

Telefónica

Quarterly Results

Telefónica del Perú S.A.A.

October-December 2020

1. Milestones for 2020

DURING 2020 WE FOCUSED ON ENSURING NETWORK SUSTAINABILITY AND CONTINUITY OF SERVICE, AS WELL AS INITIATIVES THAT BENEFIT SOCIETY, CUSTOMERS, AND EMPLOYEES.

SOCIETY

We worked as the allies of society during the national emergency by guaranteeing connectivity and contributing to the education and health sectors.



Vehicles to close the digital gap

Internet Para Todos (IPT)

By means of this initiative we have connected mobile 4G internet to 11,000 population centers or rural locations.



PangeaCo

We announce the creation of PangeaCo to take fiber optics to urban areas across the country using an infrastructure sharing model.



Helping with what is needed most

Through Fundación Telefónica we contributed to the production of 65 mechanical ventilators in the MASI projects (PUCP and allies) and the Universidad Cayetano Heredia. The ventilators were then donated to the Ministry of Health.



Education with Technology

We provided digital resources and delivered educational content to secondary school students via the Movistar Play videostreaming platform.



CLIENTS

We promoted responsible use of networks. Moreover, we offered additional features and benefits to our customers.

• Cybersecurity

We created the special division called "ElevenPaths" to consolidate our security product portfolio for devices, networks and application, both for in the cloud and data.

• Installments

We help customers that could not pay on time. We were the operator that lead the way in providing this facility, both in Lima and throughout the country.

• Movistar Play

We consolidated Movistar Play as the best platform for Peruvian content for customer home entertainment.

• SMES

We provided additional terms and benefits for our business clients.



EMPLOYEES

We promoted best practice and conditions for working from home.

• Working from Home

We prioritized the wellbeing of our more than 4,000 employees by promoting working from home.

• Prevention measures

We produced and communicated practical content on COVID prevention measures.



We are working on a differentiated offer for our customers, that align with new household consumption habits.

"We are aware of the enormous challenge that 2020 posed, but now it is time to recover as a country, sector, and company. In 2021, we intend to expedite the digital transformation with opportunities for all stakeholders by taking the potential of technology not only to large cities, but also to remote locations."

Pedro Cortez
Executive President
Telefónica del Perú.



