

TELEFONICA DEL PERU S.A.A.

FINANCIAL STATEMENTS (UNAUDITED)
AS OF JUNE 30, 2022, AND DECEMBER 31, 2021

Financial Position Statement

This section includes the sub-items that make up the balance of codes 1D0103, 1D0201, 1D0317, 1D0403, 1D0205, 1D0309 and 1D0401 of financial position statement and their respective reference to the notes of the financial statements.

- i) Code 1D0103, Short-term "Trade accounts receivable", includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Trade accounts receivable, net (Note 7)	992,286	1,007,211
Contractual assets (Note 9)	<u>38,561</u>	<u>18,401</u>
	<u><u>1,030,847</u></u>	<u><u>1,025,612</u></u>

- ii) Code 1D0201, Long-term "Trade accounts receivable", includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Trade accounts receivable, net (Note 7)	1,302	1,780
Contractual assets (Note 9)	<u>1,249</u>	<u>1,626</u>
	<u><u>2,551</u></u>	<u><u>3,406</u></u>

- iii) Code 1D0317, Short-term "Deferred income", includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Deferred income (Note 22)	35,065	29,655
Contractual liabilities (Note 9)	<u>137,151</u>	<u>168,373</u>
	<u><u>172,216</u></u>	<u><u>198,028</u></u>

- iv) Code 1D0403 Long-term "Deferred income", includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Deferred income (Note 22)	57,177	67,884
Contractual liabilities (Note 9)	<u>65,211</u>	<u>70,520</u>
	<u><u>122,388</u></u>	<u><u>138,404</u></u>

- v) Code 1D0205, "Properties, plant and equipment", includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Property, plant and equipment (Note 13)	4,718,479	5,020,420
Right-of-use assets (Note 15)	<u>1,008,817</u>	<u>1,067,336</u>
	<u><u>5,727,296</u></u>	<u><u>6,087,756</u></u>

vi) Code 1D0309, Short-term “Other financial liabilities”, includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Other financial liabilities (Note 17)	580,891	299,139
Financial lease liabilities (Note 18)	<u>345,782</u>	<u>328,856</u>
	<u>926,673</u>	<u>627,995</u>

vii) Code 1D0401, Long-term “Other financial liabilities”, includes:

	As of June 30 2022	As of December 31 2021
	S/000	S/000
Other financial liabilities (Note 17)	2,478,452	2,723,837
Financial lease liabilities (Note 18)	<u>947,512</u>	<u>1,066,667</u>
	<u>3,425,964</u>	<u>3,790,504</u>

Profit and Loss Statement

This section includes the sub-items that make up the balance of codes 2D01ST, 2D0301 and 2D0302 of the income statement and their respective reference to the notes to the financial statement.

- i) Code 2D01ST, "Income from ordinary activities", includes:

	As of June 30 2022 S/000	As of June 30 2021 S/000
Fixed business income (Note 26)	1,740,160	1,700,422
Mobile business income (Note 27)	<u>1,816,314</u>	<u>1,669,187</u>
Total	<u><u>3,556,474</u></u>	<u><u>3,369,609</u></u>

- ii) Codes 2D0301 and 2D0302, "Administration expenses" and "Sales and distribution expenses", include:

	As of June 30 2022 S/000	As of June 30 2021 S/000
General and administrative expenses (Note 28)	2,085,813	2,020,157
Cost of equipment sales (Note 10(b))	559,526	582,744
Depreciation (Note 13)	457,727	464,639
Staff costs (Note 29)	286,794	384,478
Amortization (Note 14)	118,171	131,112
Right-of-use Depreciation (Note 15)	<u>109,628</u>	<u>107,066</u>
Total	<u><u>3,617,659</u></u>	<u><u>3,690,196</u></u>

	As of June 30 2022 S/000	As of June 30 2021 S/000
Administrative expenses (2D0301)	3,581,179	3,647,121
Sales and distribution expenses (2D0302)	<u>36,480</u>	<u>43,075</u>
Total	<u><u>3,617,659</u></u>	<u><u>3,690,196</u></u>

TELEFONICA DEL PERU S.A.A.

NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2022, AND DECEMBER 31, 2021

1 GENERAL INFORMATION

1.1 Constitution and Economic Activity -

Telefónica del Perú S.A.A. (hereinafter “the Company”), incorporated in Peru, is a telecommunications company, subsidiary of Telefónica Hispanoamérica, S.A. (a company incorporated in Spain and formerly known as Latin America Cellular Holding B.V.) and belongs to Telefónica de España Group (Telefónica S.A. is an entity registered with the Security and Exchange Commission of the United States of America), which provides services of mobile telephony, internet, fixed telephony, data transmission and information technology, national and international long distance carrier services, mobile satellite services, and paid television services. The Company is one of the main telecommunications operators in Peru and its activities are supervised by the Supervisory Agency of Private Investment in Telecommunications - OSIPTEL and by the Ministry of Transport and Communications - MTC. The registered fiscal address of the Company is Calle Dean Valdivia No. 148, San Isidro, Lima, Peru.

As of December 31, 2021, the Company absorbed its subsidiary Servicios Globales de Telecomunicaciones S.A.C., incorporated and domiciled in Peru, and whose main activity was the provision of complementary telecommunications services.

Furthermore, the attached financial statements, which have been prepared in compliance with the legal requirements in force in Peru, reflect the individual activity of the Company,

As of June 30, 2022, and December 31, 2021, the Company did not have subsidiaries, therefore it has not prepared consolidated financial statements. (see Note 1.3.a).

1.2 Approval of Financial Statements -

The financial statements as of December 31, 2021 were approved by the General Shareholders Meeting held on March 29, 2022. The financial statements as of June 30, 2022 were approved by the Board of Directors on July 19, 2022.

1.3 Corporate Reorganization -

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

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

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

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

	<u>2021</u> <u>S/000</u>
Current assets	15,131
Current liabilities	12,710
Total assets	16,231
Total liabilities	15,668
Total equity	563
Total income from ordinary activities	2,656
Loss from operating services	(340)
Net loss of the year	(1,740)

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

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

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

	<u>January 1</u> <u>2021</u> <u>S/000</u>
Assets	
Accounts Receivable from Staff	20
Other Non-Financial Assets	221
Property, plant and equipment, net	25,350
Intangible assets other than capital gain, net	3,646
Deferred tax assets	935
Total assets	<u>30,172</u>
Liabilities	
Accounts Payable to Staff	234
Total liabilities	<u>234</u>
Equity Block Contributed	<u>29,938</u>

On January 1, 2021, the Company sold its total stake in TCTP to Telefónica Cybersecurity & Cloud Tech Perú S.A.C. for S/41,941,000, thereby obtaining a profit of S/11,953,000, 30(d).

1.4 Concession Contracts and Rates -

a) Concession contracts -

The Company, with the Peruvian Government represented by the Ministry of Transportation and Communications (MTC), has entered into Concession Contracts for the provision of the following services: (i) Local carrier and telephone services in the department of Lima and the Constitutional Province of Callao and (ii) national and international local and long-distance carrier and telephone

services in the Republic of Peru. These contracts, whose nature is that of Contract-Law Status, were approved by Supreme Decree No. 11-94-TCC on May 13, 1994, subsequently amended by Supreme Decree No. 21-98-MTC on August 4, 1998, and by Ministerial Resolutions No. 272-99-MTC/15.03, No. 157-2001-MTC/15.03, No. 140-2009-MTC/03, and No. 527-2009-MTC/03. The latter was modified by Ministerial Resolution No. 724-2009-MTC/03.

As of June 30, 2022, and December 31, 2021, the main concession contracts that have been maintained are the following:

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

(*) In the process of renewal with the MTC.

As a guarantee of faithful compliance with the obligations established for some of the concession contracts, the Company has extended guarantees for US \$60,470,000 up to a term of approximately 10 years by means of current letters of guarantee with various banking entities.

As of the date of the financial statements, the Group Management estimates that the investment projects undertaken to meet the commitments assumed are being executed as scheduled.

b) Rates -

The rates for the local and long-distance fixed telephony service are adjusted quarterly based on baskets of services according to a formula of price caps, established on the basis of the combination of inflation and a factor of productivity.

According to the Concession Contracts, the value of the productivity factor should be reviewed every three years.

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

Furthermore, by means of Resolution No. 044-2011-CD/OSIPTEL, OSIPTEL approved a new rate system, the establishment of the rates for local landline-mobile calls corresponding to the concessionary companies of the Landline Telephony Service. By means of Resolution No. 160-2011-CD/OSIPTEL, an adjustment to the fixed-mobile rate is made each time adjustments are made to any of the charges that make up said rate. The rate excluding the general sales tax is S/0.0006 per second, as of February 9, 2019.

2 DETAIL OF MAIN ACCOUNTING POLICIES

The main accounting principles and policies applied in the recording of operations and the preparation of the attached financial statements are the following:

2.1 Basis for Preparation -

The attached financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter "IASB") and respectively effective as of June 30, 2022, and December 31, 2021.

The information contained in these financial statements is the responsibility of the Company Management, which expressly states that the principles and criteria included in the International Financial Reporting Standards (IFRS) issued by the IASB have been applied and that the same were in force on the dates of the financial statements.

These financial statements have been prepared on the basis of historical cost, based on the accounting records maintained by the Company, except for derivative financial instruments measured at fair value. The attached financial statements are presented in Soles (PEN) (functional and presentation currency), and all values have been rounded up to thousands, unless otherwise indicated.

The preparation of the financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. It also requires Management to exercise its critical judgment in the process of applying the Company's accounting policies. The areas that involve a greater degree of judgment or complexity, or those in which the assumptions and estimates are significant for the financial statements, are described in Note 4.

2.2 New Regulations, Modifications, and Interpretations -

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

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

- Reference Interest Rate Reform– Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16 -
- Amendments to IFRS 4, 'Insurance Contratcts' – deferral of IFRS 9 –

The amendments to the standards and interpretations listed above have not had an impact on the financial statements of the Company for previous or current years. Furthermore, they are not expected to have a material impact on the financial statements of future years.

- New standards, amendments to standards, and interpretations that will be in force for the financial statements for annual periods beginning on or after January 1, 2022, and that have not been adopted in advance -

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

- Amendment to IFRS 16, 'Leases' – Rental concessions associated with COVID-19 –
- IFRS 17, 'Insurance contracts' –
- Amendments to IAS 16, 'Property, Plant and Equipment' –
- Amendment to IFRS 3 'Business Combinations' –
- Amendment to IAS 37 – Onerous Contracts –
- Annual improvements to IFRS 2018–2020 Cycle

- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture-

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

No other regulations have been identified that are not yet effective and for which a significant impact on the Company could be expected in the current or future reporting periods, and in foreseeable future transactions.

2.3 Operating Segments -

An operating segment is a group of assets and operations that provide goods or services, and that is subject to significant risks and returns different to the risks and returns of other business segments. A geographical segment is characterized by providing goods or services within a particular economic environment that is subject to risks and returns different to those segments that operate in other economic environments. The Company is organized into a single operational segment for the provision of telecommunications services located in a single geographic segment (Peru), as the Company makes strategic commercial, financial, purchasing, and investment decisions focused on the client, and a convergent offer (several aggregated and simultaneous telecommunications services). Thus, it is not applicable to present information on a segment basis.

2.4 Translation of Foreign Currency -

The Company has determined that its functional and presentation currency is the Sol. Transactions in foreign currency are those made in a currency different than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are subsequently adjusted to the functional currency using the exchange rate in effect on the date of the statement of financial position.

Profits or losses from exchange differences resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities in foreign currency at the exchange rates on the date of the statement of financial position, are recognized in the section "Net exchange difference Profit / (Loss) ", in the income statement, except for those exchange differences in foreign currency transactions with cash flow hedges. These are directly recorded in the equity until the disposal of the same, at which time it is recognized in the income statement. Non-monetary assets and liabilities determined in foreign currency are converted to the functional currency at the prevailing exchange rate on the transaction date.

2.5 Business Combinations between entities under Common Control -

Business combinations between entities under common control are recorded using the interest pooling method. In accordance with the interest pooling method, the items in the financial statements of the merging companies, both for the period in which the merger occurs and for the other periods presented in a comparative basis, are included in the Company's financial statements as if they had been merged since the beginning of the oldest period that is presented.

As the pooling of interests produces a single merged entity, it must adopt uniform accounting policies. Therefore, the merged entity recognizes the assets, liabilities, and assets of the merging companies at their book values, adjusted to the concepts required to standardize the accounting policies and apply them to all the periods presented. No capital gain is recognized in this process. Likewise, the effects of

all transactions between merging companies are eliminated when preparing the financial statements of the merged entity.

2.6 Cash and Cash Equivalents-

For purposes of the statement of cash flows, cash, and cash equivalents (Note 6) correspond to cash, current accounts, and deposits that were opened less than three months ago, all of which are recorded in the statement of financial position. These accounts are not subject to a significant risk of change in their value.

For purposes of the statement of cash flows, cash and cash equivalents include the items described in the previous paragraph, net of bank overdrafts.

2.7 Financial Assets -

(i) Classification -

The Company classifies its financial assets in the following categories:

- Measured at fair value (whether through results or other comprehensive income), and
- Measured at amortized cost.

The classification depends on the business model that the entity uses to manage its financial assets and the contractual terms that impact the cash flows. For assets measured at fair value, profits and losses will be recorded in the statement of income or in the statement of comprehensive income. For investments in equity instruments that are not held for trading, their measurement will depend on whether the Company irrevocably chooses, at the time of initial recognition, to recognize these equity instruments at fair value through other comprehensive income. If the business model for the management of these assets changes, the Company undertakes reclassifications of its debt instruments

(ii) Recognition and derecognition -

Regular purchases and sales of financial assets are recognized on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments expire or are transferred and the Company has materially transferred all the risks and benefits derived from their ownership.

(iii) Measurement -

Upon initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial assets that are not carried at fair value through profit or loss, the transaction costs are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at fair value through results are recognized in profit and loss. Financial assets that incorporate embedded derivatives are evaluated comprehensively for purposes of determining if their cash flows only represent payment of principal and interest.

Debt instruments -

The subsequent measurement of debt instruments depends on the business model that the Company has established for asset management, as well as the characteristics of asset flows derived from the asset. There are three possible categories in which to classify debt instruments, these are:

- Amortized cost: Applicable to assets whose business model is to collect contractual cash flows, provided that these cash flows only represent capital and interest payments. The interest generated

by these financial assets is recognized as financial income using the effective interest method. Any profit or loss arising from the derecognition of this type of financial asset is recognized in profit or loss. Impairment losses are presented in a separate line item in the income statement.

- Fair value through other comprehensive income (FVOCI): Applicable to assets whose business model is mixed, i.e., they are maintained both to collect their contractual flows and to obtain cash flows from their sale, provided that the asset cash flows only represent capital and interest payments. Changes in the carrying value of these financial assets are recognized in other comprehensive income (OCI), except for losses (or reversal of losses) due to impairment, interest, and profits or losses due to exchange differences, which are recognized in the income statement. When the financial asset is derecognized, the accumulated profit or loss recognized in the consolidated comprehensive result statement is reclassified from equity to income and presented under the item "other income (expenses)". The interest generated by these financial assets is recognized as financial income using the effective interest method. Profits or losses on exchange differences are recognized in the income statement under the heading "Net profit/(loss) due to exchange differences", while the impairment losses are also recognized in the income statement and presented as a separate line item.
- Fair Value Through Profit and Loss (FVTPL): Assets that do not meet the conditions to use amortized cost or FVOCI are measured at fair value through profit or loss. Changes in the fair value of debt instruments in this category are recognized as profit or loss in the income statement and presented net in the item "Other expenses (income)" in the period in which the change occurs.

Equity instruments -

After initial recognition, the Company measures the equity instruments at their fair value. Changes (profits or losses) in the fair value of equity instruments held for the purpose of trading are recognized in the income statement (FVTPL). For other equity instruments, the Company has an irrevocable option to designate them on initial recognition in the FVTPL category or present changes in fair value as part of the OCI.

If the Company opts for the designation of FVTPL, when the asset is derecognised, it is not possible to reclassify to profit or loss any profits or losses accumulated in OCI. Dividends generated by these investments are recognized in the income statement since the Company has the contractual right to receive them, and they are presented under "Other income (expenses)". Losses (or reversals of losses) due to impairment of equity instruments measured at FVTPL are not presented separately from the other changes at fair value.

(iv) Impairment -

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

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

2.8 Derivative Financial Instruments and Hedge Accounting -

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

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

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

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

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

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

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

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

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

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

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

Deferred amounts are finally recognized in profit or loss through the cost of sale in the case of inventories, or depreciation, in the case of property, plant, and equipment.

When a hedging instrument expires, is sold, terminated, or when a hedge fails to meet the criteria for applying hedge accounting, any accumulated equity profit or loss or any deferred hedge cost on equity until that time shall remain in equity until the expected transaction occurs, which will result in the recognition of a non-financial asset, such as inventories. When a forecasted transaction is not expected to occur, the accumulated profit or loss and any deferred hedging costs that were reported in equity are immediately transferred to the income statement.

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument not qualifying for hedge accounting are recognized immediately in the profit and loss statement.

As of June 30, 2022, and December 31, 2021, the Company had forwards operations contracted to cover the exchange rate risk in the purchase of assets associated with the disbursement of projects.

2.9 Inventories -

Inventories (Note 10) are presented at cost or net realizable value, whichever is lowest, and are presented net of the impairment estimate.

Inventories correspond mainly to terminal equipment (mobile phones, modems, pay television decoders, and fixed telephone equipment) and are valued at average cost. The cost includes the reclassification of the equity of any profit or loss in the hedges of qualified cash flows related to the purchases of raw material but excludes the costs of loans. In case there is a subsidy on the sale price of the mobile terminal equipment, it will not be included in the cost of the inventories given that it pertains to cost of commercialization, because it is always associated with the customer registration or with the renewal of the client contract period. As such, terminal equipment is recorded in the profit or loss when they are delivered for sale to the final customers (signal activation). See Note 2.23. Inventories in transit are presented at the specific cost of acquisition.

The estimate for impairment is determined based on an analysis of the conditions and turnover of handsets, materials, and supplies. In the case of damaged equipment and those which have had no movement in the last year, the estimate is equivalent to balance in books and recorded in the fiscal year results, in which its requirement is determined.

2.10 Property, plant and equipment -

Property, plant, and equipment (Note 13) are presented at cost, net of accumulated depreciation, and accumulated loss due to impairment of the value of these assets. See Note 2.13. The initial cost of the property, plant, and equipment includes its acquisition price, including non-refundable import duties and purchase taxes, and any directly attributable cost to place and leave the asset in working conditions.

The cost of the asset also includes the present value of the disbursements that are expected to be required to pay any cost of decommissioning and removal of equipment or rehabilitation of the physical site where it is established. The foregoing is applied when the disbursements constitute obligations incurred under certain conditions (See Note 2.19). The cost may also include equity transfers of any profit or loss in the hedges of cash flows qualified for purchases of property, plant, and equipment in foreign currency. Note 2.19 includes additional information on the recorded decommissioning provision. For significant components of property, plant, and equipment that must be periodically replaced, the Company recognizes such components as separate individual assets, with their specific useful lives and respective depreciations.

Similarly, when a large inspection or repair is carried out, the cost is recognized as a replacement in the carrying amount for property, plant, and equipment, if the criteria for recognition are met.

Depreciation is calculated using the straight-line method, using the following estimated useful lives:

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

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

A component of property, plant, and equipment or any significant part of it initially recognized is derecognized at the time of its sale or when it is not expected to obtain future profit by means of its use or sale. Any profit or loss at the time of asset derecognition (calculated as the difference between the net income from the sale of the asset and its book amount) is included in the income statement when the asset is derecognized.

Disbursements incurred after property, plant, and equipment that have been put into use are capitalized as an additional cost of this asset when it is probable that such disbursements will result in future profit, higher than the normal yield originally evaluated for said asset. Disbursements for maintenance and repairs are recognized as an expense for the year in which they are incurred.

Staff benefit costs that are directly related to the construction of the plant are capitalized as part of the cost of the assets by means of the recording of a lower expense in the statement of income in the item "Staff expenses".

Works in progress are recorded at cost, which includes the cost of construction, plant, and equipment and other direct costs, as well as the cost of important materials directly identifiable with specific assets. Works in progress do not depreciate until the respective assets are finished and are ready for use.

2.11 Intangible Assets and Administrative Concessions -

Intangible assets (Note 14) are initially recorded at cost. An asset is recognized as intangible if the attributable future economic benefits that it generates are likely to flow to the Company, and its cost can be measured reliably. After initial recognition, intangible assets are measured at cost, less accumulated amortization, and any accumulated impairment loss. See Note 2.13.

Intangible assets generated internally, which are directly attributable to the design and testing of identifiable and unique software that the Company controls, are recognized as intangible assets when they meet the following criteria:

- It is technically possible to complete the software so that it can be used,
- Management intends to finish the software and use or sell it,

- There is the opportunity to use or sell the software, It can be shown that the program will generate future profit,
- The required technical, financial, and other resources are available to complete the development of the software, thus permitting its use or sale.

During the initial recognition, the Company evaluates whether the useful life of the intangible assets is defined or undefined.

Intangible assets are amortized as per the straight-line method, based on the following estimated useful lives, when they are ready for use:

<u>Description</u>	<u>Years</u>
Administrative concessions	According to the term of the concessions (See Note 1.4 (a))
Software	3 to 5

The period and the amortization method are reviewed periodically. Amortization begins when the asset is available for use. Changes in the expected useful life or in the expected consumption pattern of the future economic benefits materialized in the asset are taken into consideration in order to change the amortization period or method, if applicable, and are treated as a change in accounting estimation.

The loss or derecognition of an intangible asset is determined as the difference between the net amount obtained from its disposal and the book value of the asset and is recognized in the income statement when the asset is derecognized.

2.12 Capital Gain -

Capital gain (Note 16) represents the excess of the cost of acquiring companies over the Company's share in the fair value of the respective net assets acquired. Capital gain is presented at cost deducting an accumulated permanent impairment loss on its value. See Note 2.13. The Company determines the losses based on impairment tests carried out during the last quarter of each year in order to determine whether the book value is fully recoverable.

2.13 Impairment of Long-term assets -

The net book value of the property, plant, and equipment, capital gain and intangible assets of finite life are reviewed to determine if there is no impairment. Each year, the Company assesses the existence of signs of possible impairment of non-current assets. If there are any such indications, the Company estimates the recoverable value of the asset, which is the highest between the fair value (less costs to sell) and the value in use. Said value in use is determined by discounting the estimated future cash flows. When the recoverable value of an asset is below its net book value, it is considered that there is a deterioration in value.

The assessment on capital gain impairment is made during the last quarter of the year. The Cash Generating Unit (CGU) is aligned with the definition of the business segment. See Note 2.3. Impairment is determined by evaluating the recoverable value. When said value is less than its carrying value, an impairment loss is recognized. Impairment losses related to capital gain cannot be reversed in future periods.

The recoverable value of an asset is defined as the highest amount between the net sale price and its value in use. The "net sale price" is the amount that can be obtained selling an asset in a free market, while the "value in use" is the present value of the net future cash flows. Value in use is estimated from the continuous use of an asset and its disposal at the end of its useful life. By determining the value in use, future net cash flows are discounted to their present value using a pre-tax discount rate that reflects

the assessment of current market conditions, the value of money over time, and the specific risks of the asset. The discount rates are adjusted for the country risk and corresponding business risk.

