Telefónica Latinoamérica Holding, S.L.
(Sole Shareholder Company)

Auditor´s report
Annual accounts at December 31, 2019
Management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the sole partner of Telefónica Latinoamérica Holding, S.L. (Sole Shareholder Company):

Report on the annual accounts

Opinion

We have audited the annual accounts of Telefónica Latinoamérica Holding, S.L. (the Company), which comprise the balance sheet as at 31 December 2019, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2.1 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant aspects of the audit

The most relevant aspects of the audit are those that, in our professional judgment, were considered to be the most significant risks of material misstatements in our audit of the annual accounts of the current period. These risks were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

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Most relevant aspects of the audit	How our audit addressed the most relevant aspects of the audit
Measurement of investments in Group companies	
A relevant part of Telefónica Latinoamérica Holding, S.L.U.'s assets consist of investments in Group companies. As of December 31, 2019, as described in note 5 of the accompanying annual accounts, the value of non-current investments in Group companies and associates amount to 13.696.857 thousand euros. To assess if there is an impairment in the investments in Group companies, the directors conducts an assessment at least annually or more frequently if events or circumstances indicate the carrying value might not be fully recoverable. Directors determine the recoverable amount at the higher of the fair value less costs to sell and the value in use to which the investment relates. In the event that there is no better evidence of the recoverable amount, the equity of the Group companies is taken into consideration, corrected by the tacit capital gains existing at the valuation date, which correspond to identifiable elements in the balance sheet of the group companies. As described in note 4.3, when the recoverable amount is determined by calculating the present value of future cash flows from the investments, the directors refers to the strategic plans approved by the Telefónica, S.A., parent company of the group to which the company belongs. As described in note 5.1.2, a write down of impairment provision of 988.255 thousand euros has been recognised in the income statement for the year. It is a relevant aspect of the audit due to the significant judgements made my directors when estimating the key assumptions that supports the recoverable amount of investments in Group companies which in turn led to a high degree of auditor judgement in evaluating these assumptions.	We have performed audit procedures, assisted by our valuation experts, on the process followed by directors to determine the recoverable amount of investments in Group companies, including: • Understanding of the company's control environment for the valuation and potential impairment of investments in Group companies. • Verification of the consistency of the data used in the calculation of the value in use with respect to the strategic plans approved by the Board of Directors of Telefónica, S.A. • Analysis of the degree of compliance with the strategic plan approved in the previous year. • Assessment of the significant assumptions employed to determine the recoverable amount, testing reasonableness and consistency. • Evaluation of the adequacy of the disclosures included in the annual accounts in accordance with the applicable legislation. Based on the procedures performed, we consider directors's assessment on the value of investments in Group companies to be reasonable.

Other information: Management report

Other information comprises only the management report for the 2019 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the management report and the annual accounts as a result of our knowledge of the entity obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the management report is consistent with that contained in the annual accounts for the 2019 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the entity’s directors, we determine those risks that were of most significance in the audit of the annual accounts of the current period and are, therefore, considered to be the most significant risks.

We describe these risks in our auditor’s report unless law or regulation precludes public disclosure about the matter.

PricewaterhouseCoopers Auditores, S.L. (S0242)

(Original signed in Spanish)

Fernando Torres Pozo (22224)

26 February 2020

TELEFÓNICA LATINOAMÉRICA HOLDING, S.L.

(Sole Shareholder Company)

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

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TELEFONICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

Balance sheets as at December 31, 2019 and 2018

(Thousand of euros)

ASSETS	2019	Notes	2018
NON CURRENT ASSETS	**13.766.849**		**14.761.118**
Intangible assets	**-**		**3**
Property, plant and equipment	**46**		**110**
Non-current investments in Group companies ans associates	**13.696.857**	**5**	**14.680.531**
Equity instruments	13.696.857	5.1	14.680.531
Long -term financial investments	**1**		**1**
Deferred tax assets	**69.945**	**10**	**80.473**
CURRENT ASSETS	**1.023.904**		**422.437**
Trade and other receivables	**16.253**		**27.848**
Trade receivables	647		6.400
Trade receivables from Group companies and associates	15.557	12.1	21.310
Employee benfits receivable	49		51
Tax receivables	-	10	87
Current investments in Group companies and associates	**371.696**	**5**	**238.405**
Loans and other receivables	19.296	5.2, 11 y 12.1	19.943
Derivatives	1.501	12.1 y 13.1	3.899
Other financial assets	350.899	5.3 y 12.1	214.563
Short - term investments	**660**		**649**
Cash and cash equivalents	**635.295**	**6**	**155.535**
TOTAL ASSETS	**14.790.753**		**15.183.555**