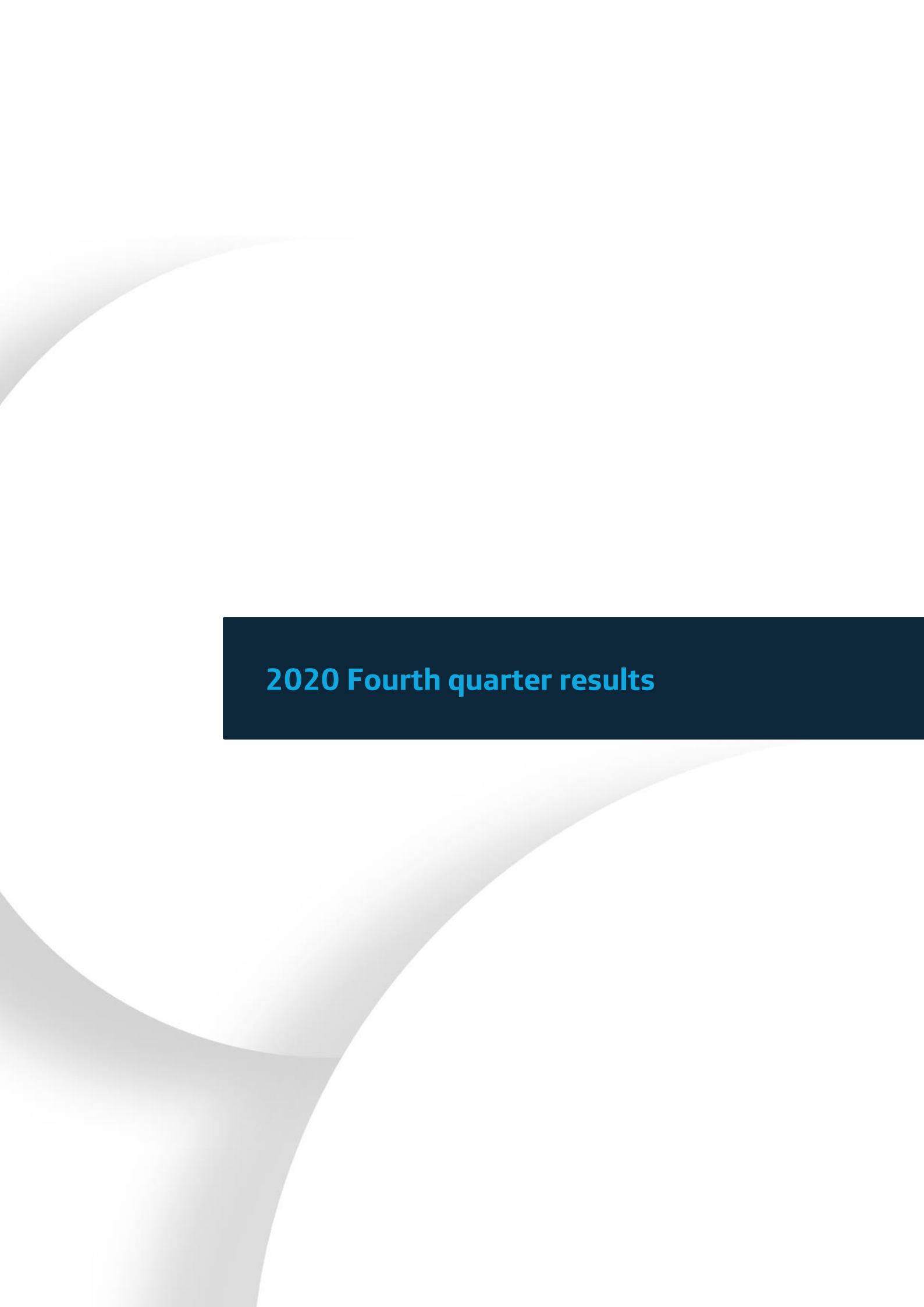
Fiber Optic Roll Out

We commenced the progressive roll out of domestic fiber optic. At the close of 2020, 136,000 households has been connected.



B2B segment

We adapted to market needs with differentiated offers and comprehensive solutions in Home Office. Second semester sales in 2020 surpassed those of 2018 and 2019.



2020 Fourth quarter results

2.2020 Fourth quarter results

MOVISTAR PERÚ PRESENTS ITS 2020 FINANCIAL RESULTS

- **Operating income (sales) amounted to S/ 6,580 million in 2020. Sales were led by the fixed segment (home internet services, pay TV and fixed telephony), which recorded revenues of S/ 3,541 million.**
- **Faced with the elevated demand stemming from the 'new normal', Movistar Peru leveraged its strategy to reinforce the deployment of its fiber optic offer to households in Lima.**
- **During the emergency, Movistar ensured the continuity of services and improved its performance despite historical peaks in traffic on the fixed network, which grew by an average of 50%.**
- **Additionally, between 2019 and 2020, the company invested more than 730 million soles in the deployment of national infrastructure.**
- **Movistar is seeking to accelerate the country's digital transformation with opportunities for all through two fundamental vehicles: Internet for All (IPT), which has connected more than 11 thousand rural communities in the country with mobile internet, and PangeaCo, which will bring fixed internet to more than 4 million Peruvian households.**
- **During the emergency, the use of Movistar's digital service channels accelerated, recording a 51% growth in new users in the Mi Movistar and Movistar Hogar apps.**

Lima, February 12, 2021- Movistar Peru released its financial results for 2020, a year where the COVID-19 pandemic provoked a severe global health and economic crisis, and a year in which the company placed special focus on maintaining the connectivity of Peruvians. Home internet use registered historical highs in demand of more than 50% due to the confinement and massive implementation of teleworking and tele-education. The foregoing occurred during the health emergency which restricted the installation of new internet services in the country for a number of months.

During 4Q20, Movistar achieved an operating income (sales) of S/ 1,676 million, a figure 2.2% higher than in 3Q20 (S/ 1,640 million). These figures represent two consecutive quarters of growth.

In the fixed segment, revenues reached S/ 835 million, 0.8% less than the previous quarter (S/ 842 million). On the other hand, the mobile segment recorded revenues of S/ 841 million, thus achieving an increase of 5.4% compared to 3Q20 (S/.798 million). Most prominent in these figures were the mobile postpaid and mobile prepaid segments, which recorded revenues of S/. 421 million and S/. 151.5 million. These segments achieved growth compared to 3Q20 of 6.7% and 5.2%, respectively. As of December 2020, Movistar achieved 10.9 million mobile accesses, which meant an increase of 635 thousand accesses (+ 6.2%) compared to 3Q20.

With these results, Movistar's annual operating income (sales) amounted to S/ 6,580 million, which represents a figure 16.5% lower than that registered in 2019 (S/ 7,877 million). The fixed business was the segment that led the company's sales with a turnover of S/ 3,541—a figure 14% lower than that registered in 2019. Of this figure, home internet, fixed telephony and pay TV sales generated S/ 2,785 million. Furthermore, the annual operating expenses incurred in 2020 amounted to S/ 7,165.7 million. This figure is 15.5% lower than that registered in 2019 (S/ 8,482.3 million).

The mobile business obtained annual revenues of S/ 3,039 million, a result of 19.2% less than in 2019. In this segment, post-paid mobile telephony generated sales of S/ 1,644 million (-4.8%), while prepaid services recorded revenues of S/ 559 million (-8.2%).

The lower revenues in both segments are explained, not only the impossibility of making sales during much of the COVID-19 lockdown, but also due to the slow recovery of commercial activity after the lockdown. However, in the last quarter of the year, commercial management, by means of efficient retention campaigns, managed to halt the drop in revenue. Furthermore, despite the situation, Movistar did not see the need to increase its level of gross financial debt¹, even achieved a reduction of -10.1% compared to 4Q19.

"At the beginning of pandemic, Movistar activated an emergency plan that allowed us to continue guaranteeing the services of millions of Peruvians. We have done it during never-before-seen peaks in demand and doing remote work. Today, homes have been transformed into offices and online schools and it is up to us to satisfy our millions of clients," said Pedro Cortez, Executive President of Telefónica del Peru.

Vehicles to bridge gaps

Since March 2020, the pandemic confinement measures established by the authorities once again highlighted the need to increase Peru's digital connectivity, an issue on which Movistar has been focused and progressing for 27 years.