When new events or changes in existing circumstances take place and demonstrate an impairment loss recorded in an earlier period that may have disappeared or been reduced, the Company undertakes a new estimate of the profitability for the corresponding asset. This evaluation is performed each financial year. Previously recognized impairment losses are reversed (except the ones related to cash gain) only if there has been a change in the estimates used to determine the recoverable amount of the asset from the date on which the impairment loss was last recognized. If this is the case, the book value of the asset is increased to its recoverable amount. This increased amount cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss had not been recognized for the asset in previous years. This reversal is recognized in the income statement for the year. After the reversal, the depreciation charge is adjusted in future periods by distributing the book value of the asset over its remaining useful life. See Note 16 for more information.

2.14 Associated investments (Note 12) -

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

An associate is an entity over which the Company has significant influence. An entity is presumed to exercise significant influence if it directly or indirectly owns 20 percent or more of the voting power of the investee unless it can be clearly demonstrated that such influence does not exist. Conversely, it is presumed that the entity does not exercise significant influence if it directly or indirectly holds less than 20% of the voting power of the investee unless it can be clearly demonstrated that such influence exists. Substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

Significant influence is manifested through one or more of the following manners:

- i) Representation on the board of directors or equivalent governing body of the investee;
- ii) Participation in policy-setting processes, including participation in decisions on dividends and other distributions;
- iii) Material transactions between the entity and its investee;
- iv) Interchange of managerial personnel; or
- v) Provision of essential technical information.

The investment in associates is presented using the equity method (equity share). According to this method, the investment is initially recognized at cost.

The carrying amount of the investment is adjusted to recognize changes in the Company's share in the net assets of its associates from the date of acquisition. As of June 30, 2022 and December 31, 2021, the Company only maintains associates.

2.15 Trade Accounts Payable and Other Accounts Payable -

These amounts represent liabilities for unpaid goods and services provided to the Company at the close of the statement of financial position. The amounts are not guaranteed and are generally paid within 60 days after recognition. Trade accounts (Note 19) and other accounts payable (Note 20) are presented

as current and non-current liabilities. They are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method.

2.16 Financial Obligations -

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

Financial obligations are eliminated from the statement of financial position when the obligation specified in the contract is derecognized, canceled, or expires. The difference between the book value of a financial liability that has been extinguished or transferred to another party and the consideration paid, including the non-transferred assets, or assumed liabilities, is recognized in the income statement as other financial income or expenses.

Financial obligations are classified as current and non-current liabilities.

2.17 Financing costs -

The financing costs directly attributable to the acquisition, construction, or production of an eligible asset that necessarily presents a considerable period of preparation to be available for use or sale are capitalized as part of the cost of the respective asset.

All additional financing costs are recognized as an expense in the period in which they occur. The financing costs are constituted by interest and other costs that the entity incurs in connection with the financed funds.

According to the Company's policy, the assets qualifying for the purpose of capitalizing financing costs are those whose preparation period exceeds eighteen months.

As of June 30, 2022 and December 31, 2021, the Company did not have assets in progress qualified for the purpose of capitalizing financing costs.

2.18 Staff Benefit -

The Company has short-term obligations for staff benefits that include salaries, social contributions, gratuities, performance bonuses, and profit sharing (corresponding to 10% of taxable income). These obligations are recorded monthly in the income statement as they accrue.

Gratuities -

The Company recognizes gratuities paid to staff as per the legal provisions in force in Peru as a liability and an expense. The gratuities correspond to two (2) annual remunerations paid in July and December of each year.

Compensation for length of service -

The compensation for time of service of the Company's staff corresponds to their compensation rights calculated in accordance with the legislation in force, which must be deposited in the bank accounts

designated by the staff in the months of May and November of each year. The compensation for time of service is equivalent to half the monthly remuneration in force on the date of deposit. The Company has no additional payment obligations once it makes the annual deposits of the funds to which staff are entitled.

Annual Leave-

Staff annual leave and other paid absences are recognized on an accrual basis. The provision for the estimated annual leave obligation for personnel, which is calculated on the basis of a monthly salary for every twelve (12) months of services rendered by staff, is recognized on the date of the statement of financial position.

The Company does not provide post-employment benefits.

2.19 Provisions -

General -

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

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

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

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

Decommissioning -

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

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

Contingencies -

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

Restructuring -

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

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

2.20 Income Taxes-

Current Income Tax -

Current assets and liabilities, short and long term, for the income tax for the period are measured using the amounts expected to be recovered from or paid to the tax authority and includes the effect of tax reparations pending resolution of periods prior to the time of settling the current tax amount. The tax rates and tax regulations used to compute these amounts are those that are approved, at the closing date of the period in Peru, where the Company operates and generates taxable income.

The current income tax that is related to items that are directly recognized in net equity. They are also recognized in net equity and not in the income statement. Management evaluates periodically the positions taken in the tax returns regarding situations in which the applicable tax regulations are subject to interpretation and constitutes provisions when deemed appropriate.

Deferred Income Tax -

Deferred income tax is recognized using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the closing date of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability stems from the initial recognition of capital gain, or from an asset or liability in a transaction other than a business combination and, at the time of the transaction, it affects neither the accounting result nor the tax result.
- Regarding taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, when the time of reversal of the temporary difference can be controlled and it is likely that this difference will not be reversed in the foreseeable future.

The deferred tax asset is recognized for deductible temporary differences, unused tax losses, and unused tax credits, to the extent that it is likely that taxable income will be available against which deductible temporary differences may be used, with the following exceptions: (a) the deferred tax asset stemming from the initial recognition of an asset / liability, is different that, when in a business combination, the time of the transaction, does not affect the accounting profit or the utility subject to taxes; and (b) deferred tax assets stemming from temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures are recognized only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the difference can be used.

The Company evaluates a deferred tax asset in combination with other deferred tax assets and liabilities. When tax legislation restricts the use of tax losses, the Company will value a deferred tax asset in combination with other deferred tax assets and liabilities of the same type.

The carrying amount of deferred income tax assets is reviewed on each closing date of the reporting period and reduced to the extent that the existence of future taxable profits is no longer probable to allow the deferred income tax assets to be used either in whole or in part. Unrecognized deferred tax assets are revalued at each closing date of the reporting period and are recognized to the extent that the existence of future available taxable income that makes it possible to recover the same deferred tax assets which were previously unrecognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applicable in the year in which the asset is realized or the liability is paid, based on the tax rates and tax rules that were approved and current on the date of the close of the reporting period.

Deferred income tax related to items outside the profit or loss is also recognized outside of this. These items are recognized in correlation with the underlying transactions to which they are related, either in other comprehensive income, or directly in net equity.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and if the deferred taxes relate to the same tax authority and the same tax jurisdiction.

2.21 Government Grants -

Government grants are non-reimbursable financing from the public sector in the form of transfers of resources, in exchange for future or past compliance with certain conditions related to operating activities with social impact.

Government grants are recognized when there is reasonable assurance that the Company will meet the conditions for their use and will receive the grants. These grants are recorded as income from the periods required to systematically relate them to the costs to which they are allocated. The amount to be charged to results is maintained as a liability in the item "Deferred income" until it is charged to income. In the case of assets acquired as part of the respective project, these are part of the Company's fixed assets and depreciate in a manner consistent with the policy established for other similar assets. The income related to the grant is recognized in the income statement, as per the depreciation of the assets.

2.22 Issued Capital -

Common shares are classified in equity.

2.23 Recognition of income, costs and expenses -

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

Traffic -

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

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

Connection and Installation Fees -

Revenue from connection and installation fees, originating from when customers connect to the Company's network, is deferred, and imputed to the income statement over the estimated average period of duration of the relationship with the customer, or the term of the contract, whether a right material is granted, respectively, which varies depending on the type of service in question. The related costs, except those related to the network expansion, are recognized in the income statement in the estimated average life of the relationship with the customer.

Periodic Fees for Network Use -

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

Interconnection -

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

Sale of Equipment -

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

Bundled Services -

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

To the extent that bundles are sold at a discount on equipment (mainly in mobile telephony), and that there is a contract that generates explicit or implicit permanence, the criteria defined in IFRS 15 will apply. The application of the criteria defined in IFRS 15 represents an increase in revenue recognized for sales of equipment, which will generally be recognized coinciding with the moment of delivery to the customer, at the expense of the periodic income for the provision of services in subsequent periods. The income is assigned proportionally to each item according to the independent sale prices of each individual component, whilst always maintaining the total income value. The difference between the revenue from sales of equipment and terminals and the amount received from the customer at the start of the contract is shown as a contractual asset in the statement of financial position, which will be recovered over the term of the contract with the customer.

The costs that can be finally activated, will be amortized in a systematic and consistent manner upon the transfer of the goods or services to the customer, with which the associated asset is related. Said asset may be amortized over the duration of the contract, or average life of the client.

Other incomes, costs and expenses -

Other income, costs and expenses are recognized as they accrue, regardless of when they occur, and are recorded in the periods to which they are related.

2.24 Leases -

At the commencement of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period in exchange for a consideration.

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

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

Company as Lessee -

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

At the commencement of a contract, the Company will assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a specific period in exchange for a consideration.

Company as Lessor -

Leases in which the Company substantially retains all the risks and benefits inherent to the ownership of the leased assets are classified as operating leases. The initial direct costs incurred in negotiating and contracting the operating lease are added to the carrying value of the leased asset and are recorded throughout the lease period whilst applying the same criteria as for rental income. Contingent income is recorded as income in the period in which it was obtained in the income statement.

2.25 Share-Based Payment Transactions -

Company employees receive part of their compensation as per share-based payment plans, and according to which, said employees provide services and receive equity instruments as consideration. In situations in which equity instruments are issued and some or all goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or that will be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable good or service received on the concession date. This amount is then capitalized or charged to expenses, as appropriate.

2.26 Distribution of dividends -

The distribution of dividends to the Company's shareholders is recognized as a liability in the statement of financial position in the period in which the dividends are approved by the Company's shareholders.

2.27 Loss Per Share -

Basic and diluted losses per share have been calculated based on the weighted average of the common shares outstanding as at the date of the financial position statement. As of June 30, 2022 and December

31, 2021, the Company did not maintain financial instruments that produce dilutive effects, so the loss per basic and diluted share is the same.

2.28 Fair Valuable Measurements -

The Company measures some of its financial instruments, such as accounts receivable from related entities, investments, and other financial liabilities, at fair value on each date of the financial position statement. Likewise, the fair value of financial instruments measured at amortized cost is disclosed in Note 3.3.

Fair value is the price that would be received for selling an asset or that would be paid when transferring a liability in an orderly transaction between participants in a market on the measurement date. The measurement at fair value assumes that the transaction to sell the asset or transfer the liability takes place, either:

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

The main or most advantageous market must be accessible by the Company. Also, the fair value of a liability reflects its risk of default.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active if the transactions for the asset or liability are carried out frequently and sufficient volume to provide price information on an ongoing basis.

All assets and liabilities for which fair values are determined or disclosed in the financial statements are classified within the fair value hierarchy described below, based on the lowest level of the data used that are significant for the measurement at fair value as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques, via which the lowest level of information that is significant for fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques, via which the lowest level of information that is significant for fair value measurement is not observable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, the Company determines whether there have been transfers between the different levels within the hierarchy by reviewing the categorization at the end of each reporting period.

Company Management determines policies and procedures for recurring and non-recurring fair value measurements. At each reporting date, Management analyzes the movements in the values of the assets and liabilities that must be valued in accordance with the Company's accounting policies.

For purposes of fair value disclosures, the Company has determined the classes of assets and liabilities based on their nature, characteristics, and risks, and the hierarchy level of fair value, as explained above.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors -

The Company's main financial liabilities, other than derivatives, include commercial and miscellaneous accounts payable, lease liabilities, accounts payable to related parties, and financial obligations. The main purpose of these financial obligations is to finance the Company's operations. The Company has cash and short-term deposits, commercial and miscellaneous receivables, and accounts receivable from

any related entities arising directly from its operations. The Company also has cash flow hedging instruments.

Due to the nature of its activities, the Company is exposed to credit, exchange rate, interest rate, and liquidity risks, which are managed through a process of identification, measurement, and continuous monitoring, subject to risk limits and other controls.

This risk management process is critical to the continued profitability of the Company and each person within the Company is responsible for the risk exposures related to their responsibilities.

The independent process of risk control does not include business risks such as changes in the environment, technology, and industry. These are monitored through the Company's strategic planning process.

a) Risk Management Structure -

The risk management structure is based on the Board of Directors and the Company Management, which are responsible for identifying and controlling risks in coordination with other areas as explained below:

i) Board of Directors -

The Board of Directors is the competent body that defines the general risk management policy of the Company. In compliance with its responsibilities, it approved the Corporate Risk Management Policy, with the managers being responsible for its identification, evaluation, management, and reporting within their respective spheres of action.

ii) Management -

Management is responsible for managing the Company's cash flow, considering the policy and limits approved by the Board of Directors.

iii) Internal Audit -

The Company's Internal Audit area is responsible for supervising the operation and reliability of the internal control systems, and the administrative and accounting information. Likewise, Internal Auditing is responsible for supervising the financial information and significant events presented by the Company.

Internal Auditing monitors the risk management processes in the Company by analyzing both the adequacy of the procedures and compliance with them. Internal Auditing discusses the results of its evaluations with General Management and reports its findings and recommendations to the Company's Board of Directors.

b) Risk Mitigation -

As part of the total risk management, the Company constantly evaluates the different scenarios and identifies different strategies to manage exposures resulting from changes in interest rates, foreign currency, capital risk, and credit risks.

The Company's risk management is controlled by Management under policies approved by the Board of Directors. The Company's Finance area identifies, assesses, and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides the principles for overall risk management, as well as policies that hedge specific areas, such as foreign exchange risk,

interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and the investment of excess liquidity.

Credit Risk -

Credit risk is the risk that a counterparty does not comply with its obligations stipulated in a financial instrument or contract, thus causing a loss. The Company is exposed to credit risk due to its operating activities, mainly in terms of its accounts receivable and financial activities, including its deposits in banks and transactions with derivatives, and other financial instruments.

Credit risk arises from cash and cash equivalents, contractual cash flows from equity investments accounted for at amortized cost, at fair value through other comprehensive income, and at fair value through profit or loss, favorable derivative financial instruments, and deposits in banks and financial institutions, as well as credit exposures to wholesale and retail customers, including any outstanding accounts receivable.

The Company maintains exposure limits for its placements in several banks and financial institutions, according to the institutions' individual risk category. Credit risk is managed as a group. For banks and financial institutions, we only accept entities independently qualified with a minimum grade of "A".

Credit risk is controlled through the evaluation and analysis of individual transactions, for which an evaluation is made based on the aging of accounts receivable. If the wholesale and household customers have an independent rating, these ratings are used. Otherwise, if there is no independent rating, the monitoring of the credit risk will assess client credit quality, with its financial position, past experience, and other factors being considered. Individual risk limits are established based on internal or external ratings, in accordance with the limits that Management establishes. Line management regularly supervises wholesale customer compliance with credit limits, thereby determining the estimate required for uncollectibility. Additionally, partial and total service suspensions are imposed on users who have accounts receivable due in accordance with the policy described in Note 2.7 (iv); and Management defines the delinquency objectives.

According to the analysis made by the Company's Management, an account receivable is considered as impaired when it has been classified as an uncollectible account (See Note 2.7). In addition, Management estimates a provision for expected losses on non-impaired accounts. As at the date of the financial position statement, the aging and qualification of the trade accounts receivable balance is as follows:

	<u>Not impaired</u> <u>S/000</u>	<u>Impaired</u> <u>S/000</u>	<u>Total</u> <u>S/000</u>
As of June 30, 2022			
Unexpired	655,517	47,956	703,473
Expired			
Up to 1 month	187,606	66,703	254,309
From 1 to 3 months	78,040	81,454	159,494
From 3 to 6 months	36,032	114,121	150,153
From 6 to 12 months	27,945	260,580	288,525
More than 12 months	8,448	5,070,068	5,078,516
Total	<u>993,588</u>	<u>5,640,882</u>	<u>6,634,470</u>
As of December 31, 2021			
Unexpired	671,921	34,275	706,196
Expired			

Up to 1 month	175,763	64,755	240,518
From 1 to 3 months	93,975	89,408	183,383
From 3 to 6 months	48,421	110,212	158,633
From 6 to 12 months	13,939	260,104	274,043
More than 12 months	<u>4,972</u>	<u>4,909,490</u>	<u>4,914,462</u>
Total	<u>1,008,991</u>	<u>5,468,244</u>	<u>6,477,235</u>

According to Management's opinion, there are no significant concentrations of credit risk as of June 30, 2022, and December 31, 2021.

As of June 30, 2022, the Company's Management has estimated that the maximum net amount of credit risk to which the Company is exposed amounts to approximately S/1,219,626,000 (S/1,264,892,000 as of December 31, 2021), which represents the net book value of the accounts receivable and other financial assets.

Market Risk -

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

The sensitivity analysis in the following sections refer to positions for the six-month periods ended June 30, 2022 and 2021. Furthermore, they are based on the net amount of debt, the ratio of fixed interest rates, and the position of instruments in foreign currency remaining constant. The sensitivities in the profit or loss statement are the effect of the changes assumed in the respective market risk. This is based on financial assets and liabilities held as of June 31, 2022 and December 31, 2021, including the effect of hedge derivatives.

i) Exchange Rate Risk -

The exchange rate risk is the fluctuation of the fair value for future cash flows of a financial instrument due to variations in the exchange rates. The Finance Management is responsible for identifying, measuring, controlling, and reporting the exposure to the Company's global exchange risk. The exchange risk arises when the Company presents mismatches between its active and passive positions in the different currencies in which it operates, which are mainly soles (functional currency) and US dollars. Management monitors this risk through the analysis of the country's macro-economic variables.

Transactions in foreign currency are carried out at the free-market exchange rates published by the Superintendency of Banking, Insurance and Private Pension Fund Administrators. As of June 30, 2022, the weighted average free-market exchange rates for transactions in US dollars were S/ 3.820 per US \$1 purchasing and S/ 3.830 for US \$1 selling (S/ 3.975 per US \$1 purchasing and S/ 3.998 for US \$1 selling at December 31, 2021) and for transactions in Euros, the rates were S/ 3.982 for €1 purchasing and S/ 4.179 for €1 selling (S/ 4.344 for €1 purchasing and S/ 4.846 for €1 selling as at December 31, 2021), respectively.

The result of maintaining balances in foreign currency for the Company for the six-month periods ended on June 30, 2022 and 2021, was a (loss)/net gain of approximately S/2,328,000 and S/10,197,000, respectively, which are presented in the item "(Loss)/net gain" from exchange differences, see Note 31.

As of June 30, 2022 and December 31, 2021, the Company had the following assets and liabilities in foreign currency:

	As of June 30, 2022		As of December 31, 2021	
	US\$000	Euros000	US\$000	Euros000
Assets -				
Cash and cash equivalents	25,853	82	-	285
Trade accounts receivable, net	34,840	2,632	47,841	5,578
Other accounts receivable, net	<u>23,452</u>	<u>-</u>	<u>24,693</u>	<u>-</u>
	<u>84,145</u>	<u>2,714</u>	<u>72,534</u>	<u>5,863</u>
Liabilities -				
Financial lease liabilities	(103,464)	-	(123,055)	-
Trade accounts payable	(202,011)	(10,425)	(209,020)	(11,926)
Other accounts payable	(24,026)	-	(26,553)	-
Derivatives purchase position	(329,501)	(10,425)	(358,628)	(11,926)
(Reference value)	<u>256,796</u>	<u>7,704</u>	<u>299,798</u>	<u>6,543</u>
Monetary position, net	<u>11,440</u>	<u>(7)</u>	<u>13,704</u>	<u>480</u>

The Company hedges its exposure to the currency risk to Soles of financial obligations and OPEX operations (denominated in US dollars and euros), using hedge cash flow swaps and forwards contracts.

The following table shows the sensitivity analysis of US dollars (the main currency other than the functional currency in which the Company has a significant exposure), and of euros, in its monetary assets and liabilities, and its estimated flows in cash and in euros. The analysis determines the effect of a reasonably possible change in the exchange rate of the US dollar and the euro, while keeping the other variables constant in the income statement before income tax. A negative amount shows a potential net loss, while a positive amount reflects a potential net gain in the statement of income.

<u>Sensitivity Analysis</u>	<u>Change in rates exchange</u> %	<u>Effect on results before taxes</u>	
		<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>
Devaluation -			
Dollars	5	2,185	252
Dollars	10	4,370	503
Revaluation -			
Dollars	5 (	2,185) (	252)
Dollars	10 (	4,370) (	503)
Devaluation -			
Euros	5 (	1)	133
Euros	10 (	3)	266
Revaluation -			
Euros	5	1 (	133)
Euros	10	3 (	266)

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

ii) Interest rate risk -

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

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

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

	<u>Rate variable (*) S/000</u>	<u>Fixed rate S/000</u>	<u>No interest S/000</u>	<u>Total S/000</u>	<u>Interest rate average %</u>
As of June 30, 2022					
Financial assets					
Cash and cash equivalents	576,773	-	-	576,773	5.11
Trade accounts receivable, net	-	338,071	655,517	993,588	2.18
Contractual assets	-	-	39,810	39,810	-
Other accounts receivable, net	-	-	188,349	188,349	-
Financial liabilities					
Other financial liabilities	922,710	2,129,910	6,723	3,059,343	6.40
Financial liabilities from leasing	345,782	947,512	-	1,293,294	4.57
Trade accounts payable	-	-	1,796,927	1,796,927	-
Other accounts payable to related entities	-	-	7,426	7,426	-
Other accounts payable	-	-	25,853	25,853	-

	<u>Rate variable (*) S/000</u>	<u>Fixed rate S/000</u>	<u>No interest S/000</u>	<u>Total S/000</u>	<u>Interest rate average %</u>
As of December 31, 2021					
Financial assets					
Cash and cash equivalents	610,520	-	-	610,520	1.81
Trade accounts receivable, net	-	337,070	671,921	1,008,991	1.10
Contract assets	-	-	20,027	20,027	-
Other accounts receivable, net	-	-	246,100	246,100	-
Financial liabilities					
Other financial liabilities	627,490	2,388,763	6,723	3,022,976	6.45
Financial liability for lease	328,856	1,066,667	-	1,395,523	5.05
Trade accounts payable	-	-	1,825,185	1,825,185	-
Other accounts payable to related entities	-	-	9,320	9,320	-
Other accounts payable	-	-	44,888	44,888	-

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

Shown below is the consolidated income statement's sensitivity, which is due to the possible effect of interest rate changes on pre-tax financial expenses for the period, before income tax, assuming

that the financial liabilities on June 30, 2022 and 2021 will be renewed upon expiration, and will be maintained for the remainder of the following year:

<u>Changes in basis points</u>	<u>Effect on results before tax</u>	
	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>
	<u>S/000</u>	<u>S/000</u>
+(-)50	+(-)1,746	+(-) 129
+(-)100	+(-)3,492	+(-) 259
+(-)200	+(-)6.984	+(-) 517

The exchange rate sensitivities shown in the previous table are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in the net financial expenses based on the projected scenarios of the yield curve and the interest rate risk profile that the Company currently has. However, this effect does not include the actions that would be taken by Management to mitigate the impact of this risk.

iii) Liquidity Risk -

Liquidity risk is the risk that the Company may not be able to meet its payment obligations related to financial liabilities at maturity and replace the funds when they are withdrawn, as well as meet the result of controversies and contingencies (See Note 33(b)). The consequence would be the failure to pay the Company's obligations to third parties.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining lines of credit and/or maintaining surplus liquidity as investments, which allows the Company to carry out its activities normally.

