks of supply on primary activity, such as the lower catch of anchovy and the social protests that affected the normal operation of the southern mining corridor, which implied a lower growth in the export volumes of traditional mining and fishing products; and the moderation in the growth of domestic demand, due to the lower public spending by the sub-national authorities that began their mandate in early 2019.

Consumption, Investment and Public Expenditure

Domestic demand grew 2.0% during 4Q19, led by the expansion of private and public consumption. Although this was partially offset by the drop in public investment and the stagnation of private investment, the latter was due to the political noise generated in the last months of the year due to a confrontation between the executive and the legislature and which affected economic expectations.

Private consumption recorded a positive evolution of 3.0% year-on-year in 4Q19, in line with the improvement in consumer confidence, and supported by the increase in private formal employment that grew by 4%. Furthermore, consumer credit, although at a slower pace, continued to grow in double digits (11%). Greater dynamism of consumption was observed mainly in the Food and Beverages category, as an example, chicken sales grew 15.6%, in contrast to the commercialization of durable products such as car sales, which fell -0.2%.

On the other hand, private investment grew 0.9% year-on-year in 4Q19, a slower rate than it had achieved in 3Q19. This slowdown showed a clearly differentiated evolution. On the one hand, mining investment continued to grow in double digits (26%) driven by copper projects such as Quellaveco (Angloamerican), Mina Justa (Marcobre) and Ampliación Toromocho (Chinalco). On the other hand, non-mining investment fell again (-3.8%), after two quarters of recovery, due to lower investments in areas such as electricity and oil refining.

Public investment fell -7.7% as it was basically affected by the lower execution of local governments (-26%) in sanitation and education projects, which was partially offset by higher investment in roads by the National Government and public companies. Finally, public consumption grew 3.2% as a result of higher spending on salaries, especially in regional governments, as well as the increase in purchases of goods and services from the national government.

Inflation, Exchange Rate and Rates

Monthly inflation for March 2020 was 0.65%, registering an accumulated growth of 0.84% in the period January - March 2020. This a result that, in relation to the evolution of prices for the same period (from January to March), is lower than that of 2019 and 2018, which were 0.92% and 0.87%, respectively; and significantly less than in 2017, which had a

variation of 1.87%. In March, the variation in prices was influenced by the seasonal component of the prices related to the school education service and by the 1.11% increase in the price of food and beverages, mainly due to some supply problems and speculation due to the state of national emergency started on March 16. Furthermore, the annual variation was 1.82%, with an average monthly rate of 0.15%. The annual trend has been showing stable behavior of less than 2% for seven consecutive months.

In the case of the sol, between the end of Jan-20 and Mar-20 it depreciated 1.7%, from S / 3.38 to S / 3.44 per dollar. As such, the local currency has registered a cumulative depreciation of 3.73% thus far this year. The uncertainty and negative impact caused by the spread of Covid-19 around the world, raised the exchange rate to levels of S / 3.56 per dollar in mid-March 2020. However, by the end of March the exchange rate had already stabilized around S / 3.40 per dollar. This is due to the control that several countries have had over the disease and the injection of dollars that the US has begun, and the expansionary policy that the Central Banks of most advanced economies are implementing. In this context, the Central Bank intervened in the foreign exchange market through the placement of Foreign Exchange Sale Swaps for US \$ 1,667 million in March 2020.

Regarding monetary policy between January and April 2020, the actions of the Central Reserve Bank of Peru (BCRP) continued to be oriented towards maintaining an expansionary position. The foregoing is a response to a context in which economic activity has been temporarily affected by the effects of the Pandemic through a double shock: one of supply, due to restrictive measures that suspend economic activities; and another of demand, due to the immobility of economic agents, which reduces transactions related to internal demand. Thus, the Board of the BCRP has reduced the reference interest rate twice so far this year; a cut of 100bps in March, going from 2.25% to 1.25% and another cut of 100bps in April, with which the reference interest rate is at its historical minimum of 0.25%. In the short term, the priority for the BCRP will be to support the payment system and the credit chain of the economy. This is to achieve the objective of maintaining financial stability, together with the Ministry of Economy and Finance and the Superintendence of Banking and Insurance.

Financial Markets

Peru has maintained its sovereign debt classification in foreign currency: Moody's with A3 stable, S&P with BBB+ stable, and Fitch with BBB+ stable. The key factors that influenced maintaining the classification were the public debt levels, which are below the legal debt limit (30% of GDP), the credibility of monetary policy, and the improved profile of the external sector.

Statement of Financial Position

Total current assets in 1Q20 amounted to S/ 3,200 million, lower by S/ 688 million compared to the previous quarter. This result is mainly explained by the lower balance in the Cash and Cash Equivalents account due to the lower collection due to Covid-19, the payment to suppliers, and the use of working capital in the period.