The onset of the pandemic coincided with another important connectivity milestone for the company: the creation of PangeaCo. This company will bring high-speed internet to 4 million urban homes in the next three years due to the deployment of fiber optics throughout the country. To achieve this, PangeaCo will make alliances with strategic partners.

"Fiber optics is a technology that sends information at high speeds and has become the most important network system in the world. The digital development that facilitates PangeaCo's fiber optic broadband roll out has a significant multiplier effect on populations as it broadens the possibility of accessing public services and information, and health and education services. It furthermore doubles the productivity and innovation of companies and government entities, thus be able to meet the demands implied by the 'new normal'", said Pedro Cortez Rojas.

Additionally, during the pandemic, Movistar Peru continued to expand high-speed mobile internet access to Peru's most remote areas through the company Internet para Todos (IPT), which was created in 2019 in partnership with Facebook, IDB Invest and CAF. To date, IPT has connected adequate mobile internet to more than 11 thousand localities on the coast, in the mountains and in the jungle. The goal is to reach 30,000 locations by the end of 2021 and thus contribute to closing the digital gap.

¹ Does not include the lease debt recorded by the adoption of IFRS 16.

Backing the fiber optic roll out and convergent offer

Due to the high demand caused by the 'new normal' and the change in dynamics in the use of internet at home, Movistar Peru leveraged its strategy to reinforce the roll out of its fiber optic supply to the households in Lima. At the end of 2020, approximately 136 thousand homes in Lima already had this service installed and it is estimated that 600,000 homes will be reached in 2021.

Through this technology, our clients will be able to reach speeds of up to 1,000 Mbps. This will allow a better experience when undertaking simultaneous activities, such as watching HD movies, accessing video calls, classes via streaming, or online video games.

Likewise, Movistar Total continues to grow by becoming the first convergent offering in the country that unites fixed and mobile services (internet, pay TV, and fixed and mobile telephony).

Additionally, between 2019 and 2020, the company invested more than 730 million soles in the roll out of national infrastructure.

Corporate segment growth

In the B2B segment, through which Movistar Peru provides connectivity to more than 60% of the public and private sectors, the company continued to improve its value proposition by adapting to market needs with the launch of new Home Office digital services. This initiative added to Movistar's differentiated offers and comprehensive solutions leveraged on solid connectivity.

Moreover, we created a specialized cybersecurity division aimed at investigating and combating cybercrime which enhanced management of the operation. This division will operate in the country under the name of ElevenPaths Peru, which will contribute to consolidating a portfolio of security products for devices, networks and applications, both in the cloud and as data.

Customer Experience

In 2020, the pandemic lockdown augmented the use of Movistar's digital service channels, which recorded 51% growth in new users in the Mi Movistar and Movistar Hogar apps. Additionally, the company encouraged customer self-management to improve their experience.

At the same time, a significant change in streaming consumption habits during the emergency increased the average hourly consumption of the Movistar Play multi-platform by 25%. In addition, the company increased Peruvian content on the platform. In all, 55% of Peruvian films released over the last 10 years in cinemas are available, as well as Peruvian and foreign series. Furthermore, during the lockdown, Movistar produced "Resiste Teatro", which broadcasted 16 short plays on television and streaming. This initiative garnered an audience of 31,000 viewers on Movistar Plus, and more than 20,000 viewers on Movistar Play.

A more agile, efficient, and digital Telefónica

In 2020, Movistar Peru accelerated the transformation process started in 2018. We aim to be a more agile, efficient, and digital company by employing a disruptive convergence model which focuses on the customer to increase long-term profitability and sustainability.

An important part in achieving these objectives was to reduce company operating expenses. By the end of 2020, Movistar had reduced expenses by 15.5%, from S/ 8,482 million in 2019 to S/ 7,166 million. The savings in administrative expenses had the greatest impact, representing an amount of S/ 518 million—going from S/ 3,718 million in 2019 to S/ 3,200 million in 2020.

“We are aware of the enormous challenge that 2020 posed, but now it is time to recover as a country, sector, and company. In 2021, we intend to expedite the digital transformation with opportunities for all stakeholders by taking the potential of technology not only to large cities, but also to remote locations. To achieve this roll out, we have two fundamental tools. On the one hand, we have *Internet para Todos* that seeks to provide 4G mobile internet to more than 30 thousand remote communities. On the other, we already have PangeaCo that will supply fixed internet to more than 4 million Peruvian homes,” said Pedro Cortez, Executive President of Telefónica del Peru.

Education with technology

Through *Fundación Telefónica Movistar*, we made digital resources available to students and teachers, and we provided educational content to high school students on the Movistar Play video streaming platform. Additionally, we offered unlimited free mobile internet access to the website www.aprendoencasa.pe of the Ministry of Education, so that millions of schoolchildren could continue learning from home.

Support for what is most needed

In alliance with Pontificia Universidad Católica del Perú and Universidad Cayetano Heredia, Movistar financed the production of 65 mechanical ventilators that were delivered to the Ministry of Health (*Minsa*). At the same time, the company delivered more than 70 thousand PPE units for personnel in the front line fighting the pandemic and treating COVID-19 patients. The personnel are working at hospitals, police stations, shelters and charitable institutions, among others, from various regions of the country.

Also, at the beginning of the pandemic Movistar installed a fiber optic network, a telephone exchange for public network calls, and Movistar TV connection points at no cost in the Pan-American Village, in Villa El Salvador, so that it has everything necessary to function as a hospital for COVID-19 patients.