Liquidity is controlled by matching the maturities of its assets and liabilities, obtaining lines of credit and/or maintaining surplus liquidity as investments, which allows the Company to carry out its activities normally.

The management of liquidity risk involves maintaining sufficient cash and finance availability, through an adequate amount of assigned credit sources and the ability to settle transactions, mainly of indebtedness. In this regard, the Company's Management centers its efforts in maintaining finance sources through the availability of credit lines and the registration of corporate bond programs and commercial papers; eventually requesting finance from its main shareholder, among other alternatives.

The Company maintains a negative working capital generated mainly by short-term classified contingency provisions, whose execution depends on the resolution of various instances, see Note 33(b); also as of June 30, 2022, the Company maintains available credit lines for US\$117,913,000. Additionally, the Company has recorded a net loss in the years 2021 and 2020 due to the result of the tax dispute mentioned in Note 33(b), the adjustment for impairment of Capital Gain (see Note 16) and the highly competitive market sector. However, the Company is considering to reverse this position through the growth of revenues and value customers, operational efficiencies, and the reinforcement of the convergent offer of mobile and fixed services, considering that it has a solid market share in fixed services. In the fixed and mobile telecommunications sector, it is common practice to operate with a negative working capital, given that the average period of payment to suppliers is greater than the average period of collection from clients.

The following table shows the maturity of the obligations of the Company as of the date of the statement of financial position and amounts to be disbursed at maturity, based on the undiscounted payments that will be made:

	<u>Less than 3 months S/000</u>	<u>3 to 12 months S/000</u>	<u>1 to 5 years S/000</u>	<u>More than 5 years S/000</u>	<u>Total S/000</u>
As of June 30, 2022					
Other financial liabilities					
Capital amortization	253,707	278,276	2,140,120	414,504	3,086,607
Interest payment flow	9,569	178,581	475,346	16,866	680,362
Finance lease liability	98,565	247,218	718,463	229,048	1,293,294
Lease interest payment	6,491	128,190	55,261	66,527	256,469
Trade accounts payable	1,796,927	-	-	-	1,796,927
Other accounts payable to related entities	4,048	-	3,378	-	7,426
Other accounts payable	<u>25,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,853</u>
Total cash flow from liabilities	<u>2,195,160</u>	<u>832,265</u>	<u>3,392,568</u>	<u>726,945</u>	<u>7,146,938</u>
As of December 31, 2021					
Other financial liabilities					
Capital amortization	9,592	240,000	1,833,340	970,958	3,053,890
Cash flow from interest payments	8,831	184,314	537,104	43,590	773,839
Finance lease liability	81,654	247,202	769,492	297,175	1,395,523
Lease interest payment	11,548	26,420	104,926	61,319	204,213
Trade accounts payable	1,825,185	-	-	-	1,825,185
Other accounts payable to related entities	6,297	-	3,023	-	9,320
Other accounts payable	<u>44,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,888</u>
Total cash flow from liabilities	<u>1,987,995</u>	<u>697,936</u>	<u>3,234,886</u>	<u>1,386,041</u>	<u>7,306,858</u>

The above table does not include the provisions for contingencies for a value of S/3,459,472,000 and S/3,357,969,000 as of June 30, 2022 and December 31, 2021, respectively, as their execution is subject to the resolution of various instances in accordance with what is described in the Note 33(b). Likewise, the table does not include hedging financial derivatives because Management considers that such contracts are effectively settled on a net basis. Consequently, the flow of the hedge derivatives and the reconciliation of the amounts equivalent to the accounting values of the discounted net flow generated by these instruments are presented below:

	<u>Less than 3 months S/000</u>	<u>3 to 12 months S/000</u>	<u>1 to 5 years S/000</u>	<u>More than 5 years S/000</u>	<u>Total S/000</u>
As of June 30, 2022					
Income	1,114,538	13,156	-	-	1,127,694
Expenses	(1,100,548)	(13,010)	-	-	(1,113,558)
Net flow	<u>13,990</u>	<u>146</u>	<u>-</u>	<u>-</u>	<u>14,136</u>
Discounted net flow	<u>15,846</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>16,118</u>
As of December 31, 2021					
Income	1,446,262	186,954	-	-	1,633,216
Expenses	(1,467,761)	(191,098)	-	-	(1,658,859)
Net flow	<u>(21,499)</u>	<u>(4,144)</u>	<u>-</u>	<u>-</u>	<u>(25,643)</u>
Discounted net flow	<u>(18,221)</u>	<u>(2,441)</u>	<u>-</u>	<u>-</u>	<u>(20,662)</u>

3.2 Capital Risk Management -

The Company actively manages a capital base to hedge the risks inherent to its activities. The Company's capital adequacy is monitored using, among other measures, the indicators established by the Management.

The Company's objectives when managing its capital correspond to a broader concept than the "Equity" that is shown in the statement of financial position and is mainly constituted by: (i) safeguarding the Company's ability to continue operating in a manner that continues to provide returns to the shareholders

and benefits to the other participants; and (ii) maintain a strong capital base to support the undertaking of its activities.

The Company monitors its capital based on the leverage ratio, which is calculated by dividing the net debt by total capital. Net debt corresponds to total indebtedness (including trade accounts payable, accounts payable to related entities, lease liabilities, other financial liabilities, and other accounts payable) minus cash and cash equivalents. Total capital is calculated as "equity", as shown in the statement of financial position, plus net debt.

As of June 30, 2022 and December 31, 2021, the leverage indicator was as follows:

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Total indebtedness	6,390,949	6,597,522
Minus: Cash and cash equivalents	(576,773)	(610,520)
Net Debt (A)	5,814,176	5,987,002
Total equity (B)	2,101,062	2,442,993
Leverage ratio (A/B)	2.77	2.45

As of June 30, 2022 and December 31, 2021, there were no changes in the activities and policies of capital management in the Company. The Company's leverage ratio increased because of the reduction in equity due to the loss for the year in 2021.

3.3 Estimation of Fair Value -

(a) Instruments recorded at fair value according to their hierarchy -

The following table shows an analysis of financial instruments that are carried at fair value by level of the fair value hierarchy:

	Value of quotation in active markets Level 1 S/000	Significant variables (observable) Level 2 S/000	Significant variables (non- observable) Level 3 S/000	Total S/000
As of June 30, 2022				
Financial liabilities -				
Derivative financial instruments:				
Foreign currency forward	-	16,118	-	16,118
Total financial assets	-	16,118	-	16,118
As of December 31, 2021				
Financial liabilities-				
Derivative financial instruments:				
Foreign currency forward	-	20,662	-	20,662
Total Financial Assets	-	20,662	-	20,662

Level 1 -

The financial assets included in the Level 1 category are those that are measured based on quotes obtained from an active market. A financial instrument is considered as being quoted in an active market if prices are easily and regularly available from a centralized trading mechanism, agent,

broker, industry group, price providers or regulatory entities; and said prices come regularly from transactions in the market.

Level 2 –

The financial instruments included in the Level 2 category are measured based on market factors. This category includes instruments valued using market prices of similar instruments, whether active or not, and other valuation techniques (models) in which all significant data are directly or indirectly observable in the market. The following is a description of how the fair value of the Company's main financial instruments included in this category is determined:

- Derivative financial instruments -

Derivatives designated as hedging instruments reflect the variation in the fair value of foreign currency future contracts, designated as cash flow hedges to cover highly probable future purchases.

The fair values of swaps and forwards are measured using valuation techniques based on market data. Applied valuation techniques include swap valuation models, using present value calculations. These models consider various factors, including the credit quality of the counterparties, currencies, forward rates, and interest rate curves.

The adjustment for credit valuation is applied to "over-the-counter" derivative exposures to consider the risk of default of the counterparty when measuring the fair value of the derivative. A credit valuation adjustment is the cost of protection at the market price required to hedge the credit risk of the counterparty in this type of derivative portfolio. The credit valuation adjustment is calculated by multiplying the probability of default, the default value of loss, and the exposure expected at the time of default.

- Debt Instruments Available for Sale -

The valuation of corporate bonds, lease bonds and public treasury bonds are measured by calculating the Net Present Value ("NPV") through discounted cash flows, zero coupon curves, and considering current and observable market transactions. Other debt instruments are measured using valuation techniques based on assumptions supported by observable prices in current market transactions, obtained through price suppliers. However, when prices have not been determined in an active market, fair value is based on quotes from brokers and on assets that are valued using models where most of the assumptions are observable in the market.

Level 3 -

The financial assets included in level 3 are measured using a valuation technique (internal model), based on assumptions that are neither supported by prices of observable transactions in the current market for the same instrument, nor based on available market data. The Company did not hold Level 3 instruments as of June 30, 2022 and December 31, 2021.

Instruments Recorded at Amortized Cost -

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

	Value of quotation in active markets (Level 1) S/000	Significant variables (observable) (Level 2) S/000	Significant variables (non-observable) (Level 3) S/000	Fair value S/000	Book value S/000
As of June 30, 2022					
Financial liabilities -					
Liability for derivative					
financial instruments	-	16,118	-	16,118	16,118
Total financial liabilities	-	16,118	-	16,118	16,118
Financial liabilities -					
Liability for derivative					
financial instruments	-	-	-	-	-
Bonds issued and debts					
and loans that accrue					
interests	-	3,059,343	-	3,059,343	3,059,343
Finance lease					
liability	-	1,293,294	-	1,293,294	1,293,294
Other account payable to					
related entities	-	7,426	-	7,426	7,426
Total financial liabilities	-	4,360,063	-	4,360,063	4,360,063

	Value of quotation in active markets (Level 1) S/000	Significant variables (observable) (Level 2) S/000	Significant variables (non-observable) (Level 3) S/000	Fair value S/000	Book value S/000
As of December 31, 2021					
Financial liabilities -					
Liability for derivative financial instruments	-	20,662	-	20,662	20,662
Bonds issued and debts and loans that accrue interest	-	3,022,976	-	3,022,976	3,022,976
Finance lease liabilities	-	1,395,523	-	1,395,523	1,395,523
Other accounts payable to related entities	-	9,320	-	9,320	9,320
Total financial liabilities	-	4,448,481	-	4,448,481	4,448,481

The methodologies and assumptions used by the Company to determine the estimated market values depend on the terms and risk characteristics of the various financial instruments that are recorded at amortized cost and include the following:

- i) Assets whose fair value is similar to their book value -

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), the book value is similar to its fair value. This assumption also applies to time deposits, savings accounts without a specific maturity and floating rate financial instruments

- ii) Fixed Rate Financial Instruments -

The fair value of financial assets and liabilities that are at a fixed rate and amortized cost is determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments

The estimated fair value of interest accruing deposits is determined by discounted cash flows using market interest rates for financial instruments with similar maturities and credit risks. For the issued quoted debt, fair value is determined based on quoted market prices. When market prices are not available, the discounted cash flow model based on the yield curve of the interest rate is used for the remaining term.

4 ESTIMATES AND CRITICAL ACCOUNTING CRITERIA

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make significant judgments, estimates, and assumptions to determine the reported figures of assets and liabilities, the exposure of contingent assets and liabilities on the date of the consolidated financial statements, as well as the reported figures of income and expenses for the six-month periods ended on June 30, 2022 and 2021.

In Management's opinion, these estimates were made based on their best knowledge of the relevant facts and circumstances at the date of preparation of the financial statements. However, the final results may differ from the estimates included in the financial statements. Company's management does not expect that the variations, if any, will have a significant effect on the financial statements.

In relation to the financial statements, Management considers the most significant estimates to essentially refer to:

- Estimate for doubtful accounts. See Notes 2.7, 3.1(b), 7 and 8.
- Estimate for contractual assets and liabilities. See Notes 2.23 and 9.
- Estimate for devaluation of inventories. See Notes 2.9 and 10.
- The residual value, useful life and depreciation of property, plant and equipment. See Notes 2.10 and 13.
- Estimate for impairment of long-term assets. See Notes 2.13,13,14 and 16.
- Deferred tax assets and liabilities. See Notes 2.20 and 24.
- Estimated accrued income. See Note 2.23.
- Provision for decommissioning. See Notes 2.10, 2.19 and 21.
- Provision for contingencies. See Notes 2.19, 21 and 33(b).
- Cash flow hedging. See Note 2.8.
- Provision for restructuring. See Notes 2.19, 20 and 29.
- Estimate for uncertainties and judgements made in relation to lease accounting. See Notes 2.24, 15 and 18.

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

Estimate of the effects of the Covid-19 global pandemic on the financial statements -

Because of the Covid-19 virus spreading throughout the region and world, the Peruvian State declared a state of national emergency as of March 16, 2020, which has been extended until March 01, 2022, and which, among other measures, includes mandatory social immobility (between March 16 and June 30, 2020), the restriction of production and commercial activities, except those considered as essential. The Company carries out its commercial activities in the telecommunications sector, which is considered a basic need. Even though at the beginning of the state of emergency the commercialization of the Company's offers was suspended, internet services, payment, mobile telephony, fixed telephony, interconnection, and connectivity were consistently provided and did not experience significant interruptions.

The main impact that the Company has had is in the collection for the services provided. Moreover, the Government prohibited the cutting of telecommunications services for non-payment during the period of social immobilization between March and June 2020. In supporting the national recovery, the Company has granted interest-free payments in 6 or 12 installments since April 13, 2020. Said payments were applicable to the invoices expiring during this period. The Company has also offered discounts. While these benefits have been welcomed by customers, the expected loss due to bad debts has been readjusted based on the projections on the decline in GDP. The Company experienced an increase in credit risk during the second quarter of 2020, mainly associated with the installment plan for accounts that matured during said period. As of December 31, 2020, the estimate for doubtful collections includes possible variations in credit risk. During 2021, the risk rating agencies Moody's and Fitch lowered the credit rating assigned to the Republic of Peru, and Standard & Poor's maintained its rating but assigned a negative outlook.

5 FINANCIAL INSTRUMENTS

(a) Financial instruments by category -

The classification of financial instruments by category is as follows:

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Financial assets at amortized cost per statement of financial position:		
- Cash and cash equivalents	576,773	610,520
- Trade and other accounts receivable (*)	<u>1,165,819</u>	<u>1,255,091</u>
	<u><u>1,742,592</u></u>	<u><u>1,865,611</u></u>
Financial liabilities at amortized cost per statement of financial position:		
- Financial obligations	3,059,343	3,022,976
- Finance lease liability	1,293,294	1,395,523
- Trade and other accounts payable (*)	1,822,780	1,849,411
- Other accounts payable to related entities	<u>7,426</u>	<u>9,320</u>
	<u><u>6,182,843</u></u>	<u><u>6,277,230</u></u>

(*) Does not include advances or taxes.

The maximum exposure to credit risk as of June 30, 2022 and December 31, 2021 and 2020, is the book value of each class of financial asset mentioned above.

6 CASH AND CASH EQUIVALENTS

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Fixed funds	320	317
Current and saving accounts (b)	113,393	98,713
Term deposits (c)	145,090	260,000
Trust fund (d)	<u>317,970</u>	<u>251,490</u>
	<u><u>576,773</u></u>	<u><u>610,520</u></u>

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

(c) Time deposits have original maturities of less than 90 days and may be renewed upon maturity. As of June 30, 2022 and December 31, 2021, they include deposits in national currency in various national banks. These time deposits are remunerated at current market rates.

- (d) It includes the funds of the trust fund administered by La Fiduciaria S.A. (with the involvement of the Banco de Credito del Peru and Banco Santander), which consolidates the collection rights and the cash flows in such a way that the Company can better manage and give greater attention to direct payments that are required for the normal operation of their businesses. As of June 30, 2022 and December 31, 2021, the trust includes only cash.
- (e) There were no restrictions on the balances of cash and cash equivalents as of June 30, 2022 and December 31, 2021.

7 COMMERCIAL ACCOUNTS RECEIVABLE, NET

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

	As of June 30, 2022 <u>S/000</u>	As of December 31, 2021 <u>S/000</u>
Fixed business subscribers	2,882,672	2,982,857
Mobile business subscribers	2,694,283	2,418,563
Data and information technology	514,097	546,220
Distributors, agencies and large areas	167,866	153,368
Wholesaler – Interconnection and correspondents	178,859	211,884
Related companies, Note 23(d)	101,728	100,935
Others	<u>94,965</u>	<u>63,408</u>
	6,634,470	6,477,235
Minus – Estimate for doubtful accounts (c)	(<u>5,640,882</u>)	(<u>5,468,244</u>)
	993,588	1,008,991
Minus – Non-current portion (d)	(<u>1,302</u>)	(<u>1,780</u>)
Current portion	<u><u>992,286</u></u>	<u><u>1,007,211</u></u>

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

As of June 30, 2022, trade receivables include estimates for unbilled services rendered for approximately S/56,582,000 (S/46,432,000 as of December 31, 2021). The Company's Management estimates that these items will be fully invoiced in 2022.

As of June 30, 2022, the Company had approximately 1,398,000 fixed and public telephony lines in service, 4,458,000 postpaid mobile telephony lines 1,952,000 connections in broadband service, and approximately 1,274,000 paid television accesses (1,549,000, 4,436,000, 1,968,000 and 1,334,000, respectively as of December 31, 2021).

- (c) The estimation movement for doubtful accounts as of June 30, 2022 and December 31, 2021, is as follows:

	As of June 30, 2022	As of December 31, 2021
	S/000	S/000
Opening balance	5,468,244	5,060,182
Allocation for the period, Note 28(a)	212,034	396,096
Punishments	(16,014)	(41,791)
Net Exchange differences	(23,382)	53,757
Closing balance	<u>5,640,882</u>	<u>5,468,244</u>

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

- (d) As of June 30, 2022 and as of December 31, 2021, the accounts receivable from financed sales of mobile terminals and equipment related to internet, exchange, and paid television services, which have expirations of up to 24 months were included. Contractually these accounts do not generate interest, but for accounting purposes, an implicit interest is estimated for contracts with maturities of over 12 months, which is deferred at the time of the sale and is recognized as revenue, depending on the duration of the contract.

The amount recognized for implicit interest for the six months ended on June 30, 2022, amounts to S / 400,000 (S/ 644,000 for the six-month period ended on June 30, 2021) and is presented in the item of "Financial income" of the consolidated income statement. See Note 31.

8 OTHER ACCOUNTS RECEIVABLE, NET

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

	As of June 30, 2022	As of December 31, 2021
	S/000	S/000
Collection Rights for Enforcement Actions (b)	141,898	141,824
Collection Rights (c)	110,062	110,062
Subsidies receivable (d)	85,434	93,673
Sale of real estate (g)	15,569	92,411
Guarantee deposits	24,208	16,534
Loans to staff, Note 23(f)	12,164	13,069
General sales tax credit	-	7,596
Derivative financial instrument (h)	16,118	-
Loans to third parties	6,169	5,928
Others	<u>40,851</u>	<u>37,554</u>
	452,473	518,651
Minus – Estimate for doubtful accounts (f)	(168,647)	(168,439)
	283,826	350,212
Minus – Non-current portion	(84,772)	(92,347)
Current portion	<u>199,054</u>	<u>257,865</u>
Financial Assets Classified as		
Other accounts receivable	188,349	246,100
Non-financial assets classified as		
Other accounts receivable	<u>95,477</u>	<u>104,112</u>
	<u>283,826</u>	<u>350,212</u>

- (b) The collection rights for coercive executions mainly correspond to seizures of Company assets without a court ruling made by several municipalities at a national level. The Municipalities demand the payment of licenses and fines for the installation of an external plant without municipal authorization. Management is continuing with the filing of the legal actions and estimates that the seizures undertaken will be declared illegal. Likewise, based on a collectability study carried out, the respective doubtful collection estimates have been established.
- (c) As of June 30, 2022 and December 31, 2021, these correspond mainly to collection rights to the Tax Administration, for payment of tax assessments (see Note 33(b)) that in the opinion of Management and of the legal advisors will be recovered when certain appeals filed in relation to the assessments received for income tax from previous years are resolved, as permitted by IAS 12 - "Income Tax."

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

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

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

- (e) The other accounts receivable is denominated in national and foreign currency and do not generate interest.
- (f) The other accounts receivable was collectively evaluated to determine if there was objective evidence of impairment. However, the Company determined that the estimate of doubtful collections at the end of the period is sufficient, in accordance with the Company's accounting practice described in Note 2.7.
- (g) Balance pending collection for sales of towers and properties mainly with Phoenix Tower International Perú SAC and LAP Inmobiliaria S.r.l. made in December 2021.
- (h) As of June 30, 2022, the Company maintains cash flow hedging contracts (forwards) to reduce the exchange rate risk of the disbursements of certain Opex and Capex operations, for a nominal value of US\$28,968,000, which matures during 2022. As of December 31, 2021, the hedging contracts were for US\$100,753,000. The cash flow hedge of the expected future payments was assessed as highly effective. The amounts retained in the statement of other comprehensive income are expected to affect the income statement in each of the future periods until their maturity dates.

9 ASSETS AND LIABILITIES RELATED TO CLIENT CONTRACTS

The Company has recognized the following assets and liabilities related to contracts with clients.

(a) Contractual Assets:

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Sales of terminals. Note 2.23	39,810	20,027
Minus – non-current portion	(1,249)	(1,626)
Current portion	<u>38,561</u>	<u>18,401</u>

(b) Contract liabilities:

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Fixed and mobile telephone services. Note 2.23	83,800	89,626
Deferred installation fee. Note 2.23	66,447	73,479
IRU Access Rights (c)	33,903	48,016
Project companies	16,353	26,069
Others	<u>1,859</u>	<u>1,703</u>
	202,362	238,893
Minus – non-current portion	(65,211)	(70,520)
Current portion	<u>137,151</u>	<u>168,373</u>

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

10 INVENTORIES

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Goods and supplies	253,042	198,236
Inventories receivable	<u>13,115</u>	<u>51,231</u>
	266,157	249,467
Minus – Estimate for Inventory Devaluation (c)	(14,391)	(13,870)
	<u>251,766</u>	<u>235,597</u>

Both goods and supplies, as well as inventories receivable, correspond mainly to mobile terminal equipment, as well as modems to provide internet service, decoders for paid television service, and fixed telephony equipment.