The accompanying Notes 1 to 16 are an integral part of these balance sheets

TELEFONICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

Balance sheets as at December 31, 2019 and 2018

(Thousand of euros)

EQUITY AND LIABILITIES	2019	Notas	2018
EQUITY	**13.021.063**		**13.362.268**
CAPITAL AND RESERVES	**13.020.613**	**7**	**13.361.818**
Share capital	**236.750**	**7.1.1**	**236.750**
Share premium	**5.463.026**	**7.1.1**	**5.463.026**
Reserves	**7.662.042**	**7.1.2**	**7.682.542**
Legal	47.350		47.350
Other reserves	7.614.692		7.635.192
Profit (Loss) for the year	**(341.205)**	**3**	**(20.500)**
UNREALIZED GAINS (LOSSES) RESERVE	**450**		**450**
Hedging instruments	450		450
NON - CURRENT LIABILITIES	**1.579.950**		**1.650.745**
Non - Current provisions	**1.459**		**1.672**
Provisions for other responsabilities	1.459		1.672
Non - current borrowings and other liabilities from Group companies and associates	**1.500.023**	**8.1 y 12.1**	**1.500.013**
Deferred tax liabilities	**78.468**	**10**	**149.060**
CURRENT LIABILITIES	**189.740**		**170.542**
Short-term provisions	**375**		**374**
Other payables to third parties	**-**	**8**	**832**
Current borrowings and other liabilities from Group companies and associates	**172.924**	**8, 10 y 12.1**	**149.948**
Trade and other payables	**16.441**	**9**	**19.388**
Suppliers	15.879		18.948
Accounts payable to personnel	421		421
Other payables to public administrations	141	10	19
TOTAL EQUITY AND LIABILITIES	**14.790.753**		**15.183.555**

The accompanying Notes 1 to 16 are an integral part of these balance sheets

TELEFONICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

Income statements for the years ended December 31, 2019 and 2018

(Thousand of euros)

	2019	Notes	2018
CONTINUED OPERATIONS			
Revenue	**747.336**	**11.1**	**524.615**
Rendering of services	61	12.1	66
Dividens from Group compnaies and assciates	747.275		524.549
Other operating income	**12.444**	**11.1**	**16.254**
Non-core and other current operating revenue	12.444		16.254
Employees benefits expense	**2.308**		**3.231**
Wages, salaries and others	(64)		(1.407)
Social security cost	2.372	11.2	4.638
Other operational expense	**(45.116)**	**11.3**	**(35.587)**
External services - Group companies and associates	(31.157)	12.1	(25.916)
External services - non group companies	(13.477)		(7.585)
Tax other than income tax	(482)		(2.086)
Depreciation and amortization	**(67)**		**(87)**
Impairment and gains (losses) on disposal of financial instruments	**(988.255)**	**5.1.2**	**(438.778)**
Impairment and other losses	(988.255)		(282.693)
OPERATING PROFIT (LOSS)	**(271.350)**		**69.648**
Finance revenue	**7.296**		**2.641**
Interest on loans and other financial instruments	7.296		2.641
Group companies and associates	7.003	12.1	1.672
Third parties	293		969
Finance cost	**(51.699)**		**(65.266)**
Interest on borrow ins from Group companies and associates and other finance c	(51.699)	13.1	(65.266)
Exchange rate gains (losses)	**(6.220)**	**12.5**	**(1.657)**
NET FINANCIAL EXPENSE	**(50.623)**		**(64.282)**
PROFIT (LOSS) BEFORE TAX	**(321.973)**		**5.366**
Income tax	**(19.232)**	**10**	**(25.866)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS	**(341.205)**		**(20.500)**
PROFIT (LOSS) FOR THE YEAR	**(341.205)**	**3**	**(20.500)**