Key events
Fourth quarter 2020

3. Key events of the fourth quarter 2020

The key events that occurred during the fourth quarter of 2020 are presented below:

1. On October 1, the following was communicated in relation to File No. 2020035153:
It was reported that Telefónica del Perú S.A.A. transferred all of its shares in the capital stock of Telefónica Cybersecurity & Cloud Perú S.A.C. (the former Telefónica Cybersecurity Perú S.A.C.) for the amount of S/ 47,565,058.50 to Telefónica Cybersecurity Tech S.L., a company based in Spain. Note that this transfer was made public on September 30 as a key event. On the same date, the General Shareholders' Meeting of Telefónica del Perú S.A.A. approved the Simple Reorganization Project with Telefónica Cybersecurity & Cloud Tech Perú S.A.C., effective as of October 1, 2020. Due to the foregoing and the resolutions adopted by the Board of Telefónica Cybersecurity & Cloud Tech Perú S.A.C., this same entity issued shares to the Company. In accordance with the provisions of the Simple Reorganization Project, these shares were transferred to Telefónica Cybersecurity Tech S.L.
2. On December 10, the following was communicated in relation to File No. 2020044391: The following agreements were reached at the Board Meeting:
 - I. To execute the transfer of the Cloud business line of Telefónica del Perú S.A.A. to Telefónica Cloud Tech Perú S.A.C. by means of a simple reorganization process under the provisions of Article 391 of the General Companies Law;
 - II. To approve the call for the General Meeting of Shareholders to be held online, per the provisions of Emergency Decree No. 056-2020 and in accordance with the provisions of Superintendent Resolution No. 050-2020-SMV/02, in order to submit this Simple Reorganization Project for consideration and approval, and delegate powers for such.
 - III. To delegate powers for such a call to the Executive President and Secretary of the Board, among other officials;
 - IV. To approve the subsequent transfer of the shares representing the capital stock of Telefónica Cloud Tech Perú S.A.C. issued in its favor to Telefónica Cybersecurity & Cloud Tech Perú S.A.C. and delegate powers for this purpose to certain officers of the Company.
3. On December 23, the following was communicated in relation to File No. 2020045858:
 - I. On the same date, the General Shareholders' Meeting of Telefónica del Perú S.A.A. approved the Simple Reorganization Project in favor of Telefónica Cloud Tech Perú S.A.C. This key event was reported on the very same date. We wish to state that the foregoing is a simple reorganization, according to the provisions of article 391 of the General Companies Law.
 - II. The approved Project - which has not been subject to any variation vis-a-vis that reported previously, determines that the date of entry into force of the operation is January 1, 2021. We point out that for a simple reorganization, a series of information required by the MVnet system such as the exchange rate, audited financial statements, among others, is not applicable.
 - III. It should be noted that, for purposes of the valuation of the asset block subject to transfer, the net book value of its components as of November 30, 2020 has been taken into consideration, and whose detailed description is available in the Project.

IV. 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.

4. On December 30, the following was communicated in relation to File No. 2020046417:

As was made public on December 23, 2020 as a key event, the General Shareholders' Meeting of Telefónica del Perú S.A.A. approved the Simple Reorganization Project with Telefónica Cloud Tech Perú S.A.C., effective as of January 1, 2021.

In parallel to this operation, we announce that on December 23, Telefónica del Perú S.A.A. signed a share purchase agreement with Telefónica Cybersecurity & Cloud Tech Perú S.A.C., effective as of January 1, 2021. By virtue of the purchase, and subsequent to the aforementioned simple reorganization, Telefónica del Perú S.A.A. will transfer to Telefónica Cybersecurity & Cloud Tech Perú S.A.C. all the shares it owns, representing the capital stock of Telefónica Cloud Tech Perú S.A.C. for an amount of S/ 41,940,854.

Notwithstanding the foregoing, and in compliance with the law, Telefónica del Perú S.A.A. will promptly inform the market when the registration of the public deed of simple reorganization in favor of Telefónica Cloud Tech Perú S.A.C. has been completed.

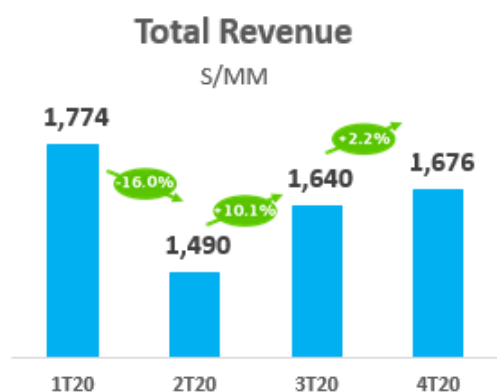


Competitive Environment, fourth quarter 2020

4. Competitive Environment, fourth quarter 2020

In 4Q20, the reopening of the economy and trade continued along with a significant decrease in the mortality curve of COVID -19. This allowed the telecommunications sector to achieve improved results compared to 3Q20.