- (b) The cost of inventories sold for the six-month period ended on June 30, 2022, was approximately S/559,526,000 (S/582,744,000 for the six-month period ended on June 30, 2021) and is presented in the item "Cost of sale of equipment" in the income statement.
- (c) The movement for the inventory impairment estimate as of June 30, 2022 and December 31, 2021, is as follows:

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Opening balance	13,870	26,058
(Recovery) provision for impairment of inventories, net. Note 28	<u>521</u>	<u>(12,188)</u>
Closing balance	<u>14,391</u>	<u>13,870</u>

In Management's opinion, the estimate for inventory devaluation adequately hedges the estimated risk of loss on the dates of the statement of financial position

11 OTHER NON-FINANCIAL ASSETS

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Deferred costs of compliance obligation (b)	374,211	385,942
Customer acquisition expenses (c)	317,743	242,033
Annual fee (e)	29,870	-
Maintenance of licenses and computer equipment	36,641	36,815
Advances granted to suppliers	4,332	3,677
Insurance paid in advance	16,825	5,481
Advance Payments for Right of Access (d)	2,984	3,183
Advertising paid in advance	668	823
Others	<u>69,411</u>	<u>85,526</u>
	852,685	763,480
Minus – Non.current portion	<u>(375,587)</u>	<u>(333,822)</u>
Current portion	<u>477,098</u>	<u>429,658</u>

- (b) It includes the costs of Pay TV modems and decoders. These devices are provided to the client as part of the service, and which is deferred as they are compliance obligations in client contracts.
- (c) It corresponds to expenses directly related to obtaining commercial contracts (sales commissions, expenses with third parties, among others), which are amortized for contracts for an undetermined term in the average life of the client, and for contracts with onerous permanence within that period.
- (d) As of June 30, 2022 and December 31, 2021, it includes access rights not classified as a lease under IFRS 16.
- (e) It corresponds to the non-accrued balance due to the use of the radioelectric spectrum, which is accrued during the year. During 2022, the Company has accessed a benefit of S/ 27,277,000

granted by the Mobile Fee Law for infrastructure expansion and/or the technological improvement of the structure. The foregoing reduced the fee for the period by committing to cover 47 new locations with 4G technology in 12 months. This coverage will be carried out through a provider, as legally permitted. Furthermore, the Company requested to pay monthly installments for the 2022 canon, which was approved by the Ministry of Transportation and Communications for 12 months. The payment plan will expire on January 31, 2023. See Note 17.2(b).

12 INVESTMENTS IN ASSOCIATED COMPANIES

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

	Activity	Percentage of shareholding in equity		Value of shareholding equity	
		As of June 30, 2022 %	As of December 31, 2021 %	As of June 30, 2022 S/000	As of December 31, 2021 S/000
In associates:					
Internet para Todos S.A.C. (b)	Operate and provide all types of telecommunications.	54.67	54.67	<u>229,291</u>	<u>235,676</u>
				<u>229,291</u>	<u>235,676</u>
Other Share Investments:					
Wayra Perú Aceleradora de Proyectos S.A.C.	Development and promotion of business projects based on technological innovation.	2.93	2.93	<u>478</u>	<u>478</u>
				<u>478</u>	<u>478</u>
				<u>229,769</u>	<u>236,154</u>

i) Internet para Todos S.A.C. -

In 2019, the Company reached agreements with other investors, JML International Limited, which is a subsidiary of Facebook, Inc. (Facebook), Andean Development Corporation (CAF) and Inter-American Investment Corporation (IDB) to regulate their joint investment and common share in the share capital of Internet Para Todos S.A.C. (IPT), a company constituted and registered in Peru, in the following manner:

<u>Company</u>	<u>%</u>
Facebook	24.67
CAF	10.33
IDB	10.33

As a result of the agreement with the partners, Telefónica del Perú diluted its share to 54.67% of the IPT shares, and the Company also lost control of the subsidiary, thereby becoming an associate.

The following table shows the summary of the main items of the associate financial statements as of May 31, 2022 and on December 31, 2021.

	<u>As of May 31, 2022 S/000</u>	<u>As of December 31, 2021 S/000</u>
Assets	605,136	621,233
Liabilities	185,728	190,145
Equity	419,408	431,088
Profit/Loss for the year	(11,680)	(26,978)

13 PROPERTY, PLANT AND EQUIPMENT, NET

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

	<u>Land</u> S/000	<u>Buildings and other constructions</u> S/000	<u>Plant</u> S/000	<u>Equipment and other</u> S/000	<u>Furniture and goods</u> S/000	<u>Works in progress and units to be received (b)</u> S/000	<u>Total</u> S/000
Cost							
As of January1, 2021	104,882	1,295,902	25,724,600	1,068,235	123,157	576,625	28,893,401
Additions	-	-	8,764	28,885	739	374,171	412,559
Transfers	-	8,409	463,739	5,187	1,602	(478,937)	-
Transfers of intangible assets. Note14(a)	-	-	-	-	-	36,026	36,026
Transfers of Equity Block. Note 1.3(b)	-	-	(15,609)	(17,424)	(71)	(7,766)	(40,870)
Transfers	(631)	631	-	-	-	-	-
Withdrawals and sales. Note 30	(17,561)	(99,923)	(38,295)	(14)	-	-	(155,793)
As of December 31, 2021	86,690	1,205,019	26,143,199	1,084,869	125,427	500,119	29,145,323
Additions	-	-	21,478	-	-	124,804	146,282
Transfers	-	1,170	100,176	63	-	(101,409)	-
Transfer of intangible assets. Note 14(a)	-	-	-	-	-	27,916	27,916
Transfers	(1,302)	1,302	28,798	(28,828)	30	-	-
Withdrawals and sales. Note 30	(1,936)	(49,779)	(29,366)	(3,482)	-	-	(84,563)
As of June 30, 2022	<u>83,452</u>	<u>1,157,712</u>	<u>26,264,285</u>	<u>1,052,622</u>	<u>125,457</u>	<u>551,430</u>	<u>29,234,958</u>
Accrued Depreciation							
As of January 1, 2021	-	953,326	21,234,927	1,020,958	116,673	-	23,325,884
Depreciation for the period	-	45,372	867,492	20,421	2,251	-	935,536
Transfer of Equity Block. Nota 1.3(b)	-	-	(6,540)	(8,967)	(13)	-	(15,520)
Withdrawals and sales. Note 30	-	(87,052)	(33,931)	(14)	-	-	(120,997)
As of December 31, 2021	-	911,646	22,061,948	1,032,398	118,911	-	24,124,903
Depreciation for the period	-	23,104	427,312	6,182	1,129	-	457,727
Withdrawals and sales. Note 30	-	(33,304)	(29,365)	(3,482)	-	-	(66,151)
As of June 30, 2022	<u>-</u>	<u>901,446</u>	<u>22,459,895</u>	<u>1,035,098</u>	<u>120,040</u>	<u>-</u>	<u>24,516,479</u>
Net value							
As of June 30, 2022	<u>83,452</u>	<u>256,266</u>	<u>3,804,390</u>	<u>17,524</u>	<u>5,417</u>	<u>551,430</u>	<u>4,718,479</u>
As of December 31, 2021	<u>86,690</u>	<u>293,373</u>	<u>4,081,251</u>	<u>52,471</u>	<u>6,516</u>	<u>500,119</u>	<u>5,020,420</u>

- (b) As of March 30, 2022 and December 31, 2021, the works in progress were mainly constituted by the construction of networks and the transmission of data; as well as projects to expand coverage, improve the quality of signal reception, increase the capacity of the voice and data transmission network, and software under development, which the Management expects to complete in the short term.
- (b) As of June 30, 2022 and December 31, 2021, the Management has carried out an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In Management's opinion, no estimate is required at the date of the consolidated statement of financial position.

14 INTANGIBLE ASSETS OTHER THAN CAPITAL GAIN, NET

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

	Administrative concessions (b) S/000	Software (c) S/000	Software under development(d) S/000	Total S/000
Cost				
As of January 1, 2021	7,810,328	2,395,668	141,065	10,347,061
Additions	-	-	273,173	273,173
Transfer	-	104,175	(104,175)	-
Transfer to Works in Progress. Note13(a)	-	-	(36,026)	(36,026)
Transfer of Equity Block. Note 1.3(b)	-	(8,514)	-	(8,514)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	7,810,328	2,490,147	274,037	10,574,512
Additions	-	-	41,639	41,639
Transfer	-	30,425	(30,425)	-
Transfer to Works in Progress. Note 13(a)	-	-	(27,916)	(27,916)
As of June 30, 2022	7,810,328	2,520,572	257,335	10,588,235
Accumulated amortization				
As of January 1, 2021	6,138,607	2,280,566	-	8,419,173
Amortization for the period	156,794	102,358	-	259,152
Transfer of Equity Block. Note 1.3(b)	-	(4,868)	-	(4,868)
Withdrawals	-	(1,182)	-	(1,182)
As of December 31, 2021	6,295,401	2,376,874	-	8,672,275
Amortization for the period	78,397	39,774	-	118,171
As of June 30, 2022	6,373,798	2,416,648	-	8,790,446
Net value				
As of June 30, 2022	1,436,530	103,924	257,335	1,797,789
As of December 31, 2021	1,514,927	113,273	274,037	1,902,237

- (b) The concessions include:

- The difference between the share acquisition cost and the fair value of the respective net assets of the Company Peruana de Teléfonos S.A. (CPT), acquired by the Company in 1994, allocated to the cost of the concession, which are amortized over a period of 33 years, due in December 2027.
- Band A 1710-1730 Mhz y 2110-2130 Mhz (4G LTE) in Lima and Provinces, awarded by the MTC in July 2013 for US\$152,229,000, which is amortized over a period of 20 years until the year 2033. It also includes the use of the B band of provinces, the use of the band in Lima and Callao, and the use of the 25 Mhz band corresponding to the 1,900 Mhz band.
- Block C, of the 700 Mhz band, in Lima and Provinces, signed with the MTC in July 2016, for US\$315,007,700, which is amortized over a 20-year period until 2036.

- (c) The software includes the financial and accounting applications based on the SAP system, as well as the network licenses corresponding to platform software that support the commercial systems. The software activated during 2021 and 2020 corresponds mainly to corporate systems for the commercial area, office applications, control equipment software, and network management, among others.
- (d) As of June 30, 2022 and December 31, 2021, the software under development is mainly made up of support systems for the commercial areas, as well as software for control and network management equipment.
- (e) As of June 30, 2022 and December 31, 2021, the Management has carried out an analysis of impairment indicators and determined that there is no impairment in the value of the assets. In Management's opinion, no estimate is required at the date of the consolidated statement of financial position.

15 RIGHTS-OF-USE ASSETS

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

	Rights of use of land and natural assets S/000	Rights of use for constructions S/000	Use rights for facilities for technical and machinery S/000	Others rights of use S/000	Total S/000
Cost					
As of January 1, 2021	521,982	597,306	148,452	33,136	1,300,876
Additions (b)	212,144	63,404	54,000	212	329,760
Transfers	(293)	293	-	-	-
Withdrawals	(15,158)	(3,035)	-	(249)	(18,442)
As of December 31, 2021	718,675	657,968	202,452	33,099	1,612,194
Additions (b)	9,322	25,416	2,903	13,468	51,109
Withdrawals	(1,245)	-	-	-	(1,245)
As of June 30, 2022	726,752	683,384	205,355	46,567	1,662,058
Accrued Depreciation					
As of January 1, 2021	129,568	152,645	40,594	24,271	347,078
Depreciation for the period	102,664	79,579	28,063	3,301	213,607
Withdrawals	(13,949)	(1,762)	-	(116)	(15,827)
As of December 31, 2021	218,283	230,462	68,657	27,456	544,858
Depreciation for the period	44,828	43,546	17,822	3,432	109,628
Withdrawals	(1,245)	-	-	-	(1,245)
As of June 30, 2022	261,866	274,008	86,479	30,888	653,241
Net value					
As of June 30, 2022	464,886	409,376	118,876	15,679	1,008,817
As of December 31, 2021	500,392	427,506	133,795	5,643	1,067,336

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

16 CAPITAL GAIN

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Opening balance	959,137	1,215,145
Minus - adjustment for impairment	<u>-</u>	<u>(256,008)</u>
Closing balance	<u>959,137</u>	<u>959,137</u>

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

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

As of June 30, 2022, the Company has been complying with the financial objectives set forth in the business plan approved in 2021, so it was not necessary to constitute an additional impairment adjustment. As of December 31, 2021, the amount of capital gain, intangible assets, and property, plant, and equipment, net of operating working capital was compared to the recoverable value, and Management has determined the recording of an impairment adjustment for an amount of S/256,008,000 to be allocated to capital gains at the date of the statement of financial position. See Note 2.13.

Key assumptions used in calculations of value in use –

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

- (i) Gross margin
- (ii) Discount rate
- (iii) Market share during the budgeted period; and
- (iv) Long-term growth rate used to extrapolate cash flows that go beyond the budget period.

Gross margin -

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

Discount Rate -

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

As of June 30, 2022 and December 31, 2021, the pre-tax discount rate used was 14.47% and the post-tax discount rate was 10.20%.

Market Share -

Using industry information to forecast growth rates is important because Management evaluates how the position of the unit could change in relation to its competitors during the budgeted period. The Management expects the Company's market share to remain stable during the budgeted period.

Long-term growth rate -

This rate is based on published market research and trends in the telecommunications sector. The growth rate as of June 30, 2022 and December 31, 2021, which has been considered for the following years is 2.40%.

Sensitivity to Changes in Assumptions -

The valuation is sensitive to the key assumptions used, the increase/decrease in the growth rate, and the discount rate may result in maintaining the carrying value or further impairment. It is estimated that a 0.25% change in the growth rate assumption and a 0.5% change in the discount rate assumption for 2021 (keeping all other assumptions constant) would result in an additional impairment loss of S/ 160,260,000 and S/436,638,000, respectively. The assumptions used to estimate the value in use of the assets are considered prudent under the current circumstances, therefore no deviations in estimates that could have a significant effect on the Company's financial statements as of June 30, 2022 are expected.

17 OTHER FINANCIAL LIABILITIES

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

	As of June 30, 2022			As of December 31, 2021		
	Current portion	Non-current portion	Total	Current portion	Non-current portion	Total
	S/000	S/000	S/000	S/000	S/000	S/000
Bonds (17.1)	542,185	2,478,452	3,020,637	282,824	2,723,837	3,006,661
Short-term debt (17.2)	38,706	-	38,706	16,315	-	16,315
	<u>580,891</u>	<u>2,478,452</u>	<u>3,059,343</u>	<u>299,139</u>	<u>2,723,837</u>	<u>3,022,976</u>

(b) The movement of other financial liabilities as of June 30, 2022 and December 31, 2021 is as follows:

	Cash flow				Changes that do not produce cash flow		
	Opening balance	New	Payment of	Payment of	Accrued	New	Final balance
	S/000	S/000	S/000	S/000	S/000	S/000	S/000
2022							
Financial obligations	<u>3,022,976</u>	<u>-</u>	<u>(27,869)</u>	<u>(95,984)</u>	<u>109,961</u>	<u>50,259</u>	<u>3,059,343</u>
2021							
Financial obligations	<u>3,097,477</u>	<u>-</u>	<u>(159,810)</u>	<u>(198,082)</u>	<u>219,114</u>	<u>64,277</u>	<u>3,022,976</u>

17.1 Bonds -

(a) As of June 30, 2022 and December 31, 2021, the following bond issues remain in effect:

Program	Issue & series	Due Date	Authorized amount S/000	Used amount S/000	Total		Current portion		Non-current portion	
					As of June 30, 2022 S/000	As of December 31, 2021 S/000	As of June 30, 2022 S/000	As of December 31, 2021 S/000	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Fourth (*)	19th. A	July 2027	S/150,000	S/60,000	99,176	95,346	1,641	1,580	97,535	93,766
Fourth (*)	19th. B	April 2028	(**)	S/49,000	76,749	73,792	414	406	76,335	73,386
Fourth (*)	19th. C	July 2028	(**)	S/20,000	31,182	29,978	433	417	30,749	29,561
Fourth (*)	37th. A	May 2028	S/200,000	S/48,000	74,736	71,853	246	241	74,490	71,612
Sixth (f)	11th. A	June 2023	S/400,000	S/260,000	260,954	261,010	260,954	1,010	-	260,000
Sixth	11th. B	April 2024	(**)	S/120,000	121,697	121,723	1,697	1,723	120,000	120,000
Sixth	13th. A	July 2022	S/200,000	S/140,000	143,550	143,571	143,550	143,571	-	-
Sixth	14th. A	September 2022	S/200,000	S/100,000	101,665	101,680	101,665	101,680	-	-
Sixth	15th. A	October, 2024	S/135,000	S/135,000	136,509	136,534	1,509	1,534	135,000	135,000
Sixth	16th. A	April, 2025	S/400,000	S/105,120	106,211	106,231	1,091	1,111	105,120	105,120
Sixth	17th. A	May 2030	S/250,000	S/60,000	69,701	67,012	268	262	69,433	66,750
First (f)	1st. A	October, 2026	S/200,000	S/80,000	81,154	81,177	1,154	1,177	80,000	80,000
First (g)	Int. Issue	April 2027	S/1,700,000	S/1,700,000	1,717,353	1,716,754	27,563	28,112	1,689,790	1,688,642
Total					<u>3,020,637</u>	<u>3,006,661</u>	<u>542,185</u>	<u>282,824</u>	<u>2,478,452</u>	<u>2,723,837</u>

(*) Annual interest rate with constant update value.

(**) The authorized amount is unique for the series (A, B o C) of the same issue.

- (b) The bonds in soles in force as of June 30, 2022 and December 31, 2021, have a weighted average annual interest rate of 6.90%. Additionally, the weighted average spread of the VAC bonds in force as of June 30, 2022 and December 31, 2021, is 3.21 %.
- (c) As of June 30 31, 2022 and December 31, 2021, the bonds issued according to their contractual conditions have the following maturities:

Maturity Year	As of June 30, 2022			As of December 31, 2021		
	Interest	Principal	Total	Interest	Principal	Total
	S/000	S/000	S/000	S/000	S/000	S/000
2022	43,333	240,000	283,333	42,824	240,000	282,824
2023	-	260,000	260,000	-	260,000	260,000
2024	-	255,000	255,000	-	255,000	255,000
2025	-	671,730	671,730	-	671,730	671,730
2026 onwards	-	1,550,574	1,550,574	-	1,537,107	1,537,107
Total	43,333	2,977,304	3,020,637	42,824	2,963,837	3,006,661

- The resources raised in the bond issue were used to finance working capital, restructuring liabilities, making investments, among others. These bonds are guaranteed with the equity of Telefónica del Perú S.A.A.
- The amount authorized for the issuance of bonds is up to US\$1,650,000,000, in circulation or its equivalent in national currency, which was extended by the General Shareholders' Meeting of March 29, 2022, of Telefónica del Perú S.A.A., until December 31, 2027.

Furthermore, within the same term, short-term instruments may be issued up to an amount of US \$550,000,000 in circulation with a maximum limit of US \$2,000,000,000 as a whole.

- In June 2016, the issue of Corporate Bonds maturing in June 2023, and for an amount of S/260,000,000 at an issue price at par and a fixed nominal annual interest rate of 6.66%, was finalized. The foregoing was undertaken to assume the expenses associated with the Company's participation in the public tender for Block C of the 700 Band. See Note 14(b)(iii).)
- In April 2019, the issuance of an International Bond maturing in April 2027 was finalized for an amount of S/ 1,700,000,000, at a nominal fixed annual interest rate of 7.38%. The resources raised in the placement will be used for the execution of investment projects in capital goods, the re-profiling of some debt operations and other corporate uses. Furthermore, this bond has a covenant not to carry out asset sales operations with subsequent leasing greater than 20% of the consolidated net assets, which are calculated as total consolidated assets excluding capital gain, trademarks, patents and rights, and licenses (without administrative concessions), net of current liabilities. The Company has been complying with this covenant.

17.2 Short-Term Debt -

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

	<u>Currency of origen</u>	<u>As of June 30, 2022 S/000</u>	<u>As of December 31, 2021 S/000</u>
Ministry of Transport and Communications (b)	S/	31,983	9,592
Phoenix Tower International Peru S.A.C. (c)	S/	<u>6,723</u>	<u>6,723</u>
		<u>38,706</u>	<u>16,315</u>
Composition of the debt			
Principal		<u>38,706</u>	<u>16,315</u>
		<u>38,706</u>	<u>16,315</u>

(a) Fractionation of the mobile fee for the period 2022, with monthly maturities until January 2023.

(b) In December 2021, the Company sold 42 towers and 19 properties to Phoenix Tower International Peru S.A.C. for S/56,139,000 by means of a contract. The Company has recognized an income of S/49,416,000 since the purchaser has the obligation to return 10% and 2 premises according to the contract clauses.

18 FINANCE LEASE LIABILITIES

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

	<u>As of June 30, 2022</u>		<u>As of December 31, 2021</u>	
	<u>Foreign currency US\$000</u>	<u>Equivalent in national currency S/000</u>	<u>Foreign currency US\$000</u>	<u>Equivalent in national currency S/000</u>
Finance Lease for liabilities in foreign currency	103,464	396,267	123,055	491,974
Finance Lease for liabilities in national currency	-	<u>897,027</u>	-	<u>903,549</u>
		1,293,294		1,395,523
Minus- Non-current portion		(947,512)		(1,066,667)
Current portion		<u>345,782</u>		<u>328,856</u>

(b) Future payments per leases as of June 30, 2022 and December 31, 2021, are as follows:

	<u>As of June 30, 2022 S/000</u>	<u>As of December 31, 2021 S/000</u>
2022	207,176	366,824
2023	294,235	252,026
2024	273,787	238,317
2025	239,303	214,211
2026 onwards	<u>535,262</u>	<u>528,358</u>
	<u>1,549,763</u>	<u>1,599,736</u>

- (c) The current average annual rate of lease liabilities in soles as of June 30, 2022 is 5.24 % and in dollars is 3.05% (5.64% and in dollars is 3.98% as of December 31, 2021).

19 TRADE ACCOUNTS PAYABLE

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

	As of June 30, 2022 <u>S/000</u>	As of December 31, 2021 <u>S/000</u>
Domestic suppliers (c)	744,948	867,061
Accrual of obligations to be billed	584,577	587,971
Related companies. Note 23(d)	367,467	280,698
Foreign suppliers	97,675	87,023
Contractor guarantee deposits	<u>2,260</u>	<u>2,432</u>
	<u>1,796,927</u>	<u>1,825,185</u>

- (b) Commercial accounts payable are denominated in soles, US dollars and euros. They do not accrue interest and have current maturities. Also, they are normally paid in an average period of 60 days, and no guarantees have been granted.
- (c) Domestic suppliers, as of June 30, 2022 and December 31, 2021, include S/ 296,140,000, and S/454,045,000 respectively in accounts payable that are under assignment of collection rights with Investment Funds, in which TFP S.A.C. (a Company affiliate) provides the management services required for suppliers to access such transactions. The aforementioned collection rights assignment transactions have not involved a change in the trade terms agreed with the suppliers and the Company. As such, their classification as trade accounts payable is maintained.
- (d) The carrying amounts of the trade accounts are considered equal to their fair values, due to their short-term nature.

20 OTHER ACCOUNTS PAYABLE

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Remuneration and annual leave (b)	153,318	248,644
Taxes payable. Note 24(h)	54,371	50,569
Guarantee deposits	14,912	9,998
Dividends and returns payable to shareholders	2,700	2,705
Employee participation. Note 24(e)	417	417
Derivative financial instruments 8(h)	-	20,662
Others	<u>8,241</u>	<u>11,523</u>
	233,959	344,518
Minus – Non-current portion (b)	(<u>32,767</u>)	(<u>37,546</u>)
Current portion	<u><u>201,192</u></u>	<u><u>306,972</u></u>
Financial liabilities classified as other accounts payable	25,853	44,888
Non-financial liabilities classified as other accounts payable	<u>208,106</u>	<u>299,630</u>
	<u><u>233,959</u></u>	<u><u>344,518</u></u>

(b) As of April 2021, the Company decided to launch voluntary and incentivized retirement programs, on the back of which 413 employees accepted for a cost of S/119,244,000. Furthermore, approximately 14 positions have been identified to be terminated during the first quarter of 2022, for which a provision of S/15,787,000 has been set aside. In August 2020, Management began a retirement program identifying positions that did not fit the business model. This meant the termination of 130 employees at a cost of S/36,623,000. Likewise, in December 2020 the Company identified approximately 25 additional positions which will be released during the second quarter of 2021. Severance costs are estimated to be S/ 19,334,000.