Total non-current assets closed at the third quarter of the year at S/ 11,463 million, S/ 60 million lower than in the previous quarter.

On the back of the foregoing, total assets were S/ 14,664 million, lower by S/ 748 million compared to that recorded at the end of 4Q19.

At the end of 1Q20, total current liabilities were S / 5,482 million, S / 480 million below 4Q19. The variation is mainly explained by the decrease in the balance of trade accounts payable and other accounts payable.

Total non-current liabilities amounted to S/ 4,698 million at the end of the 1Q20, a balance of S / 124 million greater than when compared to that observed in the previous quarter. This variation is mainly due to the decrease in Lease Liabilities, Other accounts payable and Contractual liabilities.

Finally, total equity decreased by S/ 144 million in 1Q20, to S/ 4,607 million largely due to the results of the fiscal year.

Relevant Financial Ratios

At the end of 1Q20, liquidity ([Total current assets -- Cash and equivalents] / Total current liabilities) closed at 0.48x, a ratio similar to that obtained in the previous quarter that closed at 0.63x.

The financial leverage (Financial liabilities / Total equity) reached the level of 0.75x in the first quarter of the year compared to the level of 0.73x in the previous quarter. These are comparatively low for the industry, and do not include the lease debt recorded as per IFRS 16.

TABLE 1

TELEFONICA DEL PERU S.A.A.

INCOME STATEMENT IN SOLES (000) FOR THE PERIOD ENDED MARCH 31, 2020 AND 2019

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

	1Q20		1Q19		Var. Abs. 1Q19-1Q20	Var. % 1Q19-1Q20
		%		%		%
Income from ordinary activities	1,773,656	100.0	1,962,492	100.0	(188,836)	(9.6)
Fixed Income	973,056	54.9	981,152	50.0	(8,096)	(0.8)
Revenue from services (Voice + BB + TV)	734,860	41.4	747,466	38.1	(12,606)	(1.7)
Data + IT	157,614	8.9	146,208	7.5	11,406	7.8
Wholesale	39,676	2.2	45,246	2.3	(5,570)	(12.3)
Equipment (Voice + BB + TV)	21,051	1.2	22,413	1.1	(1,362)	(6.1)
Other Fixed Incomes	19,855	1.1	19,819	1.0	36	0.2
Mobile Income	800,600	45.1%	981,340	50.0	(180,740)	(18.4)
Postpaid	426,989	24.1	443,675	22.6	(16,686)	(3.8)
Terminals (Recruitment + Loyalty)	199,396	11.2	307,675	15.7	(108,279)	35.2
Prepaid	134,353	7.6	165,308	8.4	(30,955)	(18.7)
Wholesale	32,697	1.8	44,052	2.2	(11,355)	(25.8)
Other mobile income	7,165	0.4	20,630	1.1	(13,465)	(65.3)
Operating Expenses	1,862,871	105.0	1,976,822	100.7	(113,951)	(5.8)
General and Administrative	819,109	46.2	893,065	45.5	(73,956)	(8.3)
Cost of equipment sales	238,396	13.4	352,626	18.0	(114,230)	(32.4)
Depreciation and Amortization	325,830	18.4	346,458	17.7	(20,628)	(6.0)
Depreciation of use rights	49,706	2.8	42,183	2.1	7,523	-
Personnel	183,350	10.3	179,950	9.2	3,400	1.9
Interconnection Expenses	55,422	3.1	50,042	2.5	5,380	10.8
Allowance for doubtful accounts of collection and impairment	155,918	8.8	110,032	5.6	45,886	41.7
Fees for transfer of technical and management capacity	35,140	2.0	2,466	0.1	32,674	1,325.0
Operating result before other income and expenses, net	(89,215)	(5.0)	(14,330)	(0.7)	(74,885)	522.6
Other net operating income (expense)	2,721	0.2	20,252	1.0	(17,531)	(86.6)
Results from other operating activities	(86,494)	(4.9)	5,922	0.3	(92,416)	(1,560.6)
Financial Revenue	10,021	0.6	13,580	0.7	(3,559)	(26.2)
Financial Expenses	(86,099)	(4.9)	(60,947)	(3.1)	(25,152)	41.3
Exchange Difference, net	(3,875)	(0.2)	2,592	0.1	(6,467)	(249.5)
Share in Results of related parties	641	0.0	890	0.0	(249)	(28.0)
Non-Operating Result	(79,312)	(4.5)	(43,885)	(2.2)	(35,427)	80.7
Result before income tax	(165,806)	(9.3)	(37,963)	(1.9)	(127,843)	336.8
Income tax	21,482	1.2	(13,843)	(0.7)	35,325	(255.2)
Net loss of the period	(144,324)	(8.1)	(51,806)	(2.6)	(92,518)	178.6