The accompanying Notes 1 to 16 are an integral part of these Income statements

TELEFONICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

Statements of changes in equity for the years ended December 31, 2019 and 2018

A) Statement of recognised income and expense for the years ended December 31, 2019 and 2018

(Thousand of euros)

	2019	Notes	2018
Profit (Loss) for the period	(341.205)		(20.500)
Total income and expense recognixed directly in equity	-		-
Total amounts transferred to income statement	-		-
TOTAL RECOGNIZED INCOME AND EXPENSE	(341.205)		(20.500)

B) Statement of changes in equity for the years ended December 31, 2019 and 2018

(Thousand of euros)

	Share capital (Note 7.1)	Share premium (Note 7.1)	Reserves (Note 7.1)	Profit (Loss) for the year (Note 3)	Acciones y participaciones propias (Note 11.3)	TOTAL
BALANCE AS AT DECEMBER 31, 2017	236.750	5.463.026	7.463.087	219.505	450	13.382.818
Appropriation of prior years profit (loss) 2017	-	-	219.505	(219.505)	-	-
Total recognixed income and expense	-	-	-	(20.500)	-	(20.500)
Other movements	-	-	(50)	-	-	(50)
BALANCE AS AT DECEMBER 31, 2018	236.750	5.463.026	7.682.542	(20.500)	450	13.362.268
Appropriation of prior years profit (loss) 2018	-	-	(20.500)	20.500	-	-
Total recognixed income and expense	-	-	-	(341.205)	-	(341.205)
BALANCE AS AT DECEMBER 31, 2019	236.750	5.463.026	7.662.042	(341.205)	450	13.021.063

The accompanying Notes 1 to 16are an integral part of these Statements of changes in equity

TELEFONICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

Cash flow statements for the years ended December 31, 2019 and 2018

(Thousand of euros)

	2019	Notes	2018
Profit (Loss) before tax	**(321.973)**		**5.366**
Adjunstments to net results	**1.038.945**		**503.147**
Depreciation and amortization	67		87
Impairment of investments in Group companies and associates	988.255	5.1.2	438.778
Finance revenue from loans and other financial instruments	(7.296)	11.4	(2.641)
Finance cost	51.699		65.266
Exchange rate gains (losses)	6.220	11.5	1.657
Change in working capital	**(207.410)**		**(150.279)**
Trade and other receivables and payables	(207.410)		(150.279)
Other cash flows from operating activities	**(55.821)**		**(74.904)**
Net interest received (paid)	(34.431)		(45.726)
Income tax receipts (payements)	(21.390)		(29.178)
CASH FLOWS FROM OPERATING ACTIVITIES	**453.741**		**283.330**
Payments on investments	**(1.926)**		**(459)**
Group companies and associates	(1.926)	5.1	(280)
Inmovilizado material e intangible	-		(179)
Proceeds from dispossals	**6**		**52.228**
Other financial assets	6		52.228
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	**(1.920)**		**51.769**
Pagos por dividendos y remuneraciones de otros instrumentos de patrimonio	**-**		**(390.879)**
Dividends declared	-	8.2	(390.879)
(Payments)/Proceeds form financial liabilities	**-**		**(146)**
Repayment and redemption of debts	**-**		**(146)**
Other borrowings	-		(146)
CASH FLOWS USED IN FINANCING ACTIVITIES	**-**		**(391.025)**
NET FOREIGN EXCHANGE DIFFERENCE	**(262)**		**1.479**
NET INCREASE/(DECREASE) IN CHAS AND CASH EQUIVALENT	**479.760**		**(54.447)**
Cash and cash equivalents January 1	**155.535**		**209.982**
Cash and cash equivalents December 31	**635.295**	**6**	**155.535**

The accompanying Notes 1 to 16 are an integral part of these Cash flow statements

TELEFONICA LATINOAMÉRICA HOLDING, S.L.