21 OTHER PROVISIONS

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

	As of June 30, 2022 S/000	As of December 31, 2021 S/000
Litigation and risks, (c) and Note 33(b)	594,897	563,717
Tower decommissioning. Note 2.19	65,420	53,545
Others (d)	<u>40,661</u>	<u>33,965</u>
	700,978	651,227
Minus – Non-current portion	(<u>301,647</u>)	(<u>268,163</u>)
Current portion	<u><u>399,331</u></u>	<u><u>383,064</u></u>

(b) Item movement is detailed below:

	Litigation and Risks	Decommissioning	Others	Total
	S/000	S/000	S/000	S/000
Balances as of January 1, 2021	591,430	45,980	17,143	654,553
Additions. See Note 33(b)	70,186	9,966	39,602	119,754
Disposals	-	(2,401)	(22,780)	(25,181)
Payments	(97,899)	-	-	(97,899)
As of December 31, 2021	563,717	53,545	33,965	651,227
Additions. See Note 33(b)	51,698	11,875	7,202	70,775
Disposals	-	-	(506)	(506)
Payments	(20,518)	-	-	(20,518)
As of June 30, 2022	594,897	65,420	40,661	700,978

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

Management and its internal and external legal advisors consider that the provisions recorded are sufficient to cover the risks that affect the Company's business as of June 30, 2022 and December 31, 2021, as described in Note 33(b).

(d) As of June 30, 2022 and December 31, 2021, "Others" includes a provision for reinforcement of towers as a result of towers sold in previous years.

22 DEFERRED INCOMES

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

	As of June 30, 2022	As of December 31, 2021
	S/000	S/000
Grants, (b) and Notes 2.21 and 8(d)	67,153	78,195
Intégrame	1,141	1,395
Others	<u>23,948</u>	<u>17,949</u>
	92,242	97,539
Minus – Non-current portion	(57,177)	(67,884)
Current portion	<u>35,065</u>	<u>29,655</u>

(b) Deferred revenue from grants mainly includes:

- Lambayeque Project includes the contract signed on May 27, 2015, between the Company and the Peruvian State (represented by the National Telecommunications Program -PRONATEL), for the non-reimbursable financing of the "Integral Broadband Connectivity for the development of social activity in the northern part of the country" project.

The balance for this project as of June 30, 2022 and December 31, 2021, amounts to approximately S/65,103,000 and S/75,917,000, respectively. The Lambayeque project includes the construction of a transportation network for US \$11,613,000. The investment term was extended until 2027.

- Selva (Jungle) Project includes the contract signed on February 18, 2011, between the Company and the Peruvian State (represented by PRONATEL), for the non-reimbursable financing of the "Integration of rural areas and places of preferential social interest to the

network of the mobile service - Selva” project. The balance for this project amounts to approximately S/2,050,000 and S/2,278,000 as of June 30, 2022 and December 31, 2021, respectively.

The Company has the obligation to use such financing at its own risk for the design, acquisition of equipment, installation, commissioning, operation and maintenance of a system that will allow the provision of public telecommunications services in beneficiary areas, complying with the conditions foreseen in the technical specifications presented in the financing contract.

Project	Lambayeque	Selva
Investment term	14 months	12 months
Period of operation	120 months	50 months
End of contract	Continue with the obligations stipulated in your respective concession contracts	
Amount	US\$47,626,000	US\$14,718,000

For the six-month period ended on June 30, 2022 and 2021, the Company accrued income of S/6,814,000 and S/9,759,000 respectively that are presented in the item “Other operating income and expenses” of the income statement. See Note 30(a).

23 TRANSACTIONS WITH RELATED ENTITIES

- (a) During the six-month period ending on June 30, 2022 and 2021, the most significant transactions carried out by the Company with related entities were the following:

	As of June 30, 2022 S/000	As of June 30, 2021 S/000
Revenues with related companies for:		
Rural traffic services		
- Internet para Todos S.A.C.	12,578	18,693
Lease of lands		
- Telxius Torres Perú S.A.C.	-	267
Expenses with related companies:		
Rural traffic services		
- Internet para Todos S.A.C.	(56,578)	(50,343)
Trademark fee usage. Note 28(a)		
- Telefónica, S.A. (b)	(53,393)	(53,990)
Internet and fiber optic link services		
- Telxius Cable Perú S.A.C.	(41,239)	(44,640)
System service		
- Telefónica Global Technology S.A.U.	(21,699)	(25,564)
Tower and Land leases		
- Telxius Torres Perú S.A.C.	-	(21,502)
Capacity management transfer. Note 28(a)		
- Telefónica Latinoamérica Holding S.L. (c)	-	(993)
Capacity management transfer. Note 28(a)		
- Telefónica Hispanoamérica S.A. (c)	(9,092)	(5,938)

- (b) The Company has a contract with Telefónica, S.A., whereby it pays a trademark fee equivalent to 1.6% of monthly income, excluding local operations with related companies, unless the previous

year had a negative balance when deducting depreciation, amortization, and CAPEX for that year from the operating income.

- (c) The Company maintains capacity management transfer agreements with Telefónica Hispanoamérica S.A.

(d) As of June 30, 2022 and December 31, 2021, the Company maintains the following trade balances with related entities:

	<u>As of June 30, 2022</u>		<u>As of December 31, 2021</u>	
	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>	<u>Accounts</u>
	<u>receivable</u>	<u>payable</u>	<u>receivable</u>	<u>payable</u>
	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>	<u>S/000</u>
Related companies:				
Media Networks Latin América S.A.C.	20,089	20,327	21,426	33,701
Telefónica Global Solutions S.L.	11,174	16,646	11,291	12,606
Telxius Cable Perú S.A.C.	9,966	45,418	9,288	28,648
Internet para Todos S.A.C.	6,471	38,312	15,103	38,556
Telefónica Cybersecurity & Cloud Tech Perú S.A.C.	6,309	84,863	7,349	61,485
Telefónica Global Solutions Perú S.A.C.	5,813	12,771	5,378	11,369
Telefónica Digital España S.L.	2,946	35,949	4,438	23,041
Telefónica, S.A.	2,574	48,973	69	21,108
Telefónica Ingeniería de Seguridad S.A. Sucursal del Perú	1,671	10,779	1,871	14,994
Fundación de Telefónica del Perú	1,497	-	1,493	-
Telefónica Data USA	483	309	3,062	888
Telefónica Gestión de Tecnología S.A.U.	-	28,135	-	8,393
Telefónica Compras Electrónicas	-	3,765	-	3,750
Other	<u>32,735</u>	<u>21,220</u>	<u>20,167</u>	<u>22,159</u>
Related receivable and payable commercial accounts, (See Notes 7(a) and 19(a))	<u>101,728</u>	<u>367,467</u>	<u>100,935</u>	<u>280,698</u>

(b) As of June 30, 2022 and December 31, 2021, the Company had other accounts payable to Telefónica S.A. for an amount of approximately S/7,426,000 and S/9,320,000, corresponding to the fair value of the share options granted by the Parent company in Spain to certain executives of the Company, who may exercise their rights within a maximum term of until 2021. See Note 2.25

(c) Loans to Staff -

The Company grants loans to its staff and officers for terms of up to 24 months. The interest rates applied are generally below the interest rates existing in the market; however, the other loan terms are substantially the same as those of the market. The balance of the loans to employees was approximately S/ 12,164,000 and S/ 13,069,000 as of June 30, 2022 and December 31, 2021, respectively. The loans are reported in the item "Other accounts receivable, net" of the statement of financial position. See Note 8(a).

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

Remuneration received by directors and key management personnel amounted to approximately S/13,045,000 for the six-month period ending on June 30, 2022 (approximately S / 12,136,000 for the six-month period ending on June 30, 2021) , which includes short-term benefits, compensation for time of service and others.

(b) As of June 30, 2022, the Group maintains current accounts in Telfisa Global, B.V., amounting to US\$4,552,000 equivalent to S/17,274,000, which are presented under the item "Cash and cash equivalents." (As of December 31, 2021, the Company held current accounts in Telfisa Global, BV, for an amount of US \$3,826,000, equivalent to S/ 15,208,000, respectively).

Terms and Conditions of Transactions with Related Parties -

Sales and purchases with related parties are made under market conditions equivalent to those applied to transactions between independent parties. As of June 30, 2022 and December 31, 2021, the Company has not recorded any estimate for doubtful accounts in relation to the balances owed by the related parties. This evaluation is performed annually by examining the commercial position of the related party and the market in which it operates.

According to the Management, accounts receivable and payable classified as current on June 30, 2022 and December 31, 2021, will be collected and paid in the short term.

24 TAX SITUATION

(a) Deferred taxes -

The movement of the item is as follows:

	As of January 1, 2021 S/000	Credit (charge) to income statements S/000	Credit to (charge) the statement of financial position S/000	Credit to (charge) other comprehensive income S/000	As of December 31, 2021 S/000	Credit (charge) to income statements S/000	Credit to (charge) the statement of financial position S/000	Credit to (charge) other comprehensive income S/000	As of June 30, 2022 S/000
Deferred Assets/(Liabilities)									
Depreciation	359,109	(1,371)	(872)	-	356,866	(2,404)	-	-	354,462
Estimate for doubtful accounts	343,744	27,971	-	-	371,715	(57,064)	-	-	314,651
Provision for miscellaneous contingencies	34,286	(758)	-	-	33,528	(305)	-	-	33,223
VAC bonds	26,153	5,707	-	-	31,860	1,046	-	-	32,906
Staff costs	92,235	(18,260)	(57)	-	73,918	(37,931)	-	-	35,987
Provision for decommissioning equipments	(11,047)	4,824	-	-	(6,223)	800	-	-	(5,423)
Others	33,497	(5,676)	-	-	27,821	8,289	-	-	36,110
Lambayeque Project Grant	39,141	3,899	-	-	43,040	(6,891)	-	-	36,149
Expenditure with non-residents	60,490	(9,434)	-	-	51,056	15,426	-	-	66,482
Inventory, property, plant and equipment impairment	7,801	(3,595)	-	-	4,206	39	-	-	4,245
Deferred income from tower sales	574	-	-	-	574	(348)	-	-	226
Finance lease	(6,800)	-	-	-	(6,800)	-	-	-	(6,800)
Other deferred income	33	-	-	-	33	3,825	-	-	3,858
Payroll capitalization for plant construction	(175)	-	-	-	(175)	-	-	-	(175)
Financial instruments	(339)	-	-	2,563	2,224	148	-	(2,598)	(226)
Amortization of software licenses	(279)	13,750	(6)	-	13,465	2,651	-	-	16,116
Allocation of the price paid by fixed asset	(796)	-	-	-	(796)	-	-	-	(796)
Cost attributed to fixed assets	(12,345)	-	-	-	(12,345)	-	-	-	(12,345)
IFRS 15	(50,470)	(31,115)	-	-	(81,585)	(24,061)	-	-	(105,646)
IFRS 16	63,841	44,123	-	-	107,964	(4,943)	-	-	103,021
Administrative concession	(490,514)	45,571	-	-	(444,943)	22,987	-	-	(421,956)
Deferred costs and income-Deco	(129,932)	(2,346)	-	-	(132,278)	2,772	-	-	(129,506)
Income from connection fee	16,668	(3,260)	-	-	13,408	(1,200)	-	-	12,208
Capitalized financial costs	(4,040)	645	-	-	(3,395)	338	-	-	(3,057)
Tax loss	1,278	20,907	-	-	22,185	58,809	-	-	80,994
Total deferred assets/(liabilities), net	372,113	91,582	(935)	2,563	465,323	(18,017)	-	(2,598)	444,708

- (b) The deferred income tax is determined by its estimated reversal term as shown below:

	As of June 30, 2022	As of December 31, 2021
	S/000	S/000
Deferred Income Tax Assets:		
Expected reversal in the next 12 months	17,684	63,659
Expected reversal after 12 months	<u>427,024</u>	<u>401,664</u>
Total, deferred income tax	<u><u>444,708</u></u>	<u><u>465,323</u></u>

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

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Current	79,200	486,674
Deferred	<u>18,017</u>	(<u>66,266</u>)
	<u><u>97,217</u></u>	<u><u>420,408</u></u>

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

	As of June 30, 2022		As of June 30, 2021	
	S/000	%	S/000	%
Results of pre-tax income earnings	(<u>250,924</u>)	<u>100.00</u>	(<u>441,672</u>)	<u>100.00</u>
Income tax according to tax rate (asset)	(<u>74,023</u>)	29.50	(<u>130,293</u>)	29.50
Tax impact:				
Contingencies and Taxes (non- deductible), Notes 21 and 33(b)	91,426	(<u>36.44</u>)	482,230	(<u>109.18</u>)
Taxes from previous years	41,164	(<u>16.40</u>)	21,030	(<u>4.76</u>)
Results from associated companies	1,884	(<u>0.75</u>)	1,280	(<u>0.29</u>)
Non-allowable expenses	6,717	(<u>2.68</u>)	42,757	(<u>9.68</u>)
Derivative instruments	19,827	(<u>7.90</u>)	(<u>6,962</u>)	1.58
Others, net	<u>10,222</u>	(<u>4.07</u>)	<u>10,366</u>	(<u>2.35</u>)
Expense from income tax	<u><u>97,217</u></u>	(<u><u>38.74</u></u>)	<u><u>420,408</u></u>	(<u><u>95.18</u></u>)

- (e) The Company is subject to the Peruvian tax regime. The income tax rate as of June 30, 2022 and December 31, 2021, is 29.50%, on taxable income, after deducting the employee profit sharing that is calculated at a rate of 10% on the taxable profit.

Legal entities and natural persons that are not domiciled in Peru are subject to withholding of an additional tax on dividends received.

In accordance with Legislative Decree No. 1261, the withholding of an additional tax on dividends received as of 2017 is 5%, and whose distribution is made as of that date (until 2014, 4.1% and for the periods 2015 and 2016 is 6.8%).

- (f) For purposes of the income tax and general sales tax determination, the transfer prices of transactions with related entities and with companies residing in territories with low or no taxation must be supported by documentation and information on the valuation methods used, and the criteria considered for their determination. Based on the analysis of the Company's operations, its

management and legal advisors believe that, as a consequence of the application of these standards, no material contingencies will arise for the Company as of June 30, 2022 and December 31, 2021.

As of June 30, 2022, the Company recorded a provision for income tax of S/ 27,351,000 that, net of the tax installments payments and the other provisions recorded, resulted in an upward credit balance of S/ 195,022,000 (S/ 27,628,000 from income tax payable. The foregoing net effect of tax installment payments and other recorded provisions resulted in an upward credit balance of S/ 182,992,000 as of December 31, 2021). The balance is thus presented as an asset. Likewise, the Company produced a tax loss in 2018, amounting to S/ 188,263,000; for which deferred income tax of S/ 55,538,000 was recorded. The Company substantially compensated for the 2018 tax loss through the generation of taxable income in 2019 by means of the Management plans described in Note 3.1(iii). In 2021, the Company had a tax loss of S/75,204,000, which it expects to recover in 2022 due to the Management's plans.

In accordance with the requirements of IFRIC 23, uncertainties in the processing of income tax, the Company maintains provisions for S/ 2,825,162,000 in current Income Tax and S/ 39,414,000 in current long-term Income Tax as of June 30, 2022. In the 2021 financial year, the provisions were revalued by S/602,111,000, as a result of (i) changing the rating in the second quarter of the contingencies related to the carry-over of the balance in favor of the 1999 financial year when determining the annual payment and the monthly payments on account of the income tax for the 2000 financial year, and the consequent adjustment of the provision by S/939,549,000; (ii) the reversing entry of the provision of S/477,577,000 recorded in the first quarter as a result of the judgment issued by the Constitutional Court in the amparo action initiated by it; and (iii) in December 2021, the Company paid, under protest, S/140,139,000 related to the income tax of Telefónica Móviles S.A. for the 2013 period as a result of the audit of the same period, and which is being challenged. See Note 33(b) (S/2,770,193,000 current income tax, and S/24,059,000 in current long-term income tax as of December 31, 2021).

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

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

The sworn declarations of the income tax and general sales tax of its Subsidiaries are subject to verification by the Tax Administration.

These subsidiaries are:

Period

Servicios Globales de Telecomunicaciones S.A.C.	2017 to December 2021(*)
Telefónica Multimedia S.A.C.	2017 to January 2018 (*)
Star Global Com S.A.C.	2017 to January 2018 (*)

(*) Date on which these businesses were absorbed by the Company.

Due to the possible interpretations that the tax authorities may hand down on the current legal norms, and per the application of IFRIC 23, the Company has determined that no additional liabilities will accrue. Any eventual higher tax or additional payment that could accrue from the fiscal reviews will be applied to the results of the fiscal year in which it is determined. However, in the opinion of the Company's Management and legal advisors, any possibility of additional tax settlement will not be significant for the consolidated financial statements as of June 30, 2022 and December 31, 2021.

- (h) As of June 30, 2022 and December 31, 2021, the item "Other accounts payable" includes other taxes for approximately S/ 54,371,000 and S/ 50,569,000, respectively.

In accordance with Supreme Decree No. 013-93-TCC, which approves the Single Ordered Text of the Telecommunications Law, and its Regulations, approved by Supreme Decree No. 020-2007-MTC, the Company, as a telecommunications service concessionaire, must pay the following rights and fees:

<u>Item</u>	<u>Beneficiary</u>	<u>%</u>	<u>Calculation basis</u>
Special right for the National Telecommunications (PRONATEL) Program	MTC	1.0	Invoiced and received income for telephone carriers and final services.
Contributions for supervision services ,,',.....', ,, ,,,,,,	OSIPTEL	0.5	Invoiced and received revenue by the different services of telecommunications.
Trade operations rate of the service	MTC	0.5	Services subject to concession and/or authorization.

The amount recorded as an expense for these items amounts to approximately S / 53,520,000 and S/ 47,612,000 for the six-month period ending on June 30, 2022 and 2021, respectively, and are included in the item "General and administrative expenses" of the consolidated income statement. See Note 28(a).

Likewise, the aforementioned instruments create an annual fee for radioelectric spectrum use.

- (i) Regulatory framework – Modifications to the Income Tax Law -

In 2021, certain tax provisions were published. The most significant points are detailed below:

- The Supreme Decree No. 271-2021-EF issues regulatory norms that, among others, regulate how the percentage of work progress referred to in clause b) of paragraph 3.1 of article 3 of Legislative Decree No. 1488 of "Special Accelerated Depreciation Regime", will be determined. This is regarding constructions that, without being completed as of December 31, 2022, are used in the generation of taxable income. Likewise, the depreciation accepted for tax purposes will be that one not exceeding the corresponding maximum percentage, even if the depreciation recorded during the year is lower, and tax depreciation will not be accepted if the depreciation of the fixed assets is not recorded during the tax year in the accounting books and records.
- Supreme Decree No. 402-2021-EF amends the Regulations of the Income Tax Law Modifications in relation to the deduction of net interest with a limit of 30% of EBITDA of the previous year regulated in paragraph a) of Article 37 of the Income Tax Law:
 - EBITDA is calculated by adding to the net income for the fiscal year, after offsetting the losses referred to, in Article 50 of the net interest, depreciation and amortization law that would have been deducted to determine such net income.
 - In those cases, in which the taxpayer does not obtain net income or having obtained such income in the taxable year, the amount of the losses of previous years that can be offset against

such income is equal to, or greater; the EBITDA will be equal to the sum of net interest, depreciation and amortization deducted in such year.

- Net interest is calculated by deducting from the interest expense which complies with the provisions of the first paragraph of item a) of Article 37 of the Law and which is allocable in the year in accordance with the provisions of the Law and, if applicable, with other regulations that establish special provisions for recognizing the expense, the interest income subject to income tax.
- The net interests that are not deductible in the taxable year for exceeding the limit of thirty percent (30%) of the EBITDA, may be deducted in the following four (4) fiscal years, together with the net interest of the corresponding fiscal year. In the above assumption, the non-deducted net interest shall be added with the net interest of the following fiscal year(s) and shall only be deductible in the portion that does not exceed thirty percent (30%) of the EBITDA.

For purposes of the referred deduction, the net interest corresponding to the oldest fiscal year is considered first, provided that the four (4) year term has not expired as from the fiscal year following the year in which each net interest was generated.

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

- By means of Legislative Decree No. 1518, the Income Tax Law is amended with respect to presumed net income of Peruvian source received by non-domiciled taxpayers and branches, agencies or any other permanent establishment in the country of sole proprietorships, corporations and entities of any nature incorporated abroad aiming at including the extraction and sale of hydrobiological resources.

To this effect, the second item is incorporated to Article 48 of the Income Tax Law, which states that it is presumed, without admitting proof to the contrary, that companies not domiciled in Peru, which sell highly migratory hydrobiological resources extracted inside and outside the maritime domain of Peru to companies domiciled in Peru, obtain net income from Peruvian source equal to nine percent (9%) of the gross income received from such sale. The Ministry of Production shall periodically determine the ratio of such resources. It should be specified that, the referred rule becomes effective as from January 1, 2022.

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

- General Anti-Circumvention Clause (Rule XVI): the Tax Administration may challenge the transactions carried out by the Company, if it considers that they are of a circumventing nature. For such purpose, it may apply the provisions of paragraphs two to five of Rule XVI within the framework of a final audit by means of a special procedure.
- Final payee: domiciled legal entities, legal entities (e.g., trusts, consortiums, funds, among others), non-domiciled legal entities that have a branch, agency or other permanent establishment in the country and legal entities incorporated abroad that have an administrator in Peru are obliged to file the final payee declaration. The related obligations do not only involve the filing, but also the application of a due diligence procedure to locate the beneficial owners of the parties obligated.

25 EQUITY

(a) Issued Capital -

As of June 30, 2022 and December 31, 2021, the capital issued by Telefónica del Perú S.A.A. is represented by 3,344,363,158 common shares, fully subscribed and paid, at a nominal value of S/ 0.86 each. See Note 32.

The capital structure issued as of June 30, 2022 and December 31, 2021, is composed in percentage term of the following share classes:

	As of June 30, 2022	As of December 31, 2021
	%	%
Class B		
Telefónica Hispanoamérica, S.A.	98.939	98.939
Other Minor Shareholders	1.055	1.055
Class C	0.006	0.006
	<u>100.000</u>	<u>100.000</u>

Class "B" and "C" shares enjoy the same rights, privileges, and restrictions, except for the provisions of article 27 of the Company's bylaws, related to the appointment of directors, who may not be less than five (5) nor more than nine (9) members. The class "B" shares choose as many directors as required to complete the number of members set by the General Shareholders' Meeting for each term while bearing in mind the director that, where appropriate, has the task of designating the shareholders for class "C".

Furthermore, if employees of Telefónica del Perú S.A.A, corresponding to class "C" shares, elect one (1) director, they will have reached an equity ratio of not less than 3% of the subscribed capital. If they do not reach this percentage by the time of the election, one more director of class "B" will be elected, thus completing the required number of Board members.

(b) Issue Premiums -

They correspond to the incorporation resulting from the merger by the absorption of Telefónica Móviles Perú Holding S.A.A. undertaken on December 31, 2008, as well as the higher value paid over the nominal value in the acquisition of the own shares.