However, during the Phase 4 economic reactivation, the GDP still has not reached 100% operational capacity since there are still limitations and restrictions in certain areas. Furthermore, employment and household income have not yet reached Pre-COVID levels. This, plus the political situation following the ousting of President Martín Vizcarra, did not allow income recovery in the second half of the year to offset the fall in the first half. During 4Q20, the reopening of the economy and the relaxation of restrictions in the sector continued, and was thus reflected in the increase in commercial activity. In the quarter, operators strived to recover positions, which led to greater competitive intensity. In this context, Movistar



achieved improved commercial traction leveraged on its convergent offer "Movistar Total" and on acceleration plans that allowed it to increase commercial activity and considerably reduce losses. In the B2C segment, Movistar led the fixed and mobile flow share with better quality of registrations and significant reduction in churn. In the B2B segment, Movistar led sales related to new products and services driven by the pandemic. Furthermore, Movistar maintained tight control over expenses and continued to focus on strengthening customer experience by

considerably improving the NPS. The December result was the best in the last three years. In 4Q20, Movistar's total revenues grew 2.2% compared to 3Q20, which represents two consecutive quarters of growth.

Mobile business

According to official Osiptel information, in 3Q20 Movistar maintained the leadership of the mobile market with a 31.8% share.

In 4Q20, mobile business commercial activity grew as shown in the increase in portability and sign-ups by + 15% and + 1% respectively compared to 3Q20. This growth was accompanied by greater competitive aggressiveness. In the prepaid segment, operators boosted their commercial offers with an increase in GB vouchers and improved digital top-up channels with additional benefits.

In this segment, Movistar continued to focus on reconnecting the park, building customer loyalty and generating value with "Triplica" and digital top-up campaigns. These actions achieved 479 thousand accesses and, after almost six years, an increase in revenues by 5.2% compared to 3Q20.

In the postpaid segment, the market continued to encourage consumption with promotions with an increase in GB, accompanied by attractive offers on mobile terminals.

In this segment, Movistar leveraged its convergent offer by improving customer shielding and increasing commercial activity. Likewise, there was an improvement in the customer's

perception of value of their service. The foregoing achieved growth of 155 thousand accesses (+ 3.5%) and of 6.7% in income compared to the previous quarter.

Income from terminal sales grew due to lower sales restrictions and increased competitive intensity. These revenues have been key to the recovery of the sector. During the quarter, financing offers were launched, while Christmas campaigns of 2x1 for mid-range and high-end terminals along with attractive online discounts were offered. Movistar maintained terminal revenues compared to 3Q20 and in 2020 it generated greater margins and cash than the average of last year.

As of December 2020, Movistar achieved 10.9 million mobile accesses, which meant an increase of 635 thousand accesses (+ 6.2%) compared to 3Q20.

Fixed business

According to information from OSIPTEL as at 3Q 2020, Movistar continues to lead the fixed market with a 68.3% share in fixed telephony, 63.9% in broadband and 62.2% in Pay TV.

In 4Q20, competitive intensity was greater as a result of market aggressiveness striving to capture new opportunities, mainly in broadband. Operators maintained commercial offers with high speeds, launched new duo and trio offerings, and offered discounts for online contracts. In addition, the new entrants (Fibreras) focused on capturing broadband clients with fiber optic deployment in value areas. Movistar leveraged its convergent offer and its differentiated content on television. Furthermore, it increased Mbps vouchers and improved its fiber optic plans with symmetric speeds. The foregoing allowed Movistar to increase commercial activity and regain leadership in fixed flow share with better quality of sign-ups. Meanwhile, broadband and Pay TV revenues increased by 1.3% compared to 3Q20.

As of December 2020, Movistar maintained leadership of the fixed services market with 5.2 million fixed accesses, of which 1.9 million are broadband accesses and 1.4 million are Pay TV.

In the B2B segment, Movistar continued to improve its value proposition by adapting to market needs with the launch of new Home Office digital services. These services add to Movistar's differentiated offers and comprehensive solutions leveraged on solid connectivity.

5. Economic Environment

With the progressive resumption of economic activities and the application of monetary and fiscal stimuli, GDP has been improving after the 30% reduction recorded in the second quarter of 2020. Thus, economic activity contracted 9.4% year-on-year in the third quarter of 2020. Movement in the economy in October (-3.8%) and November (-2.8%) of 2020 confirm the path of economic recovery. However, GDP is still 10% below pre-crisis levels.

Consumption, Investment and Public Expenditure

Private consumption fell 9.7% year-on-year in the third quarter of 2020. This figure stems from a partial recovery due to a gradual reversion in the labor market and the reactivation of economic activities providing less uncertainty about the future economic situation. Furthermore, private investment recorded a significant recovery, falling 7.1% year-on-year in the third quarter of 2020, compared to the 60% year-on-year decrease in the second quarter of 2020. This occurred as a consequence of the start of phase 3 of the economic reactivation, which permitted the re-start of construction projects in general. Public spending contracted 3.9% year-on-year in the third quarter of 2020, with mixed results from investment and consumption.

On the one hand, public investment fell -24.5%, a relatively better result than in the second quarter of 2020. While on the other hand, public consumption grew 4.3% year-on-year in the third quarter of 2020, recovering after the 8.8% fall in the second of that year. The foregoing is due to the greater expenditures of regional governments purchasing medical supplies and contracting medical personnel to combat Covid-19.

Inflation, Exchange Rate and Fees

Monthly inflation for December 2020 was 0.05%. This progression was below the historical average for December (0.25%). Lower inflation is mainly explained by weakened demand, which fell in December. With the result of Dec-20, inflation for the year 2020 closed at 2.0%, the middle point of the Central Bank's target range.