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 OF MARCH 31, 2020
(Prepared in accordance with International Financial Reporting Standards - IFRS)

Assets Liabilities and equity

	1Q20	4Q19	3Q19	2Q19	1Q19		1Q20	4Q19	3Q19	2Q19	1Q19
Current assets Current liabilities											
Cash and cash equivalents	268,802	1,001,213	440,032	436,814	152,971	Other financial liabilities	424,360	408,070	584,569	513,360	1,434,354
Commercial accounts receivable, net	1,837,458	1,744,651	1,776,322	1,619,325	1,629,404	Lease liabilities	279,392	243,083	222,949	212,252	128,002
Contractual assets	84,502	129,295	175,613	199,937	221,418	Commercial accounts payable	1,693,739	2,049,040	1,706,044	1,702,525	1,654,528
Accounts receivable from related companies	7,186	26,746	552,452	473,105	287	Contract liabilities	150,737	137,566	154,966	174,736	191,789
Other accounts receivable, net	127,431	123,390	114,439	116,917	167,532	Other accounts payable to related companies	3,641	2,991	2,475	2,081	2,008
Inventories	269,788	306,834	382,389	361,049	342,204	Other accounts payable	327,622	532,024	447,688	208,459	230,405
Current income tax assets	196,064	208,399	206,851	219,559	245,342	Deferred income	41,959	48,996	36,031	47,011	59,800
Other non-financial assets	409,401	348,202	395,028	433,747	367,592	Other provisions	382,050	362,967	2,691,168	2,678,835	2,154,430
Assets available for sale	-	- 20,479	43,281	-	-	Income tax liabilities	2,178,817	2,177,835	-	-	-
Total current assets	3,200,632	3,888,730	4,063,605	3,903,734	3,126,750	Total current liabilities	5,482,317	5,962,572	5,845,890	5,539,259	5,855,316
Commercial accounts receivable, net	3,013	15,918	15,333	9,565	24,674	Other financial liabilities	3,038,760	3,036,855	3,051,665	3,160,737	1,693,374
Accounts receivable from related companies	-	587	587	587	587	Lease liabilities	888,213	922,268	872,051	835,841	760,877
Contractual assets	2,850	6,110	24,095	21,834	12,942	Other accounts payable	118,239	190,467	193,777	35,012	41,240
Other accounts receivable, net	175,191	177,433	178,507	184,177	272,345	Other accounts payable to related companies	2,320	1,938	1,671	1,437	1,621
Investments in subsidiaries and associated companies	274,293	272,970	272,774	273,037	13,140	Contract liabilities	56,453	79,391	85,797	68,217	59,141
Property, plant and equipment	28,826,695	28,630,851	28,397,625	28,334,387	28,862,220	Deferred income	98,856	99,611	110,923	114,913	120,713
Accumulated depreciation	(22,680,154)	-(22,443,709)	(22,207,964)	(22,042,445)	(22,171,618)	Other provisions	278,238	276,957	451,211	428,448	438,539
	6,146,541	6,187,142	6,189,661	6,291,942	6,690,602	Income tax liabilities, non-current	93,413	90,880	-	-	-
						Deferred tax liabilities	-	-	-	-	5,244
Intangible assets other than capital gains (net)	2,025,289	2,078,047	2,103,500	2,140,279	2,200,691	Total non-current liabilities	4,574,492	4,698,367	4,767,095	4,644,605	3,120,749
Rights of use assets	1,049,598	1,057,095	1,025,448	1,046,263	998,452	Total liabilities	10,056,809	10,660,939	10,612,985	10,183,864	8,976,065
Deferred tax assets	250,535	202,026	133,326	13,869	-	Equity					
Capital gains	1,215,145	1,215,145	1,215,145	1,224,872	1,224,379	Issued capital	2,876,152	2,876,152	2,876,152	2,876,152	2,876,152
Other non-financial assets	320,519	310,703	293,590	290,143	255,452	Issuance premiums	77,899	77,899	77,899	77,899	77,899
Total non-current assets	11,462,974	11,523,176	11,451,966	11,496,568	11,693,264	Other capital reserves	582,513	582,513	578,891	576,456	576,453
						Accumulated results	1,072,493	1,216,817	1,371,501	1,689,024	2,315,797
						Other equity reserves	(2,260) (2,414)		(1,857)	(3,093)	(2,352)
						Total equity	4,606,797	4,750,967	4,902,586	5,216,438	5,843,949
total assets	14,663,606	15,411,906	15,515,571	15,400,302	14,820,014	Total liabilities and equity	14,663,606	15,411,906	15,515,571	15,400,302	14,820,014

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