(c) Other Capital Reserves -

This is composed of the legal reserve, as provided by the General Corporation Law, for which it is required that a minimum of 10% of the distributable annual profit, net of income tax, be transferred to a legal reserve until it is equal to 20% of the capital. The legal reserve can offset losses or can be capitalized; in both cases there is an obligation to replenish any funds used. The reserve also includes the dividends that the Company declares as prescribed. It also includes freely available reserves.

The legal reserve as of June 30, 2022 and December 31, 2021, amounts to S/575,230,000.

(d) Other Equity Reserves -

These correspond mainly to net profits and losses due to changes in the estimated market value of the derivative financial instruments of cash flow hedges. The change in value is initially reflected in equity, and subsequently, it affects the profit and loss statement as per how it is influenced by the underlying hedge. During the six-month period ending on June 30, 2022 and in 2021, the unrealized gain generated by the valuation of hedging derivatives amounts to S / 8,807,000 and S / 1,208,000, respectively. The net loss of its tax effect amounts to S/6,209,000 (S/828,000 for the six-month period ending on June 30, 2021). See Note 17.2(d).

26 FIXED BUSINESS INCOME

(a) The item is comprised as shown below:

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Services	1,390,654	1,382,614
Data + IT	216,814	176,567
Wholesale	83,559	80,853
Equipment	21,532	33,802
Other	27,601	26,586
	<u>1,740,160</u>	<u>1,700,422</u>

(b) As of June 30, 2022, the Company has approximately 1,398,000 fixed and public telephone lines in service, 1,952,000 broadband service connections, and approximately 1,274,000 paid television accesses (1,549,000, 1,968,000 and 1,334,000, respectively as of December 31, 2021).

27 MOBILE BUSINESS INCOME

(a) The item is comprised as shown below:

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Postpaid	921,998	815,926
Terminals	472,068	474,360
Prepaid	279,291	290,513
Wholesale	63,352	71,558
Others	79,605	16,830
	<u>1,816,314</u>	<u>1,669,187</u>

- As of June 30, 2022, the Company had approximately 4,458,000 postpaid mobile lines in service, as well as 6,656,000 prepaid mobile lines (4,436,000 and 6,907,000, respectively as of December 31, 2021).

28 GENERAL AND ADMINISTRATIVE EXPENSES

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

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Services provided by third parties (c)	1,709,368	1,683,572
Taxes and fees (b)	87,958	81,887
Estimate for doubtful accounts and for inventory impairment. Notes 7(c), 8(f) and 10(c), net of recoveries	211,798	179,681
Fee for brand use and transfer of Management capacity. Note 23(a)	62,485	60,921
Miscellaneous management charges	14,204	14,096
	<u>2,085,813</u>	<u>2,020,157</u>

(b) The item “Taxes and fees” corresponds mainly to payments to OSIPTEL and MTC. Note 24(h).

(c) Third-party services include:

	As of June 30, 2022	As of June 30 2021
	S/000	S/000
Fees, commissions and services	750,818	750,016
Television signals and circuits	322,522	329,214
Maintenance and repair	205,093	182,780
Interconnection and correspondent expenses	114,395	120,423
Capacity services	71,899	84,096
Basic services	80,369	65,862
Advertising	36,480	43,075
Rentals	22,108	15,141
Transport and storage	24,112	21,207
“Roaming” expenses	10,820	7,736
Others	70,752	64,022
	<u>1,709,368</u>	<u>1,683,572</u>

29 PERSONNEL EXPENSES

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

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Remuneration	260,783	277,805
Restructuring expenses. Note 20(b)	-	75,760
Social security and welfare	28,908	30,865
Compensation for service time	18,786	19,405
Employee shares	-	(3,494)
Other staff cost	6,970	12,140
Payroll capitalization for plant construction	(28,653)	(28,003)
	<u>286,794</u>	<u>384,478</u>

(b) The Company has 3,688 employees as of June 30, 2022 (3,664 as of December 31, 2021).

30 OTHER OPERATING INCOME AND TAXES

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

	Al 30 de junio de 2022	Al 30 de junio de 2021
	S/000	S/000
Other operating income		
Gain on disposal of assets (c), (d) and (e)	44,754	19,971
Government grants. Notes 8(d) and 22(b)	6,814	9,759
Other	<u>3,251</u>	<u>5,265</u>
	<u>54,819</u>	<u>34,995</u>
Other operating expenses		
Other provisions (b)	(24,570)	(15,996)
Other	<u>(9,192)</u>	<u>(9,130)</u>
	<u>(33,762)</u>	<u>(25,126)</u>

(b) The other provisions correspond to those made by the Company in accordance with the practice described in Note 2.19, based on its best estimate of the disbursement that will be required to settle the obligations at the date of the statement of financial position.

(c) As of June 30, 2022 and 2021, asset sales occurred, thereby creating a net profit, the composition of which is detailed below:

	As of June 30, 2022	As of June 30, 2021
	S/000	S/000
Net profit from disposal of assets (e)		
Income from sale of assets	69,649	56,907
Net cost of assets sold	<u>(24,895)</u>	<u>(36,936)</u>
	<u>44,754</u>	<u>19,971</u>

- (d) In January 2021, the sale of Telefónica Cloud Tech Perú S.A.C. (TCTP) in Peru for S/41,941,000, was made. It included the assets related to this business line, which was contributed by the Company on January 1, 2021, for S/29,938,000. This company was established in 2020 with a contribution of S/50,000. The net profit of this operation was S/11,953,000. See Note 1.3.(b).

31 INCOME AND FINANCIAL EXPENSES

The item is compromised as shown below:

	As of June 30, 2022 S/000	As of June 30, 2021 S/000
Financial revenues		
Interest on accounts receivable	2,632	3,675
Interest on term deposits	5,602	196
Gains on disposal of financial investments	-	23,199
Other	-	40
	<u>8,234</u>	<u>27,110</u>
Financial expenses		
Interest on bonds and commercial papers	(110,524)	(104,056)
Lease interest	(29,505)	(21,372)
Interest on other debts	(1,805)	(1,382)
Loss from financial instruments for interest rate hedges	(20,340)	(12,605)
Other	(48,142)	(24,179)
	<u>(210,316)</u>	<u>(163,594)</u>
Net Exchange Differences		
Net loss on net exchange differences	55,986	(62,025)
Net income from exchange differences related to derivative financial instruments	(58,314)	72,222
	<u>(2,328)</u>	<u>10,197</u>

32 (LOSS) EARNINGS PER SHARE

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

	Shares in circulation	Days of valid-to time	Weighted average of shares
Fiscal year: 2021			
Balance as of January 1, 2021	<u>3,344,363,158</u>	180	<u>3,344,363,158</u>
Balance as of June 30, 2021	<u>3,344,363,158</u>		<u>3,344,363,158</u>
Financial year: 2022			
Balance as of January 1, 2022	<u>3,344,363,158</u>	180	<u>3,344,363,158</u>
Balance as of June 30, 2022	<u>3,344,363,158</u>		<u>3,344,363,158</u>

- (b) The calculation of the loss per basic and diluted share of the controlling shareholding for the six-month period ending on June 30, 2022 and in 2021, is presented below:

<u>As of June 30, 2022</u>			<u>As of June 30, 2021</u>		
<u>Loss</u> <u>(numerator)</u> <u>S/000</u>	<u>Number of</u> <u>shares</u> <u>(denominator)</u>	<u>Loss on</u> <u>shares</u> <u>S/000</u>	<u>Gain</u> <u>(numerator)</u> <u>S/000</u>	<u>Number of</u> <u>shares</u> <u>(denominator)</u>	<u>Gain on</u> <u>shares</u> <u>S/000</u>
(348,141,000)	3,344,363,158	(0.104098)	(862,080,000)	3,344,363,158	(0.257771)

33 COMMITMENTS AND CONTINGENCIES

- (a) Commitments -

Letters of Guarantee -

The Company maintains letters of guarantee obtained for its normal commercial activity and guarantees for the various bidding allocation processes in spectrum concessions with third parties, and contentious administrative processes against the Tax Administration. As of June 30, 2022, these Letters of Guarantee amount to approximately S/1,961,503,000 and US\$91,148,000 (S/1,911,506,000 and US\$84,841,000 as of December 31, 2021).

Operating lease commitments - Company as lessee -

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

The future minimum payments, as per non-cancelable operating leases, as of June 30, 2022 and December 31, 2021, are as follows (these correspond to leases of less than one year and low-value amounts that are not recognized as part of the implementation of IFRS 16):

	<u>As of</u> <u>June 30</u> <u>2022</u> <u>S/000</u>	<u>As of</u> <u>December 31</u> <u>2021</u> <u>S/000</u>
Under one year	3,897	8,092
Between one year and less than 3 years	21,088	21,974
	<u>24,985</u>	<u>30,066</u>

- (b) Contingencies -

In the normal course of its operations, the Company has been subject to various tax, civil, labor, administrative, regulatory, and customs claims, which are recorded and disclosed in accordance with International Financial Reporting Standards. See note 2.19.

In relation to tax processes, as of June 30, 2022, as set out in notes 2.19 and 2.20, the Company has recorded the necessary provisions for the cases considered probable, leaving for possible contingencies an amount of S/1,162,578,000 (S/1,128,539,000 as of December 31, 2021). See note 21. Management and its legal advisors consider that the provisions made are reasonable based on the information available to the Company.

The National Superintendence of Customs and Tax Administration (SUNAT), in the course of the audit activity corresponding to the years 1998 to 2010 and, 2012, has notified the Company of resolutions related to: (I) Income Tax, (II) General Sales Tax, and (III) Withholdings of Income Tax of non-residents.

In some proceedings, the Company has decided to challenge certain SUNAT and Tax Court (TC) rulings. In other proceedings, the Company has proceeded to pay the amounts calculated by the competent authorities. Lastly, there are other cases where SUNAT has challenged TC rulings that were favorable to the Company. The details of the main tax matters are as follows:

I. Regarding disputes related to the Income Tax of Telefónica del Perú:

(a) 1998 Fiscal year:

Specific objections are discussed for concepts related to Internal Public Telephones ("IPT"), Doubtful Collections Provision ("DCP") and Exchange Rate Difference.

In the administrative field, on July 21, 2011, the Tax Court through the Tax Court Resolution (TCR) No. 11450-5-2011 issued a pronouncement on the balance in favor of the Company for the 1998 financial year, for a sum of S/137,706,421.

SUNAT, in compliance with the aforementioned TCR dated October 3, 2011, notified the Company of Intendancy Resolution (IR) No. 0150150001023, for an amount of S/ 69,386,327 in favor of the Company.

The Company filed an appeal regarding the balance in favor determined by SUNAT, which was resolved by the TC (TCR No. 974-5-2012) in the following terms: (1) revoked the objection to S/252,989,493 for exchange difference considering that this is an accounting result to which the principle of causality is not applicable; (2) ordered SUNAT to evaluate the effect of the exchange gains with respect to the confirmed amounts in order to obtain a net result; (3) ordered SUNAT to carry out a new determination of the DCP to the extent that there are cases that have not been validated by it that are valid collection procedures; and (4) guaranteed that the "under door" notifications can be considered as collection procedures.

In compliance with this resolution, SUNAT issued, in November 2012, IR No. 0150150001152 which determined a favorable balance for the 1998 financial year of S/137,706,421, thereby ending the administrative stage.

For its part, the Company calculated a balance in favor amounting to S/291,000,000.

Considering the difference in the amount of the balance in favor determined by the Company against the amount determined by SUNAT, in October 2011 the Company filed a legal claim against TCR No. 11450-5-2011 requesting partial nullity for the matters for which SUNAT upheld the objections to: (i) DCP; and (ii) receipts for leases of Internal Public Telephones (IPT).

On March 22, 2013, the Company was notified with the first instance resolution that in part upheld the Company's claim based on the challenges to: (i) DCP and (ii) IPT, which was subsequently partially upheld in the Superior Chamber. An appeal was filed against the second instance judgment, by virtue of which the Supreme Court (i) ordered that the High Court issue a new ruling regarding DCP, and (ii) definitively and favorably upheld the objection to the IPT for the Company, thereby concluding this matter.

On July 31, 2019, the Company was notified with the new judgment of the High Court that declared the objection to DCP as founded, though only regarding telephone billing. An oral report has been scheduled for August 16, 2022.

It should be noted that the Company, in the judicial proceedings, obtained a precautionary measure regarding the objections to IPT and DCP, for which it had to deliver judicially the respective bank guarantee letter issued for 60% of the alleged tax debt. On January 17, 2022, the renewal of the letter of guarantee was filed for the amount of S/359,065,459 corresponding to the 2022-2023 period, which was considered renewed on April 7, 2022.

In relation to the only objection pending pronouncement related to DCP, in the opinion of Management, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

For its part, SUNAT, (i) filed a lawsuit with the purpose of also questioning TCR No. 11450-5-2011, but in terms of revoking the objection referred to the account of exceptional expenses. In the last instance, on April 24, 2019, the Supreme Court upheld declaring the claim as well founded. On November 11, 2019, SUNAT, in execution of that ordered by the Supreme Court, gave notification of IR No.0150160000145 that (i) corrected the balance in favor of the Income Tax for the 1998 financial year, and (ii) filed a lawsuit against TCR No.974-5-2012 as it decided to revoke the objections to exchange difference of various accounts. The claim was declared unfounded in the first instance and upheld by the Superior Chamber on March 21, 2016. By means of the resolution dated March 31, 2021, the Supreme Court declared SUNAT's lawsuit unfounded and, consequently, on May 19, 2021, the definite conclusion and filing of the process was ordered in this regard. Process concluded.

Against what was decided by the Supreme Court regarding point (ii) above, SUNAT, on October 18, 2021 filed a request for defence in order to declare the nullity of the supreme resolution in favor of the Company and, consequently, requested that the Supreme Court issued a new ruling, but, this time, in favor of SUNAT. SUNAT claims the alleged violation of its right to equality, legal certainty, and prohibition of arbitrariness and motivation. On October 27, 2021, the Company responded to the lawsuit, and now awaits the scheduling of a single hearing.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(b) 1999 Fiscal Year -

Via TCR No.16603-4-2010, notified on December 23, 2010, the administrative procedure for the 1999 fiscal year was terminated. According to the TC, the elapsing of the 1999 financial year prevented a new determination from being carried out by SUNAT (ex officio), so the balance set by the Company in the 1999 financial year was the one to be taken into account.

Subsequently, on April 4, 2012, the Company requested the declaration of limitation of the fiscal year in question. Said request was declared admissible by means of Intendancy Resolution No.011-020-0000323/SUNAT.

(c) 2000 and 2001 Fiscal Years -

On December 29, 2010, TCR No. 17044-8-2010 (clarified by TCR No. 1853-8-2011) was notified, which confirmed the IR issued by SUNAT regarding the objections to Financial Charges (FC), DCP, IPT, Overheads (costs of fixed assets deducted extra-accounting as an expense) and Simple Reorganization between the Company and Telefónica Móviles. The total amount that SUNAT intended to collect amounted to S/2,379,000,000, which is composed as follows: (i) S/478,000,000 for tax; (ii) S/179,000,000 for fines, and (iii) S/1,722,000,000 for interest.

Against the TCR, on March 21, 2011 the Company filed an administrative claim against SUNAT and the TC regarding the aforementioned objections, as well as against the interest corresponding to the payments on account for the year 2000.

In the first and second instance, the claim regarding the objection to IPTs was upheld. Secondly, the Company's claim regarding the objections of (i) Simple Reorganization (ii) Overheads (iii) Financial Charges was declared unfounded.

In the case of the objection to the DCP, the High Court validated the collection management carried out by the Company, though only regarding the telephone receipt to the extent that the indication of the outstanding debt is recorded, while dismissing the rest of the collection procedures carried out. Finally, the Court ordered that all receipts be reviewed again.

The parties appealed against the decision of the High Court. The Supreme Court ruled in favor of SUNAT regarding the objections to Overheads, FC, and Simple Reorganization and, in favor of the Company insofar as the objection to the IPT. With regard to the objection to the DCP, the Supreme Court ordered the second instance to issue a new judgment. On July 29, 2020, the High Court

issued a new judgment, declaring the objection to the DCP as unfounded; Against this decision a new appeal was filed. On March 24, 2022, the appeal was declared admissible. The setting of an oral report date is pending.

In the first quarter of 2019, the Company re-evaluated its contingencies in response to the resolution issued by the Supreme Court and, as a result, the remote-to-probable rating varied regarding the objections to FC, Simple Reorganization, and Overheads. Regarding the objection to the IPT, the qualification of the objection has been maintained as remote, as it was resolved in favorable terms for the Company. Regarding the DCP objection, the qualification of the process remains reasonably remote.

During the aforementioned proceedings, the Company obtained a partial precautionary measure pursuant to which the suspension of the effects of the disputed resolutions was ordered with respect to the following objections: (1) FC, (2) DCP, and (3) IPT. For these purposes, the corresponding Bank Letter of Guarantee was updated for the period 2022-2023, for the amount of S/788,185,150 and was offered and delivered as a counter-caution.

In execution of the provisions of TCR No. 17044-8-2010, SUNAT (i) determined an alleged tax debt of S/2,379,451,375. SUNAT conditioned the admissibility of the appeal filed by the Company to the payment of S/1,627,950,109 (reduced by SUNAT to S/619,814,185 by virtue of the precautionary measure obtained). The Company filed a complaint and paid, under protest, the sum of S/134,353,008 that was coercively required. On January 27, 2012, the TC declared that there was no debt coercively enforceable and demanded through enforcement the payment of S/150,842,142 linked to the fine for Income Tax (Profit) for the year 2000. Again, the Company paid the amount under protest and lodged a complaint that was resolved favorably for the Company by means of TCR No.18209-1-2013.

On February 24, 2014, SUNAT through Coercive Resolution (CR) No. 0110070101757 annulled the coercive collection procedure, but without pronouncing on the payment made by the Company. On April 23, 2014, the Company requested the return of S/134,353,008 (paid in January 2012) and S/150,842,142 (paid in November and December 2013). SUNAT's Audit Management declared the Company's requests inadmissible and, the TC, upon resolving the appeal, ordered SUNAT, at the time of making the final settlement, to determine whether the return of the amounts paid is appropriate.

Regarding the carry-over of the balance in favor for the year 1999 applicable to the periods 2000 and 2001, the TC (i) upheld the resolution of the first instance by SUNAT and, consequently, considered the correction of the carry-over of the obligation of the tax periods that were prescribed as valid, and (ii) supported the Company's request by which it stated that SUNAT could not make a liquidation until the file of payments on account for the year 2000 was resolved, as well as the files for the refund of payments made by coercive collection, as these are a component of the tax assessment.

Regarding point (i), the Company filed a contentious administrative claim requesting that it be declared null and void insofar as the points that uphold the objections: (i.1) balance in favor of previous years and, (i.2) sale of the Nortel analog network. On March 23, 2015, in the first instance, the claim was declared unfounded, confirmed by the Superior Chamber. On May 25, 2021, the supreme resolution that rejected the Company's cassation appeal was notified and, consequently, the lawsuit was declared unfounded. Process concluded.

The Company, considering the result in the Supreme Court, reassessed its contingencies so the qualification of this process varied from remote to probable. Said variation was made in the second quarter of 2021.

On May 12, 2014, SUNAT filed an administrative lawsuit against point (ii). This claim was declared inadmissible in the first and second instances. However, the Supreme Court declared founded the cassation appeal filed by SUNAT and ordered the judge of first instance to re-qualify the application, which was admitted for processing. On December 14, 2021, the first instance judgment declared the SUNAT claim unfounded, and was upheld by the Superior Chamber. On May 18, 2022, the

internal hearing of the appeal filed by SUNAT was held. To date, the cassation appeal is pending qualification.

Management believes, based on the opinion of its internal and external legal advisors, the classification of the contingency of this process is remote.

(d) The protective action derived from the Income Tax for the years 2000 and 2001:

On July 3, 2013, the Company filed a protective proceeding, by which it requested that Article 33 of the Tax Code, which regulates the default interest on unpaid taxes, be declared inapplicable.

SUNAT, by means of IR No. 0150190000041, thus ordered to continue the collection of the thirteen (13) Determination Resolutions (DRs) and eleven (11) MRs, for the sum of S/2,163,333,920 (updated as of April 1, 2013). This amount includes 73 percent interest and capitalized interest (under the application of Article 33 of the Tax Code) of which a percentage corresponds to interest accrued within the legal term and other interest accrued in the time lapse in excess of the adjudication's legal term.

On February 22, 2021, the Constitutional Court ruled the claim founded and consequently ordered SUNAT to recalculate the interests outside the legal term and that both the tax administration and the Tax Court had to resolve the challenges presented by the Company. To date, the Court has not yet considered that the provisions of the Constitutional Court have been complied with, after the payment request was made May 25, 2022.

Against the judgment of the Constitutional Court, on November 9, 2021, we were notified with an amparo proceeding initiated by SUNAT. On November 22, 2021, we responded to the lawsuit. The single hearing has been scheduled for September 6, 2022.

Management believes, based on the opinion of its internal and external legal advisors, the classification of the contingency of this process is remote.

(e) Payments on Account of 2000 fiscal year:

The TC, through TCR No.17133-8-2010, notified on December 30, 2010 (clarified by TCR No. 16430-8-2011) ended the administrative procedure corresponding to the payments on account of the Income Tax for the year 2000.

SUNAT, on November 17, 2011, notified IR No.0150150001039 by virtue of which an alleged tax debt was quantified at S/678,541,069. The Company, filing an appeal against the IR and SUNAT to concede, demanded a payment of S/189,297,341.

By means of TCR No. 06671-11-2012, extended by TCR No.08037-11-2012, the TC (1) upheld that SUNAT re-settle the fine resolutions as long as they had not been revoked; (2) ordered SUNAT to carry out the determination of the debit balance, modifying the balance in favor declared by the Company in 1999, and thus ignoring the effects of the lapsing.

The Tax Court, in resolving the clarification presented by the Company, pointed out that (1) the fines imposed by SUNAT were not rendered null and void; and (2) the Company is entitled to invoke the elapsing of the 1999 financial year in the event that SUNAT modifies the determination of the tax debt corresponding to said financial year. However, it did not express an opinion on the power to amend the balance in favor.

However, the Company was notified with TCR No. 02569-11-2015, by which it is resolved that SUNAT is entitled to modify the balance in favor of the 1999 financial year despite having lapsed. Subsequently, the TC ordered to suspend the administrative procedure by virtue of the precautionary measure obtained by the Company in court, and to which we will refer in the following paragraphs.

On June 8, 2015, the Company filed an administrative lawsuit against SUNAT and the TC, requesting the nullity of the TCR, which adjudged that SUNAT is entitled to modify the balance in

favor of the RI of the 1999 financial year that must be applied for payments on account of the income tax for the year 2000.

In the first instance, the claim was declared unfounded, but it was revoked by the High Court. On June 6, 2022, the supreme resolution declaring the Company's claim unfounded was notified. SUNAT requested the court of first instance to revoke the precautionary measure and, as a consequence, the execution of the letter of bank guarantee offered and delivered for a sum of S/45,948,058. On June 16, 2022, the Company objected to the SUNAT's request and, the court granted SUNAT a period to rule on the Company's objection. The Resolution of July 5, 2022, ordered the execution of the letter of guarantee, on July 13, 2022, ordered the delivery of the letter of guarantee to SUNAT.