Exchange market volatility is still high as a result of uncertainty related to the duration of the global recession and worldwide COVID-19 outbreaks. Consequently, in 2020 accumulated depreciation was 9.3%.

At the beginning of the social isolation period, the Central Reserve Bank lowered the monetary policy reference interest rate to a historic low of 0.25%. This monetary policy rate responds to the extraordinary magnitude of the contraction in economic activity.

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.



2020 Fourth quarter results

6.2020 Fourth quarter results

Income from ordinary activities

Revenues amounted to S/ 1,675.9 million in 4Q20, -11% less compared to 4Q19. Due to the progressive economic recovery after the state of emergency.

Revenues from **Services (Voice + BB + TV)** in 4Q20 reached S/ 675.1 million, -8% less than in 4Q19. The lower income is explained by the slow recovery of commercial activity in 2020 after the quarantine. However, the fall in this quarter compared to 2019 is less, mainly due to the retention campaigns that are containing the plant retirements.

Data and Information Technology revenues were S/ 62.9 million in 4Q20, down -60% compared to 4Q19 due to the pandemic putting projects on hold.

Other Fixed Income reached S/ 34.1 million in 4Q20, S/ 10.8 million more than in 4Q19 due to higher commercial activity in the last quarter.

Mobile Telephony revenues in 4Q20 reached S/ 840.9 million, a 3% decrease compared to 4Q19, equivalent to a drop of S/ 30 million.

Postpaid revenues in 4Q20 closed at S/ 421 million. This figure reflects a decrease of S/.1.2 million compared to 4Q19. Although there was a deterioration in business activity due to the quarantine, business management employing efficient retention campaigns has managed to control the drop in revenue.

Revenues from the **sale of terminals** in 4Q20 amounted to S/ 221.6 million, which demonstrates a decrease of 13% compared to 4Q19. This figure is equivalent to S/ 33.4 million less, and is mainly explained by the decrease in commercial activity due to the post-pandemic effects. To counteract these effects, commercial campaigns encouraging the acquisition of equipment were launched in the last quarter and were well received.

On the **Prepaid** front, revenues amounted to S/.151.5 million, which means an increase of S/.11.4 million compared to 4Q2019. This result is due to the commercial loyalty campaigns that the prepaid business has been implementing to keep the park connected.

Lower interconnection charges meant revenues from **Mobile Wholesale** services were S/ 39.1 million in 4Q20, 19% lower than in 4Q19.

The Company maintains its commercial strategy focused on keeping the park connected, promoting online top-ups, strengthening the value proposition, and properly utilizing the sales force.

Income from other operating activities

Income from Operating Activities in 4Q20 was -S/ 151.9 million, S/ 29.2 million lower than that recorded in 4Q19. The result is mainly due to lower income stemming from the pandemic.

Non-Operating Income

The Non-Operating Result in 4Q20 shrunk by S/ 63.2 million, yet improved by S/ 7.4 million when compared to 4Q19. The figures are mainly explained by lower financial expenses.

Net yearly income

Net income for the year in 4Q20 was -S/ 194.9 million, a figure S/ 40.2 million less compared to 4Q19. The result is largely explained by lower Income from Operating Activities.

7. Statement of Financial Position

Total current assets in 4Q20 amounted to S/ 3,040.3 million, S/ 391.9 less when million compared to the previous quarter. This result is mainly explained by the expiration of the profitability operation of our cash surpluses carried out with a group company during 3Q20. The expiration produced, on the one hand, a decrease in the balance in Accounts receivable from related entities, and on the other, an increase in the Cash and cash equivalents account. Furthermore, there were reductions in trade accounts receivable and assets available for sale, as well as an increase in Other accounts receivable.

Total non-current assets closed at the fourth quarter of 2020 at S/ 10,635.1 million, S/ 178.1 million less than that observed in the previous quarter. The figure is due to a higher depreciation registered in the quarter, which was partially offset by the increase in the execution of our investment plans.

As such, total assets were S/ 13,675.4 million, an amount S/ 569.9 million less when compared to that recorded at the end of 3Q20.

At the close of 4Q20, total current liabilities were S/ 5,266.2 million, S/ 318.9 less than 3Q20. The variation is mainly explained by the fall in the balance of Other Accounts Payable to related entities which are a result of the cancellation of the loans granted by the parent company. The foregoing was partially offset by the increase in trade accounts payable due to commercial reactivation.

Total non-current liabilities amounted to S/ 4,348.1 million at the end of the 4Q20. This figure constitutes a balance of S/61.5 million less than when compared to that observed in the previous quarter. This variation is mainly due to the decrease in Lease Liabilities and Other Financial Liabilities.

Finally, total Equity decreased by S/ 189.5 million in 4Q20 to S/ 4,061 million, which is largely due to the results of the fiscal year.

Relevant Financial Ratios

At the end of 4Q20, liquidity ($[\text{Total current assets} - \text{Cash and equivalents}] / \text{Total current liabilities}$) closed at 0.41x. This ratio is lower than that obtained in the previous quarter, which closed at 0.52x. The foregoing is mainly due to the completion of the profitability operation with a group entity that produced a fall in Accounts receivable with related entities.

Financial leverage ($\text{Financial liabilities} * / \text{Total equity}$) reached 0.76x in the fourth quarter of the year compared to the level of 0.74x in the previous quarter, thus remaining at low industry levels.