(Sole Shareholder Company)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1. BACKGROUND AND GENERAL INFORMATION

Telefónica Latinoamérica Holding, S.A.U. ("Telefónica Latinoamérica" or the "Company" hereinafter), a public company, having its statutory and business seat at Distrito Telefónica, Ronda de la Comunicación s/n, Madrid, Spain, was incorporated under the laws of Spain on November 7, 2012.

The principal activities of the Company are

a) Investment, administration and management activities in the telecommunications sector.

b) The activities of consultancy, sale or transfer of telecommunications technology or engineering.

c) The corporate purpose also includes the acquisition, holding, benefit and disposal of securities, as well as all kinds of holdings in any company or enterprise, by any means permitted by law, including the issue of a public offer for the acquisition and sale of securities.

All the activities listed may be performed either in Spain or abroad and wholly or partially by the Company, either through shareholdings or equity interests in other companies or legal entities with an identical or a similar corporate purpose.

The activities listed shall be carried out in accordance with the legal provisions applicable to the matter and after obtaining, where appropriate, the necessary administrative or other authorisations or licences. The businesses listed shall be carried out in accordance with all laws that apply to each of them and after obtaining any required administrative or other authorisations or licences.

The parent company of Telefónica Latinoamérica is Telefónica, S.A. with registered office at Gran Vía, 28, Madrid (Spain). In accordance with Article 43 of the Commercial Code the Company does not prepare consolidated annual accounts as the annual accounts of the Company are included in the consolidated annual accounts of Telefónica S.A. for the year ended December 31, 2019. These consolidated accounts were prepared on February 19, 2020 and will be filed at the Companies Registry of Madrid.

The functional currency of the Company is the euro.

2. BASIS OF PRESENTATION

2.1 True and fair view

These financial statements have been prepared in accordance with the accounting principles and standards contained in the Spanish GAAP in force approved by Royal Decree 1514/2007 on November 16th (PGC 2007), modified by Royal Decree (RD) 602/2016, dated December 2, 2016. and other prevailing legislation at the date of these financial statements, to give a true and fair view of the Company's equity, financial position, income statements and of the cash flows obtained and applied in 2019.

The financial statements for the year ended December 31, 2019 were prepared by the Joint Directors of the Company for submission for approval of the Sole shareholder, which is expected to occur without modification.

The figures in these financial statements are expressed in thousands of euros, unless indicated otherwise, and therefore may be rounded.

2.2 Comparison of information

The application of accounting principles in the 2019 and 2018 has been consistent, and therefore there have not been significant transactions that should be taken into account in order to ensure the comparison of information included in the annual financial statements of both years

No significant events have occurred that would prevent a comparison of the amounts for the current year with amounts for the previous year.

2.3 Materiality

These financial statements do not include any information or disclosures that, not requiring presentation due to their qualitative significance, have been determined as immaterial or of no relevance pursuant to the concepts of materiality or relevance defined in the PGC 2007 conceptual framework.

2.4 Critical aspects of the valuation and estimation of uncertainty

The financial statements have been prepared using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying value of assets and liabilities, which is not readily apparent from other sources, was established on the basis of these estimates. The Company reviews these estimates on an ongoing basis. Any significant change to the facts and circumstances on which the estimates are based would give rise to a material impact on the profit or loss and financial position of the Company

Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the financial statements of the following year are discussed below:

Provisions for impairment of investments in Group companies and associates

Investments in group companies and associates are tested for impairment at each year end to determine whether an impairment loss must be recognized in the Income statement or a previously recognized impairment loss be reversed. The decision to recognize an impairment loss (or a reversal) involves estimates of the reasons for the potential impairment (or recovery), as well as the timing and amount. In Note 5.1 it is assessed the impairment of these investments.

There is a significant element of judgment involved in the estimates required to determine recoverable amount and the assumptions regarding the performance of these investments, since the timing and scope of future changes in the business are difficult to predict.

Deferred tax assets

The tax Group head company assesses the recoverability of deferred tax assets based on estimates of future earnings and of all the options available to achieve an outcome, it considers the most efficient one in terms of tax within the legal framework the Group is subject to. The ability to recover these taxes depends ultimately on the Tax Group's ability to generate taxable earnings over the period for which the deferred tax assets remain deductible. This analysis is based on the estimated schedule for reversing deferred tax liabilities as well as estimates of taxable earnings, which are sourced from internal projections and are continuously updated to reflect the latest trends.