In the second quarter of 2021, taking into consideration that resolved by the Supreme Court detailed in point (c), and based on the opinion of its internal and external legal advisors, the Company determined to vary the classification of the contingency from remote to probable.

(f) Amparo Action derived from the Payments to Income Tax Account 2000 and 2001:

On July 3, 2013, the Company filed an amparo proceeding in which it requested the Court to declare non-application to the specific case of article 33 of the Tax Code that regulates the default interest of unpaid taxes. Through the amparo proceeding, the Company questioned the interest accrued during the time that the TC and SUNAT exceeded the deadlines for resolving the Company's appeal.

SUNAT thus, by means of IR No. 015150001202, ordered to continue collecting the eight (08) DRs and two (02) Fine Resolutions (FRs) for an amount of S/657,405,312 which includes 91% interest and capitalized interest (by virtue of the application of article 33 of the Tax Code).

In the first instance, the claim was declared partially founded and, subsequently, the Superior Chamber declared it inadmissible. The Company filed a constitutional complaint with the Constitutional Court. On December 13, 2021, the Constitutional Court declared the lawsuit inadmissible, a decision against which an appeal for annulment was filed, which was subsequently declared inadmissible.

In the first quarter of 2022, Management believes, based on the opinion of its internal and external legal advisors, the classification of the contingency of this process is remote.

(g) Fiscal year 2002:

TCR No. 04831-9-2012: (1) revoked the objection related to the exchange difference considering that this is an accounting result to which the principle of causality does not apply; (2) revoked the objection related to financial interests and ordered that SUNAT carry out a new review of the documentation that supports the Cash Flow Statement, as well as of the reports of third parties presented by the Company; (3) partially upheld the objection to DCP, since it considered that the Company was obliged to present the information that supports the entire DCP even though SUNAT only required a sample; and (4) recognized only the collection management for termination notifications as valid, thus ordering SUNAT to carry out a new review. It should be noted that, unlike that resolved in the file for the years 2000 and 2001, the Tax Court does not recognize that the DCP that was modified in 2001; However, in 2002 it can be deducted for being greater than 12 months. Likewise, the Tax Court confirmed the modifications related to non-business IPT expenses, unsecured credit notes, among others.

On August 3, 2012 the Company filed a contentious-administrative claim against TCR No. 04831-9-2012 insofar as it confirms the objections to: (1) DCP; (2) undocumented expenses - submarine cable; (3) expenses unrelated to the business - judicial deposits; (4) deductions requested by the Company, and (5) IPT. On November 12, 2018, the judgment declaring the claim partially founded was served, and on July 5, 2019, the Company was served with the judgment of the High Court declaring the objections unfounded. Finally, it upheld the ruling of first instance regarding the non-validation of the procedure for calculating the interest used by SUNAT between December 25, 2016 and March 15, 2017. On May 11, 2020, the appeals filed by the parties were declared admissible. An oral report has been scheduled in the Supreme Court for August 16, 2022.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency (i) regarding the objections related to expenses outside the business – judicial deposits, DCP and IPT, qualifies as remote and, (ii) regarding the deductions requested and expenses without supporting documentation (submarine cable) qualify as possible.

II. General Sales Tax (VAT) for years 1998 to 2002 for Telefónica del Perú

The Company has been notified with the IR issued by SUNAT regarding the VAT for the years 1998, 1999, 2000, and 2001. The Company made the payment corresponding to the SUNAT determination, except for the case related to the General Sales Tax of 2001 (in which the Tax Court ruled in favor of the Company). Regarding the VAT for 2002, by means of Tax Court Resolution No. 04831-9-2012, the Tax Court upheld the objections submitted for this matter.

III. Withholdings from the Income Tax of non-residents of Telefónica del Perú

The Company has been notified with DR and FR issued by SUNAT regarding withholdings from the years 1999 to 2004, corresponding to income of non-domiciled companies operating a satellite. SUNAT considers such income as income from Peruvian sources.

As a result, the TC revoked the resolutions issued by the SUNAT that declared the claims presented by the Company unfounded and, rendered them null and void. Against this ruling, SUNAT challenged the TCRs in court through five contentious claims for the years 1999 - 2000 (combined in a single process), 2001, 2002, 2003, and 2004.

The five processes initiated by SUNAT concluded unfavorably for the Company. However, as the resolutions issued by the Supreme Court violated the constitutional rights of the Company, five protective proceedings were initiated to challenge said resolutions, which are explained in the following paragraphs. Furthermore, against the resolutions issued by the TC in compliance with the supreme resolutions, the Company initiated 4 contentious administrative proceedings.

(a) 2002 financial year:

Regarding the 2002 fiscal year, on October 6, 2020, the instance judgment declared the amparo claim filed by the Company unfounded, as it considered that constitutional rights had not been violated. On October 9, 2020, an appeal was filed. On June 27, 2022, the Superior Chamber scheduled the hearing of the case with an oral report, held on July 14, 2022. A second instance judgement is still pending.

In the course of the procedure, the Company requested a precautionary measure aimed at suspending the effects of the supreme resolution of the contentious administrative claim procedure SUNAT initiated. However, the validity of the precautionary measure is currently under discussion in the High Court. To guarantee the precautionary measure, the Company presented a letter of guarantee for the amount of S/9,500,000 corresponding to 2021-2022.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(b) 2004 Financial Year:

In this case, the Supreme Court followed the same criterion as in 2002 and, consequently, ruled in favor of SUNAT. Qualifying the provision of satellite capacity as a service provided in Peruvian territory and therefore, the Court argued it was appropriate that the supplier paid the tax and the Company withholds it. On August 16, 2019, the compliance TCR was notified, against which the Company filed an contentious administrative claim process since it considered that the TC failed to pronounce on what was ordered by the Supreme Court. As of September 10, 2019, a judgment is still pending.

Without prejudice to the judicial questioning, on October 9, 2019, the Company made a payment of S/24,864,916.

On October 29, 2019, the Company appealed IR No. 0150600000143 issued as a result of the TCR compliance. The TC declared the appeal unfounded. Consequently, on July 6, 2021, the Company filed a second lawsuit against the new compliance TCR insofar as that it provides for the suspension of interests in applying article 33 of the Tax Code and its clarification insofar as it establishes that the application of interest is not suspended for the period of the judicial process to which SUNAT took us. The first instance oral report was scheduled for May 17, 2022, which was carried out. Judgment is still pending.

Finally, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. Oral report hearing is scheduled for September 28, 2022.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(c) Financial year 2003:

On June 3, 2019, the Company was notified with the compliance TCR pursuant to the Supreme Court's ruling. Against the aforementioned TCR, on June 24, 2019, the Company initiated an administrative contentious judicial action, alleging that the TC failed to pronounce itself in the terms of the provisions of the Supreme Court, and consequently did not pronounce on two arguments presented by the Company via administrative settlement, thus contravening the right to due administrative procedure. On November 11, 2021, the oral report was heard in the first instance. The ruling is still pending.

As a result of the issuance of the compliance TCR, on July 9, 2019, the Company made a payment of S/11,212,971 considering the default interest at that date for fines.

In view of the fact that the supreme resolution contained vices that affect the constitutional rights of the Company, an amparo proceeding was initiated. Unlike the other two processes initiated by the Company in the periods 2002 and 2004, said proceeding incorporates and furthered the arguments on the application of Legislative Decree No. 1120 and Supreme Decree No. 22-2017-MTC. On November 9, 2020, the Company filed an appeal against the first-instance judgment that declared the lawsuit unfounded. On April 7, 2022, the oral report was carried out before the High Court. The Superior Chamber declared the Company's claim inadmissible and, on May 13, 2022, the Company filed a constitutional complaint against the aforementioned sentence. On May 30, 2022, the claim entered the Second Chamber of the Constitutional Court.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(d) Financial years 1999 and 2000:

On November 14, 2019, the TC issued the compliance TCR, against which on February 5, 2020, the Company initiated an contentious administrative judicial procedure. On April 28, 2020, the response to the lawsuit filed by SUNAT and the TC was notified. On December 29, 2021, the oral report was carried out in the first instance. On June 1, 2022, the Company's claim was declared unfounded. On June 8, 2022, the Company filed an appeal against the aforementioned judgment and the scheduling of the hearing of the case in second instance is still pending.

As a result of the issuance of the compliance TCR, on November 26, 2019, the Company paid the sum of S/187,614,698 corresponding to the 1999 financial year, while for the 2000 financial year the sum of S/30,913,192 was paid.

In parallel, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. On November 16, 2021, the oral report was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(e) Financial year 2001:

Against the TCR, issued in compliance with the Supreme Court's ruling, the Company filed an contentious administrative claim. On July 29, 2020, the objection to res judicata and the response of the SUNAT were notified, as well as the response of the TC. On October 25, 2021, the oral report was heard in the first instance. The ruling is still pending.

As a result of the issuance of the compliance TCR, on March 6, 2020, the Company paid S/12,982,365, considering the default interest at that date.

In parallel, in view of the fact that the supreme resolution contained vices that affect its constitutional rights, the Company initiated an amparo action. On Mar 13, 2021, the oral report was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

IV. Income Tax and VAT for the years 2003 to 2010 and 2012 of Telefónica del Perú

In the administrative field, between 2008 and 2017, SUNAT resolved the claims filed by the Company for the years 2003 to 2010 and 2012. As we disagreed with the SUNAT ruling, we filed appeals for each of the fiscal years.

(a) 2005 Financial Year:

Regarding the VAT for the year 2005, on January 9, 2018, the TC ordered SUNAT to carry out a new settlement. Likewise, for the 2004 financial year, a decision was notified on November 14, 2018, with the new settlement pending. In both cases, as the Tax Court decided to withdraw various objections and noted that it must take into account that resolved in the income tax files: Thus, the issuance of a compliance resolution is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the Company has qualified the contingency of both files as probable.

(b) Income tax and VAT for the year 2003:

Regarding Income Tax and General Sales Tax for the 2003 financial year, on January 25, 2019, Tax Court Resolution No. 10820-4-2018 was communicated, ordering SUNAT to carry out a new settlement after revoking the following objections: i) excess depreciation for difference in computable cost, ii) amortization of training and maintenance, iii) expenses without reliable substantiating documentation, iv) Income Tax and VAT on unsecured credit notes, v) documents that do not support expenses, vi) DCP, vii) collection of interest and fines. On February 2, 2019, the contentious administrative claim filed by the Company was admitted for processing. In the first instance, the claim was declared unfounded and thus the Company filed an appeal.

On May 5, 2022, the oral report was carried out. To date, the issuance of a second-instance judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

On the other hand, on April 14, 2019, we were notified with an contentious administrative claim filed by SUNAT against the same TCR No. 10820-4-2018, but insofar as the objections resolved in favor of the Company via administrative settlement: i) expenses for unsupported compensation, ii) DCP, iii) amortization of unsupported intangibles, iv) modification of the coefficient. On June 11, 2020, the claim was declared partially founded regarding the claims for expenses for unsubstantiated compensation and amortization of intangibles; Furthermore, the claim was declared unfounded in

relation to the DCP claims and modification of the coefficient. On December 31, 2020, the hearing judgment declared SUNAT's claim founded only insofar as the objection to compensation without reliable substantiation was notified, declaring the DCP (sampling) and amortization of intangibles unfounded and favorable for the Company. The appeals of both parties were declared admissible. The scheduling of an oral report in the Supreme Court is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) VAT for the year 2010:

Regarding the VAT for the year 2010, on June 27, 2019, the Company filed an contentious administrative claim requesting the nullity of TCR No. 1858-1-2019 which upheld IR No. 0150140013079 which declares the claim made against RD Nos. 012-003-0072541 to 012-003-0072552 and FR Nos. 012-002-0028443 to 012-002-0028454, related to the VAT from January to December 2010, and for the commission of the infraction typified by clause 1 of art. 178 of the Tax Code. On June 27, 2019, the lawsuit was filed and subsequently admitted. The oral report was conducted on April 21, 2021. To date, the first instance judgment is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(d) Income Tax for the 2009 fiscal year:

Regarding the Income Tax for the year 2009, on January 16, 2020, the Company initiated an administrative contentious judicial process by means of which it requests the nullity of the TCR No. 7453-4-2019 insofar as the objections to (i) the lapsing of the term of the start of the collection power, and (ii) excess of recreational expenses. On May 23, 2022, the Company was notified with SUNAT's response. On June 2, 2022, the date for the hearing of the case was set for July 20, 2022. The issuance of the judgment of first instance is still pending.

In execution of TCR No. 7453-4-2019, the Company was notified with the coercive resolution which demanded an amount of S/144,962, paid on November 6, 2019. Since the Company did not agree with that ordered by SUNAT, on January 20, 2020, an appeal was filed, which TCR No. 04088-4-2020 resolved upholding the SUNAT provisions.

Additionally, on August 6, 2020, the Company was notified with DR and FR for the months of March, July, August, September, November, and December. It should be noted that TCR No. 07453-4-2019 declared the values for said periods null and void.

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

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

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

Subsequently, we were notified with IR No. 0150140015914 that declares the appeal filed on September 3, 2020 unfounded. Consequently, the corresponding appeal was filed, which to date is pending resolution.

Management believes, as ratified by the opinion of and its legal advisors, the qualification of the contingency of this process is remote.

(e) Income Tax for the 2004 fiscal year:

Regarding the 2004 financial year, on November 9, 2021, the Company filed an contentious administrative claim requesting the nullity of the TCR No. 06587-9-2021 (and the TCR No. 7846-9-

202 that rejected the request for clarification and extension) to the extent that it upheld the objections to: (i) rental expenses not substantiated by payment vouchers that support their deduction, (ii) expenses for financial interests with related companies, (iii) FC, (iv) DCP, only to the extent that the TC maintained this objection to the universal subject of sampling, (v) excess depreciation for difference in the computable cost, and: (vi) amortization of activated maintenance expenses. The nullity also encompasses the questioning of the collection of default interest: a) during the periods of excess in the terms of attention of our claims and appeals, b) capitalization of default interest, which is prohibited in accordance with the precedents issued by the TC, and; c) the procedure for calculating default interest between December 25, 2006 and March 15, 2007. First instance oral report is scheduled for September 13, 2022.

In the opinion of Management, based on the opinions of both its internal and external legal advisors, there are legal arguments to consider that the contingency referred to the DCP (sampling matter) must be qualified as remote. In the case of FCs, based on the nullity arguments discussed in this process, the contingency also qualifies as remote. Regarding the objections to rental expenses not substantiated by payment vouchers that support their deduction, expenses for financial interests with related companies, excess depreciation for difference in the computable cost, and amortization of activated maintenance expenses, these qualify as possible.

Against the same TCR No. 06587-9-2021, on December 17, 2021, the Company was notified with a SUNAT lawsuit by means of which it requests the nullity insofar as that it decided to declare the TC resolutions null and void as rejecting the DCP was not the subject of the sample. On September 8, 2022, an oral report will be carried out in the first instance.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding the same tax period, on December 17, 2021, the Company filed an administrative lawsuit requesting the nullity of TCR No. 7509-4-2021 to the extent that it confirmed the objections made by SUNAT: (i) depreciation and amortization of the cost of unsubstantiated assets of 2002; (ii) retail package commission - Account 632004; (iii) expenses of previous years invoiced by Beltsouth (company related to the Company); (iv) loss in exchange difference - Account 676001; (v) charges to income accounts for unsubstantiated credit notes; (vi) salaries abroad; (vii) deduction in the Income Tax of the 2004 period for objected expenses; (viii) default interest. To date, it is pending that a single hearing date is set.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(f) Income Tax for the 2005 fiscal year:

Regarding the 2005 fiscal year, on March 21, 2022, a lawsuit was filed requesting the nullity of TCR No. 10121-3-2021 regarding the 2005 RI, in which the elapsing of the power to demand payment was rejected. Likewise, IR No. 0150140009894 was revoked, which was favorable in 26 objections, obtaining an unfavorable final result in financial charges, DCP, reversal of provisions, among others. On May 15, 2019, the claim was admitted for processing. SUNAT responded to the complaint and, to date, the scheduling of the oral report in the first instance is pending.

Management believes, as ratified by the opinion of its external legal advisors, the contingency has been qualified as remote.

Regarding the same period, on April 20, 2022, we were notified with a SUNAT lawsuit by means of which it requests the nullity of TCR No. 10121-3-2021 in the extreme that (i) it decided to declare the DR and FR null with respect to the objection to DCP that was not the subject of the sample verified by SUNAT during the audit procedure (ii) it revoked the IR with respect to the objections to: expenses accrued in previous years - Accounts 665110, tax amortization not accepted since it had not substantiated the price paid of the intangible, nor the application of credit for payments on account for the year. On May 4, 2022, the Company filed a response; the scheduling of the oral report in the first instance is pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

V. Income Tax and VAT of Telefónica Móviles for the years 2000 to 2012:

As a result of the audits of the years 2000 to 2009 on Telefónica Móviles, SUNAT issued various resolutions for alleged Income Tax omissions, withholdings of the Income Tax of non-residents, withholdings of the Income Tax of the fifth category and GST, in the latter case, until the year 2012.

In cases where Telefónica Móviles obtained unfavorable results in administrative settlements, it filed appeals and, in others, proceeded to pay the tax calculations received. The details of these processes are explained in the following paragraphs.

(a) Income tax for the year 2000:

In the administrative field, on 30 March 2007, SUNAT issued an IR resolving the claim filed by Telefónica Móviles regarding financial year 2000. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

In July 2020, the TC notified TCR No.2275-5-2020 by means of which it declared the objection made by SUNAT referring to the Nortel Analog Network null and void. Despite this declaration of nullity, on August 3, 2020, SUNAT notified the IR without complying with that ordered by the TC. Therefore, on August 24, 2020, a new appeal was filed, which is pending resolution in the TC.

On February 7, 2013, the TC notified TCR No. 20274-9-2012, by means of which (i) it resolved unfavorably to the interests of the Company insofar as the following objections: FC, DCP, Overheads, Expenses re-invoiced for DCP, Cellular sales commission; and, the Voluntary retirement program (ii) it revoked the objections related to depreciations not accepted for fixed assets transferred in the equity block, and loss due to exchange difference (iii) it declared the nullity of the objections related to: interconnection expenses, management fee; and, DCP regarding the months of February to June, August, and October to December.

Against the last TCR, the Company filed a contentious administrative claim, requesting the nullity of the objections resolved unfavorably for the Company: (i) DCP, (ii) Simple reorganization, (iii) Nortel Analog Network (regarding which the TC suspended the issuance of a ruling under the criminal proceeding related to the objection) (iv) FC, (v) Overheads. In the first and second instance, the claim was declared unfounded. On July 4, 2019, the Supreme Court declared the second-instance judgment null and void regarding the objections of Nortel Analog Network, Simple Reorganization and DCP, and consequently ordered the High Chamber to issue a new judgment. Regarding the objections to Financial Charges and Overheads, the Supreme Court has adjudicated in favor of SUNAT. On September 30, 2019, the High Court issued the new judgment declaring the objection to unaccepted depreciations and DCP unfounded, the objection of withdrawal of assets of a majority shareholder (Nortel Analogical Network) as inadmissible. Against said judgment, on October 21, 2019, the parties filed an cassation appeal, which were declared admissible. As of December 4, 2020, a date has yet to be set for the preparation of the oral report before the Supreme Court.

Having resolved FC and Overhead concerns unfavorably for the Company, in the second quarter of 2019, the Company determined to vary the contingency rating from remote to probable. In the opinion of Management, based on the opinions of its internal and external legal advisors, the contingency of the objections to Red Nortel, Depreciations not accepted, and DCP qualifies as remote.

(b) Income tax and VAT for the year 2001:

Within the framework of the administrative procedure, on 22 October 2007, SUNAT issued the IR, thereby resolving the claim filed by Telefónica Móviles. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

On January 20, 2017, the TC notified the Company of RTC No. 11549-2-2016, by means of which the objections to (i) management fee and, (ii) amortization of intangibles were resolved unfavorably. Furthermore, the Tax Court Resolution ordered a new review of a part of the doubtful collection provision, and of the loss due to the exchange difference, which is currently pending a new pronouncement by SUNAT. On August 18, 2020, the IR was notified, thereby complying with that ordered by the TC. The Company subsequently appealed this resolution on September 8, 2020.

Likewise, the Company appealed IR No. 0150150002773 which declared the reimbursement requests submitted for the overpayments as inadmissible.

On April 19, 2017, the Company filed an contentious administrative claim against TCR No. 11549-2-2016. On December 6, 2021, the judgment that declared the claim in all its facets unfounded was notified, which was appealed on December 14, 2021. On April 5, 2022, the case was heard in second instance, and is still awaiting judgment.

Management believes, based on the opinions of both its internal and external legal advisors, and considering the result of TCRs Nos. 17044-8-2010, 17133-8-2010, and 01853-8-2011, the Company determined to vary the classification of the contingency from remote to probable considering that resolved by the Supreme Court in the contentious administrative claim processes of the 2000-2001 fiscal year of TDP and the 2000 fiscal year of FT with respect to the Overhead and Carveout objections detailed in the previous sections.

Regarding the same TCR, SUNAT filed an contentious administrative claim challenging the objections to (i) expenses without causation and (ii) expenses assumed by third parties. On April 9, 2019, the first-instance ruling was communicated, stating that the Tax Court Resolution was partially justified and partially invalid. The Tax Court was thus ordered to issue a new resolution, confirming Intendancy Resolution No. 0150140006682 insofar as to the objections to various expenses transferred by its related party for those that do not prove causality (a deduction referring to the payments undertaken) and for third-party taxes assumed by the taxpayer. On March 3, 2020, the second-instance judgment was notified, which upheld SUNAT's claim. On May 19, 2020, the Company filed an appeal against the aforementioned judgment, which was declared admissible. To date, an oral report date is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income tax and VAT for the year 2002:

Within the framework of the administrative procedure, on January 23 2008, SUNAT issued the IR, thereby resolving the claim filed by Telefónica Moviles. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

In this regard, on September 15, 2017, TCR No. 12003-8-2016 was notified which withdrew the objections to: (i) management fee; and, (ii) amortization of intangibles; declared the partial nullity of the objection to the DCP, and ordered a new review of the objection related to financial interests (carveout).

Against the aforementioned TCR, on December 15, 2017, the Company filed an contentious administrative claim regarding the unfavorable objections. On October 24, 2019, the oral submission was carried out in the first instance. The judgement is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency related to the objection to DCP qualifies as remote. As for the objections to (i) Management fee; and, (ii) amortization of intangibles, they qualify as possible.

On December 2, 2020, the Company was notified with IR No. 0150150002588, through which SUNAT, in alleged compliance with TCR No. 12003-8-2016, re-settled the Income Tax, the payments on account from January to December 2002, and the VAT for the periods of February, May, and September to December 2002, as well as the fine resolutions. The Company appealed the IR, which is now pending resolution by the TC.

Furthermore, related to the tax period of 2002, the Company filed a protective proceeding seeking to stop calculating interest that exceeds the legal deadlines that the administration has for resolving the objections to and fines of the Income Tax for 2002. The judgment of first instance declared the claim partially founded and, in second instance, the claim was declared inadmissible and null and void. Against the decision of the Superior Court, the Company filed a constitutional complaint before the Constitutional Court, which currently is pending resolution.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

SUNAT also judicially challenged TCR No. 12003-8-2016 regarding the objections that were resolved in favor of the Company. In the first instance, the claim was upheld and thus the Company filed an appeal. On May 13, 2019, the oral report was submitted in the second instance. To date, the issuance of a second-instance judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

On October 24, 2018, SUNAT legally challenged Tax Court Resolution No. 05108-1-2018 by means of which the request for a reimbursement of S/35,000,000 filed by TDP was declared inadmissible. On December 24, 2019, the Company was notified with the judgment of first instance that declared SUNAT's claim founded, however, in second instance the claim was declared inadmissible. Therefore, SUNAT filed a cassation appeal on January 27, 2022, and was declared admissible. To date, the convening of an oral report before the Supreme Court is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as possible.