*Does not include the lease debt recorded by the adoption of IFRS 16.

TELEFONICA DEL PERU S.A.A.

INCOME STATEMENT IN SOLES (000) FOR THE PERIOD ENDING DECEMBER 31, 2020 AND 2019

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

	4Q20		4Q19		Var Abs 4T19-4T20	Var % 4T19-4T20	12M20		12M19		Var Abs 12M19-12M20	Var % 12M19-12M20
		%		%		%		%		%		%
Income from ordinary activities	1,675,877	100.0	1,877,988	100.0	(202,111)	(10.8)	6,579,882	100.0	7,877,147	100.0	(1,297,265)	(16.5)
Landline Income	834,948	49.8	1,007,075	53.6	(172,127)	(17.1)	3,540,938	53.8	4,116,927	52.3	(575,989)	(14.0)
Income from services (Voice + BB + TV)	675,120	40.3	732,697	39.0	(57,577)	(7.9)	2,785,517	42.3	3,046,414	38.7	(260,897)	(8.6)
Data + IT	62,941	3.8	158,955	8.5	(96,014)	(60.4)	430,840	6.5	647,105	8.2	(216,265)	(33.4)
Wholesale	43,341	2.6	67,739	3.6	(24,398)	(36.0)	169,154	2.6	237,416	3.0	(68,262)	(28.8)
Equipment (Voice + BB + TV)	19,454	1.2	24,440	1.3	(4,986)	(20.4)	77,253	1.2	92,369	1.2	(15,116)	(16.4)
Other Fixed Incomes	34,092	2.0	23,244	1.2	10,848	46.7	78,174	1.2	93,623	1.2	(15,449)	(16.5)
Mobile income	840,929	50.2	870,913	46.4	(29,984)	(3.4)	3,038,944	46.2	3,760,220	47.7	(721,276)	(19.2)
Postpaid	420,960	25.1	422,117	22.5	(1,157)	(0.3)	1,644,337	25.0	1,727,216	21.9	(82,879)	(4.8)
Terminals (Customer Recruitment + Loyalty)	221,587	13.2	254,937	13.6	(33,350)	(13.1)	667,020	10.1	1,171,302	14.9	(504,282)	(43.1)
Prepaid	151,469	9.0	140,072	7.5	11,397	8.1	559,274	8.5	609,063	7.7	(49,789)	(8.2)
Wholesale	39,104	2.3	48,368	2.6	(9,264)	(19.2)	150,521	2.3	181,033	2.3	(30,512)	(16.9)
Other Mobile income	7,809	0.5	5,419	0.3	2,390	44.1	17,792	0.3	71,606	0.9	(53,814)	(75.2)
Operating Expenses	1,919,748	114.6	2,070,812	110.3	(151,064)	(7.3)	7,165,650	108.9	8,482,254	107.7	(1,316,604)	(15.5)
General and Administrative	874,147	52.2	988,922	52.7	(114,775)	(11.6)	3,199,692	48.6	3,718,425	47.2	(518,733)	(14.0)
Equipment sales cost	298,747	17.8	285,358	15.2	13,389	4.7	903,542	13.7	1,296,572	16.5	(393,030)	(30.3)
Depreciation and Amortization	330,071	19.7	390,949	20.8	(60,878)	(15.6)	1,317,118	20.0	1,404,039	17.8	(86,921)	(6.2)
Depreciation of user rights	57,049	3.4	50,936	2.7	6,113	12.0	209,109	3.2	183,644	2.3	25,465	13.9
Employees	186,733	11.1	177,513	9.5	9,220	5.2	666,834	10.1	1,057,330	13.4	(390,496)	(36.9)
Interconnection expenses	65,792	3.9	71,148	3.8	(5,356)	(7.5)	262,403	4.0	250,704	3.2	11,699	4.7
Allowance for doubtful accounts and inventory devaluation	76,927	4.6	103,582	5.5	(26,655)	(25.7)	492,125	7.5	563,994	7.2	(71,869)	(12.7)
Fees for transfer of technical capacity and management	30,282	1.8	2,404	0.1	27,878	1,159.7	114,827	1.7	7,546	0.1	107,281	1,421.7
Operating income before other income and expenses, net	(243,871)	(14.6)	(192,824)	(10.3)	(51,047)	26.5	(585,768)	(8.9)	(605,107)	(7.7)	19,339	1,421.7
Other operating income - expenses, net	91,924	5.5	70,173	3.7	21,751	31.0	124,117	1.9	289,472	3.7	(165,355)	(57.1)
Profit from operating activities	(151,947)	(9.1)	(122,651)	(6.5)	(29,296)	23.9	(461,651)	(7.0)	(315,635)	(4.0)	(146,016)	46.3
Financial Income	6,574	0.4	19,814	1.1	(13,240)	(66.8)	47,524	0.7	55,510	0.7	(7,986)	(14.4)
Financial Expenses	(74,346)	(4.4)	(94,267)	(5.0)	19,921	(21.1)	(337,291)	(5.1)	(317,382)	(4.0)	(19,909)	6.3
Exchange Difference, net	4,736	0.3	3,594	0.2	1,142	31.8	(8,011)	(0.1)	1,317	0.0	(9,328)	(708.3)
Share in Income of related parties	(158)	(0.0)	196	0.0	(354)	(180.6)	(2,621)	(0.0)	(1,993)	(0.0)	(628)	31.5
Non-Operating income	(63,194)	(3.8)	(70,663)	(3.8)	7,469	(10.6)	(300,399)	(4.6)	(262,548)	(3.3)	(37,851)	14.4
Income before income tax	(215,141)	(12.8)	(193,314)	(10.3)	(21,827)	11.3	(762,050)	(11.6)	(578,183)	(7.3)	(183,867)	31.8
Income tax	20,263	1.2	38,630	2.1	(18,367)	(47.5)	66,832	1.0	(558,953)	(7.1)	625,785	(112.0)
(loss) for the period, net	(194,878)	(11.6)	(154,684)	(8.2)	(40,194)	26.0	(695,218)	(10.6)	(1,137,136)	(14.4)	441,918	(38.9)