(d) Income tax and VAT for the year 2004:

Within the framework of the administrative procedure, on August 29, 2009, SUNAT issued the IR resolving the claim filed by Telefónica Móviles for the year 2004 Income Tax and VAT. As the Company disagreed with the decision, an appeal was submitted before the Tax Court.

On January 29, 2018, the TC notified TCR No. 10997-1-2017, by means of which (i) the DCP claim was declared null and void by the party that was not subject to SUNAT's review, (ii) the objection to interest on debt with the Company was revoked, so that a new review of the evidence was carried out, (iii) the objection to amortization of intangibles was revoked, (iv) and the TC ordered that SUNAT recognize the requested deductions, if applicable and upheld for other matters. Currently, the issuance of the IR that complies with the provisions of the TC is pending.

Regarding the objections that were upheld unfavorably for Company interests: i) DCP, ii) expenses recorded by credit line granting contracts Account 671110, iii) depreciation of cost of assets, and (iv) modification of the coefficient of the payments on account, on April 27, 2018, an contentious administrative claim was filed. In the first instance, the claim was declared: (i) unfounded regarding objections to the DCP, expenses recorded by contract for the granting of credit line Account 671110, depreciation of the cost of assets and calculation of default interest between December 25, 2006 and March 15, 2007, and (ii) inadmissible insofar as the objection to modifying the coefficient of payments on account.

The High Court declared the complaint regarding the objection to the DCP to be founded, only insofar as the telephone bills. Against the decision of second instance, the parties filed cassation appeals. Since March 18, 2021, the oral report before the Supreme Court has been pending rescheduling.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency of the objection to DCP qualifies as remote. While the contingency of the objections to expenses recorded by credit line contracts Account 671110, depreciation of cost of assets, and modification of the ratio of payments on account, qualify as possible.

Additionally, on February 14, 2020, the Company was notified with TCR No. 10982-9-2019, by means of which the objection to financial expenses by credit line granting contract is maintained, while the objection to financial expenses for loan contract was ordered to be resolved per the terms of TCR No. 10997-1-2017, as cited above.

As a result of the foregoing, on February 27, 2020, the Company was notified with Coercive Execution Resolution No. 01100-0059983, which required the Company to pay S/3,052,111, which was paid on March 4, 2020.

After the payment made by the Company, on October 1, 2020, SUNAT notified the Company with IR No. 0150140015607, and in alleged compliance with TCR No. 10982-9-2019, declared the appeal filed by Telefónica Móviles against FR No. 012-002-0015547 as unfounded, issued by the alleged commission of the offense typified in numeral 1 of article 178 of the Tax Code regarding the VAT for the period of June 2004.

Since the Company disagrees with that resolved in the IR, on October 21, 2020, the Company filed an appeal, which was resolved by TCR No. 03230-9-2021, declaring it unfounded.

In relation to TCR No. 03230-9-2021, on March 12, 2020, the Company was notified with an contentious administrative claim filed by SUNAT which disputes the partial nullity of the TCR insofar as SUNAT decided to revoke IR No. 0150140009010 in relation to the objection to the tax credit for "Financial expenses due to mutual contract" (Carveout) in the DR and related FR. Both the TC and the Company responded to the SUNAT claim, while the Company filed an exception for non-exhaustion of the administrative means. On August 12, 2021, the Court upheld the exception of the Company filed on the failure to exhaust the administrative means and, consequently, ordered the closure of the procedure. Process concluded.

On April 23, 2018, SUNAT made a legal challenge to Tax Court Resolution No. 10997-1-2017, questioning the following modifications: i) DCP (as they were not sampled) (S/9,603,804), ii) Expenses recorded by mutual contract Account 671110 - TDP debt interest (S/ 717,765) (interest on debt transferred by TDP using the Carveout method) (S/22,273,212), and iii) Modification of the coefficient of payments on account of Income Tax for January and February 2004. On March 8, 2019, notification was made of the ruling of first instance that deemed the claim filed by SUNAT as invalid. On July 27, 2019, the judgment upheld the SUNAT claim based only on the objection to the Carve Out, and unfounded regarding the objections to the DCP and coefficient modification. Against the judgment, the parties filed cassation appeals, which was finally resolved as follows: (i) favorably for the objection to the modification coefficient, (ii) unfavorably for Carve Out (orders the TC to rule on the causality and not on loans and assets), and (iii) for DCP, declared the nullity of the decision issued by the Superior Court. On May 13, 2022, the case was heard in second instance, which is currently pending the issuance of the corresponding judgment.

In the opinion of Management, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote regarding the DCP and also for the modification of the coefficient of payments on account of Income Tax of January and February 2004. As for the objection to Carve Out, the qualification of the contingency is probable.

For the same tax period (2004), the Company initiated a protective proceeding in order to waive the interest that exceeds the legal deadlines that the administration has to resolve the objections and fines on the Income Tax. On January 10, 2020, the Company received notification of the judgment of first instance that declared the claim filed by the Company partially founded, stating that there is a violation of the reasonable period. On April 26, 2021, High Court upheld the exception of non-exhaustion of the administrative means presented by SUNAT, consequently, the lawsuit was inadmissible, and all actions were null and void. On May 10, 2021, the Company filed a constitutional complaint for the Constitutional Court to rule on the Company's lawsuit. On December 28, 2021, Chamber 1 of the Constitutional Court resolved to declare the Company's lawsuit as inadmissible. Against that resolved by Chamber 1 of the Constitutional Court, the Company has appealed for nullity, which to date is pending a ruling.

Per Management's opinion, based on the opinions of both its internal and external legal advisors, in the second quarter of 2022, the Company determined to vary the contingency rating from remote to probable.

VI. Income Tax and VAT of Telefónica Móviles for the years 2003 to 2010

As a result of the audits on Telefónica Móviles for the years 2000 to 2010, SUNAT issued various resolutions for alleged Income Tax omissions, withholdings of the Income Tax of non-residents, withholdings of the Income Tax of the fifth category and VAT, in the latter case, until the year 2007. In some cases, Telefónica Móviles filed appeals and, in other cases, proceeded to pay the tax calculations received, which are explained below.

(a) Income tax and VAT for the year 2003

Regarding the Income Tax for the year 2003, on October 30, 2010, Telefónica Móviles filed a lawsuit requesting the nullity of TCR No. 5018-1-2019 in relation to the following objections: (i) for maintenance and repair of equipment and booths - Account 634003, (ii) the objection to Account 635001 "Rental of office properties", (iii) Objection to the depreciation and/or amortization of assets, (iv) Rejection of challenge to the carry-over loss, (v) Rejection of recognition of the payments made against the IR of VAT - February and March 2003, (vi) Undue calculation of default interest, (vii) Objections to the expense accounts 621002, and (viii) Non-application of interest for justified delay. The court of first instance declared the Company's claim as unfounded. The High Court, following the oral report made on June 10, 2021, declared the judgment of first instance null and void, and ordered that the court of first instance issue a new judgment. To date, the first-instance judgment is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Additionally, on April 4, 2022, the Company received notification of TCR No. 2097-1-2022 that recalculates and complies with the TCR 5018-1-2019, which contains: (i) the incorrect ruling on the lapsing of the tax debt, noting that it is not lapsed, (ii) the undue rounding of the amounts of the arrears interest update, as the tax regulations do not contemplate the same, (iii) the validity of the Compliance IR, which violates the right to the due motivation of the administrative resolutions, with respect to the debt update procedure, and (iv) the serious defects of motivation incurred by the TCR. As such, on July 4, 2022, an contentious administrative claim was filed regarding the aforementioned objections, and which is still pending the qualification.

Furthermore, regarding the Income Tax and VAT for the year 2003, on February 7, 2020, the Company challenged TCR No. 6575-10-2019 judicially, questioning the objections to: (i) depreciation of the cost of assets and assets without documentary support, (ii) DCP, (iii) loss of difference in exchange, (iv) fines linked to those objections, and (v) default interest that were resolved against the Company in the first instance. On June 10, 2021, the oral report was carried out in second instance. On March 22, 2022, the appeal filed by the Company was granted. The High Court declared the judgement of first instance null and void and ordered a new judgement to be issued. To date, the scheduling of an oral report in the first instance is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Subsequently, on March 2, 2021, the Company received notification of IR No. 0150150002700 by means of which SUNAT allegedly complies with TCR No. 6575-10-2019. However, the Company agreeing with the provisions of SUNAT, on March 23, 2021, filed an appeal, which is pending resolution.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as probable regarding the DCP, while carve out is possible.

(b) General Sales Tax for the 2010 Fiscal Year

Regarding the VAT for the year 2010, on December 23, 2010, the Company challenged TCR No.7639-9-2010, by which the following objections were resolved unfavorably: (i) lapsing of the term of commencement of the collection power of DR Nos. 012-003-0076597 to 012-003-0076608 and FR No.012-002-0029133, and (ii) excess recreational expenses that are not deductible according to Income Tax rules. On October 1, 2021, the oral report was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding the TCR No. 7639-9-2010, on January 10, 2010, SUNAT questioned the objections to: (i) management fee, (ii) expenses for management and consultancy services in business management, (iii) intangibles deducted and not paid for the period 2003, (iv) DCP, (v) financial expenses recorded in Accounts 637110 and 671110; (vi) loss of exchange difference from forward contract and loan contract, (vi) recovery of DCP, (vii) modification of the coefficient applicable to payments on account, (ix) tax credit for management and consultancy expenses in business management, and (x) tax credit for reimbursement of interest expenses, which were resolved in a favorable manner for the Company. On January 24, 2020, the Company filed a response to the lawsuit. The court of first instance declared SUNAT's claim as founded. On March 22, 2022, the appeal we filed against the judgment of first instance was granted. The High Court declared the annulment of the judgment of first instance, pending the scheduling of an oral report at first instance.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income tax for the 2009 Fiscal Year

On February 27, 2020, the Company received notification of TCR No. 12147-4-2019, by means of which the TC withdrew the following objections: (i) expenses accrued in the year invoiced and/or received extemporaneously, (ii) roaming services supported by payment vouchers received extemporaneously, and (iii) deduction not accepted for operations not accrued according to the IAS, while the TC maintained the following objections: (i) unsubstantiated credit notes linked to the El Pacífico Peruano - Switzerland Cia - others, (ii) expenses for ITF that does not comply with the principle of causality, and, in addition, (iii) incidence of objections made to Telefónica Móviles for depreciation of fixed assets. The Company, in not agreeing with that resolved by the TC, on May 27, 2020, filed an contentious administrative claim. On September 9, 2021, the oral report was carried out, which is currently pending the issuance of the judgment.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(d) Income Tax for the 2004 Fiscal Year

Regarding the Income Tax for the 2004 year, on May 24, 2020, the Company filed an contentious administrative claim requesting the partial nullity of the TCR No. 10982-9-2019 insofar as that it decided to revoke IR No. 0150140009010 in relation to: (i) inadmissibility of the review appeals Nos. 012-003-0019178 and 012-003-0019180; (ii) tax credit linked to the expenses recorded by a credit line contract (with a base of S/51,072); and (iii) default interest; which were unfavorable to Company interests. On October 28, 2021, the first-instance judgment declaring the claim for default interest to be founded and unfounded regarding the tax credit was notified. The Company and SUNAT filed appeals for the corresponding unfavorable adjudications.

On January 31, 2022, the Superior Chamber upheld the judgment of first instance and, consequently, the parties filed a cassation appeal. On January 18, a hearing was held to determine the merits of the cassation appeals.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding the same year, the TC notified the Company of TCR No. 02663-1-2020 by means of which: (i) it declared the appeal filed with respect to the application regarding elapsing as unfounded, and (ii) it confirmed the IR insofar as the objection to the tax credit for excess recreational expenses. On October 22, 2020, the Company filed an administrative lawsuit against the aforementioned TCR. The oral report in the first instance is scheduled for August 24, 2021.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as probable.

(e) Income Tax for the 2005 Fiscal Year

On October 16, 2020, the Company filed a lawsuit against the declaration of nullity of TCR No. 01849-1-2020, which resolved the following objections unfavorably to Company interests: (i) expenses for unaccepted depreciation related to the cost of works in progress and other fixed assets transferred by the Company, (ii) DCP that was not the subject of the sample analyzed by SUNAT, (iii) interconnection expenses originating from calls with prepaid cards 147, and (iv) payments on account. On October 16, 2020, the Company filed an administrative lawsuit. On May 28, 2021, SUNAT responded to the lawsuit. The oral report was carried out in the first instance on June 23, 2022, which is currently pending the issuance of a judgment.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Regarding TCR No. 01849-1-2020, SUNAT filed an contentious administrative claim regarding the objection of DCP that was not the subject of the sample. On October 01, 2021, the oral submission was carried out in the first instance. The judgement is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

(f) Income Tax for the 2002 Fiscal Year

On October 6, 2021, the Company filed an administrative lawsuit against TCR No. 5586-4-2021 insofar as it dismissed the objections to: (i) expenses for "Depreciation and undue amortization" for allegedly not having credited the value of the cost; (ii) expenses for payments for commission services of sales of telephones, refunds and related reclassifications, included under the expense "Retail Package Commission"; (iii) expenses for payments for miscellaneous services, refunds, and related reclassifications, included under the expense "Services provided by third parties - deduction for INTERCON"; (iv) maintenance and repair of equipment and cabins; and (v) miscellaneous local fees, local and others, fixed monthly charge, requested deductions, VAT for expenses that do not comply with causality. On December 6, 2021, SUNAT responded to the lawsuit. An oral report has been scheduled for June 27, 2022, which is currently awaiting a ruling.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

Furthermore, on March 28, 2022, the Company received notification of TCR No. 1863-4-2022 that recalculates and complies with TCR No. 5586-4-2021, which: (i) unduly applies the legal regime applicable to the acceptance of the incentive regime and incurs various errors in the calculation of the debt to be paid (uncontested debt), required as a condition for said acceptance, (ii) breaches the legal regime established for updating debts by applying the Consumer Price Index (CPI), and (iii) also incurs various defects of due process and motivation. As such, on June 28, 2022, an contentious administrative claim was filed, and the lawsuit is pending qualification.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(g) Income Tax for the 2005 Fiscal Year

On November 30, 2021, the Company filed an contentious administrative claim against TCR No. 7061-3-2021 that upheld the following objections: (i) interim payments; (ii) modification of the coefficient; (iii) recognition of payments made in excess; and (iv) Fine Resolutions. On December 20, 2021, the exception of non-exhaustion of administrative means filed by SUNAT was notified, which was declared unfounded. To date, the first-instance judgment is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

With regard to the same TCR, SUNAT filed a complaint against the objections that were resolved unfavorably: (i) modification of the coefficients applied for the determination of the payments on account of the Income Tax from January to December 2005, and (ii) recognition of the overpayments made in the months of March to May 2005, applied against the Income Tax of 2005, as well as the related fines. On December 31, 2021, the Company responded to the lawsuit. The first instance oral report is scheduled for October 13, 2022.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

Regarding the same year, 2005, on January 4, 2022, the Company filed an administrative lawsuit against TCR No. 8157-4-2021 regarding the following objections: (i) unaccepted depreciation expense referring to the cost of the assets (with registration date as of December 31, 2000) transferred by the Company and not substantiated by documents; and (ii) unaccepted tax depreciation expense referring to the cost of the assets not substantiated by documents, transferred by the Company. Additionally, requesting the declaration of the elapsing of the collection action in application of that resolved in the constitutional judgment of the case of Industrial Paramonga SAC. The Company also requested the non-application of default interest capitalized for the excessive period that it took the tax administration and the Tax Court to resolve. On May 31, 2021, SUNAT responded to the lawsuit. To date, the scheduling of the first-instance oral report is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

For its part, with respect to the same period, on February 4, 2022, the Company was notified with a SUNAT lawsuit by which it requests the nullity of TCR No. 08157-4-2021 corresponding to IR 2005 - TM, insofar as the decision to revoke IR No. 0150140009387 of November 30, 2020, as regards DR No. 012-003-0020174, with respect to the repair for "Amortization of intangibles not accepted." On May 18, 2022, the exception of lack of legitimacy to act that we filed was declared unfounded. On May 24, 2022, the Company filed an appeal against the resolution that rejects the exception of lack of legitimacy to act. On June 8, 2022, an oral report was scheduled for March 9, 2023.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

For its part, SUNAT filed an administrative claim against TCR No. 1097-4-2022 regarding the IR for the year 2006. On May 20, 2022, the lawsuit was answered and an exception was filed for lack of legitimacy to act actively by SUNAT insofar as the claim of full jurisdiction.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

VII. Mobile royalties -

On February 27, 2012, the Ministry of Transport and Communications (MTC) notified the Company of the settlement of the annual payment of the mobile royalties for the use of the radioelectric spectrum corresponding to that year per the General Scheme, arguing that the Special Regime, which Telefónica Móviles acquired at the time, was no longer applicable given its temporary nature.

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

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

The claim of bureaucratic barriers was decided on in the last administrative instance on February 19, 2016, declaring that the calculation methodology contained in the General Scheme constituted a bureaucratic barrier and therefore was inapplicable for Telefónica. This determination applies not only for the year 2012, but for subsequent fiscal years.

In the case of the mobile royalties corresponding to the years 2012, 2013, and 2014, the Company made the payments under protest according to the calculations formulated by the MTC. While the payments corresponding to the years 2015 and 2016 were not made as a precautionary measure was obtained in the procedure of bureaucratic barriers and, as a consequence of the definitive determination from INDECOPI, respectively.

However, on January 18, 2017, the Company received notification of the requirement formulated by the MTC for the payment of the royalties corresponding to the years 2015 and 2016, based on the existence of a precautionary measure ordering INDECOPI to suspend the effects of the ruling that declared that the calculation of the royalties as per the General Scheme constituted a bureaucratic barrier, specifying in the requirement that if the payment was not made within the term granted the respective coercive collection actions would proceed.

On January 27, 2017, the Company responded to the aforementioned requirement stating that (i) as at that date, it had not been notified of any precautionary measure; (ii) it had not been notified with any INDECOPI resolution that ordered the suspension of the effects of its determination; and (iii) pursuant to the provisions of Articles 136 and 115 of the Tax Code, Article 16, subparagraph e) of the Coercive Enforcement Procedure Act, and paragraph 28, article III4 of the Directive approved by Supreme Decree No. 036-2010-MTC, it was not possible to initiate any coercive collection action as the Company had submitted claims with the MTC for the years 2015 and 2016 within the established legal deadlines.

On 7 March, the coercive enforcer suspended the enforcement proceedings. However, in order to avoid a possible allegation by the Ministry that Telefónica would not be paying the royalties and thus starting a procedure to lose the concession, Telefónica proceeded to pay the 2015 and 2016 periods for the corresponding amounts of S/ 50,787,968 and S/ 52,107,136.

On September 24, 2020, the Supreme Court upheld the MTC's appeal for annulment, and consequently the judgment of the Superior Court was null and void. On February 3, 2021, a Superior Court judgment declared the claim as unfounded. On February 18, 2021, we learned that the MTC filed a cassation appeal (we have not yet been notified). On September 1, 2022, the oral report will be made in the Supreme Court.

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

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

VIII. Telefónica Multimedia Income Tax for Fiscal Years 2007, 2010, 2012, 2013, and 2014

As a result of the audits on Telefónica Multimedia for the years 2007, 2010, 2012, 2013, and 2014, SUNAT issued various resolutions at the administrative level for alleged omissions of the IR of the aforementioned periods.

Since it disagreed with SUNAT's decision, Telefónica Multimedia filed a complaint and, in other cases, proceeded to pay the tax calculations received.

(a) Income tax for the 2012 Fiscal Year

As for the 2012 financial year, on June 17, 2015, SUNAT issued DR Nos. 012-003-0059229 to 0059241 and FR Nos. 012-002-0025995 to 0025997. The main objection made by SUNAT corresponds to the expenses that are supported with documentation that were received after the submission of the sworn statement. Not agreeing with what was resolved in the DR and FR, Telefónica Multimedia filed an appeal which was declared unfounded.

In resolving the appeal filed by the Company, the TC: (i) voided the main objection, linked to the expenses that are substantiated by receipts received after the sworn statement, and (ii) the rest of the objections were upheld and is awaiting the issuance of the SUNAT compliance resolution.

Against the aforementioned TCR, on December 11, 2020, the Company filed an contentious administrative claim regarding the following objections that were resolved unfavorably for the Company: (i) income considered unduly deferred and that accrued in 2012; (ii) provision of expenses not accepted as they had not been substantiated; (iii) default interest on account payments from March to December 2013; and (iv) Fine Resolutions regarding Income Tax and its payments on account. On January 18, 2022, the oral report was heard in the first instance. The ruling is still pending.

From the analysis carried out and ratified by the legal opinion of the external advisors, the contingency must be qualified as remote.

Subsequently, within the same administrative procedure, on December 1, 2020, the Company received IR No. 0150150002586, issued in compliance with the TCR detailed in the previous paragraph. However, as the Company disagreed with SUNAT, an appeal was lodged with the TC. Consequently, on July 21, a payment amounting to S/8,745,678 was made.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(b) Income Tax for the 2014 Fiscal Year

Regarding the 2014 financial year, on April 24, 2019, the Company filed an contentious administrative claim challenging TCR No. 149-4-2019 by which IR No. 0150140014378 was upheld. The IR declared the claim made against payment orders No. 011-001-0123981 to 011-0123989 drawn for the payments on account of the Income Tax from January to July, October and December 2014 to be unfounded.

On August 20, 2020, the oral report was carried out. On November 2, 2020, the judgment of first instance upheld the Company's claim, and consequently the TCR became null and void. As such, the payment of default interest due to the modification of the coefficient is not longer required. However, the High Court overturned the first-instance judgement on SUNAT's appeal and declared the application unfounded. On January 12, 2021, an appeal was filed against said judgment, which was declared admissible. The scheduling of the oral report is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

(c) Income Tax for the 2007 Fiscal Year

On October 21, 2020, the Company received notification of a lawsuit filed by SUNAT by means of which it disputes the objections to financial expense for execution of a letter of guarantee and

expenses for payment of a cash promotion for the years 2005, 2006, and 2007. On January 13, 2022, the oral report was heard in the first instance. The ruling is still pending.

Management believes, based on the opinions of both its internal and external legal advisors, the contingency qualifies as remote.

In the same way, the Company has various legal (labor and administrative) regulatory and customs claims being carried out by its external and internal legal advisors. As of June 30, 2022, as stated in Note 2.19, the Company has recorded the necessary provisions for the cases considered probable, leaving as possible contingencies an amount of S/783,299,000 (S/749,917,000 as of December 31, 2021). See Note 21. Management and its legal advisors estimate that the individual outcome of the claims should not have a significant impact on the Company's financial statements.

34 SUBSEQUENT EVENTS

Between June 30, 2021 and the date of approval of the financial statements, there have been no significant subsequent events that in the opinion of Company management require any additional disclosure or any adjustment to the balances presented in the financial statements.