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 SITUATION IN SOLES (000) AS OF DECEMBER 31, 2020
(Prepared in accordance with International Financial Reporting Standards - IFRS)

Assets						Liabilities and equity					
	4Q20	3Q20	2Q20	1Q20	4Q19		4Q20	3Q20	2Q20	1Q20	4Q19
Current assets						Current liabilities					
Cash and cash equivalents	869,917	532,850	552,682	268,802	1,001,213	Other financial liabilities	153,762	157,868	229,361	424,360	408,070
Trade accounts receivable, net	1,178,284	1,393,112	1,744,841	1,837,458	1,744,651	Lease Liabilities	336,268	309,465	300,048	279,392	243,083
Contractual assets	39,016	48,874	54,434	84,502	129,295	Trade accounts payable	1,708,191	1,374,293	1,246,034	1,693,739	2,049,040
Accounts receivable from related companies	-	485,325	-	7,186	26,746	Contract liabilities	149,664	144,403	155,339	150,737	137,566
Other accounts receivable, net	281,695	171,420	160,606	127,431	123,390	Other accounts payable to related compai	5,284	654,356	642,044	3,641	2,991
Inventories	168,288	173,085	273,153	269,788	306,834	Other accounts payable	270,641	305,641	323,633	327,622	532,024
Income tax assets	135,715	154,751	141,210	196,064	208,399	Deferred Income	29,277	36,776	40,559	41,959	48,996
Other non-financial assets	367,335	413,399	380,472	409,401	348,202	Other provisions	395,322	381,490	382,839	382,050	362,967
Available-for-sale assets	-	59,316	-	-	-	Income tax liabilities	2,217,840	2,220,905	2,210,832	2,178,817	2,177,835
Total current assets	3,040,250	3,432,132	3,307,398	3,200,632	3,888,730	Total current liabilities	5,266,249	5,585,197	5,530,689	5,482,317	5,962,572
Trade accounts receivable, net	503	526	412	3,013	15,918	Other financial liabilities	2,943,715	2,973,363	2,972,546	3,038,760	3,036,855
Accounts receivable from related companies	-	-	-	-	587	Lease Liabilities	790,481	813,316	850,030	888,213	922,268
Contractual assets	4,461	3,406	1,257	2,850	6,110	Other accounts payable	132,642	114,085	113,742	118,239	190,467
Other accounts receivable, net	65,158	179,825	180,194	175,191	177,433	Other accounts payable to related compai	2,589	987	1,882	2,320	1,938
Investments in subsidiaries and associates	267,553	268,079	266,731	274,293	272,970	Contract liabilities	59,669	52,255	53,539	56,453	79,391
Property, plant and equipment	28,893,401	28,493,326	28,826,374	28,826,695	28,630,851	Deferred Income	81,359	93,103	97,923	98,856	99,611
Accumulated depreciation	(23,325,884)	(22,786,839)	(22,919,146)	(22,680,154)	(22,443,709)	Other provisions	259,231	284,567	281,408	278,238	276,957
	5,567,517	5,706,487	5,907,228	6,146,541	6,187,142	Non-current income tax liabilities	78,380	77,866	77,495	93,413	90,880
Intangible assets other than capital gain (net)	1,927,888	1,927,660	1,998,206	2,025,289	2,078,047	Deferred tax liabilities	-	-	-	-	-
Rights-of-use assets	953,798	949,454	994,456	1,049,598	1,057,095	Total non-current liabilities	4,348,066	4,409,542	4,448,565	4,574,492	4,698,367
Deferred tax assets	369,919	299,372	266,754	250,535	202,026	Total liabilities	9,614,315	9,994,739	9,979,254	10,056,809	10,660,939
Capital gains	1,215,145	1,215,145	1,215,145	1,215,145	1,215,145	Equity					
Other non-financial assets	263,207	263,262	260,427	320,519	310,703	Issued capital	2,876,152	2,876,152	2,876,152	2,876,152	2,876,152
Total non-current assets	10,635,149	10,813,216	11,090,810	11,462,974	11,523,176	Issuance premiums	77,899	77,899	77,899	77,899	77,899
Total assets	13,675,399	14,245,348	14,398,208	14,663,606	15,411,906	Other capital reserves	587,847	582,513	582,513	582,513	582,513
						Accumulated results	521,281	716,477	884,789	1,072,493	1,216,817
						Other equity reserves	(2,095)	(2,432)	(2,399)	(2,260)	(2,414)
						Total assets	4,061,084	4,250,609	4,418,954	4,606,797	4,750,967
						Total liabilities and equity	13,675,399	14,245,348	14,398,208	14,663,606	15,411,906

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.