The appropriate valuation of tax assets and liabilities depends on a series of factors, including estimates as to the timing and realization of deferred tax assets and the projected tax payment schedule. Actual income tax receipts and payments could differ from the estimates made as a result of changes in tax legislation, the outcome of ongoing tax proceedings or unforeseen future transactions that could affect tax balances. The information about deferred tax assets and unused tax credits for loss carry forwards, whose effect has been registered when necessary in balance, is included in Note 10.1.

3. PRPOSED APPROPRIATION OF RESULT

The Company's Joint Directors will submit the following proposed appropriation of 2019 net results for approval at the Sole Shareholder:

(Thousand of euros)	2019
Proposed appropriation:	
Loss for the year	(341.205)
	(341.205)
Distribution to	
Unrestricted reserves	(341.205)
	(341.205)

Limitations to dividends distribution

According to the text of the Capital Companies Act, companies must transfer 10% of profit for the year to a legal reserve until this reserve reaches at least 20% of share capital. Except for certain purposes, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available (Note 7.1.2).

Once covered legal obligations, dividends may only be distributed if the value of the net equity is not, or would not be as consequence of the distribution, reduced to less than the share capital. For these purposes, profits attributed directly to equity may not be distributed, either directly or indirectly. If there are losses from prior years and the net equity of the Company is not, at least, the amount of the share capital, profit are required to be used to repair those losses.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

As stated in Note 2, the Company's financial statements have been prepared in accordance with the accounting principles and standards contained in the Código de Comercio, which are further developed in the Plan General de Contabilidad currently in force (PGC 2007), as well as any commercial regulation in force at the reporting date.

Accordingly, only the most significant accounting policies used in preparing the accompanying financial statements are set out below, in light of the nature of the Company's activities as a holding.

4.1. Intangible assets

Intangible assets are stated at acquisition or production cost, less any accumulated amortization or any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives.

The most significant items included in this caption are computer software licenses, which are generally amortized on a straight-line basis over three years.

4.2. Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any accumulated impairment in value.

Depreciation of an item of property, plant and equipment begins when it is available for use. The Company depreciates its property, plant and equipment using the straight-line method based on the assets' estimated useful lives calculated in accordance with technical studies which are revised periodically based on technological advances and the rate of dismantling, as follows:

Estimated useful life	Years
Other plant or equipment, furniture and office equipment	10
Other items of property, plant and equipment	4 - 10

4.3. Impairment of non-current assets

Non-current assets are assessed at each reporting date for indicators of impairment. Where such indicators exist, or in the case of assets which are subject to an annual impairment test, the Company estimates the asset's recoverable amount as the higher of its fair value less costs to sell and its value in use. In some cases, if there is no better evidence of the recoverable amount, recoverable amount is the net equity of the subsidiary once adjusted with any unrealised gains existing at the valuation date that relate to identifiable items in the investee's balance sheet.

In assessing value in use, the estimated future post-tax cash flows deriving from the use of the asset or its cash generating unit, as applicable, are discounted to their present value, using a post-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the asset, whenever the result obtained is the same that would be obtained by discounting pre-tax cash flows at a pre-tax discount rate.

The Company bases the calculation of impairment on the business plans of the subsidiaries approved by the Board of Directors' of Telefónica, S.A.. The projected cash flows, based on strategic business plans, cover a period of five years not including the present year when the analysis is calculated. Starting with the sixth year, an expected constant growth rate is applied.

4.4. Financial assets and liabilities

Financial investments

All regular way purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

"Investments in group companies and associates" are classified into a category of the same name and are shown at cost less any impairment loss (Note 4.3). Group companies are those over which the Company exercises control, either by exercising effective control or by virtue of agreements with the other shareholders. in terms of percentage ownership but also in qualitative terms such as presence on the board of directors, involvement in decision-making, the exchange of management personnel, and access to technical information.

Finance investments which the Company intends to hold for an unspecified period of time and could be sold at any time to meet specific liquidity requirements or in response to interest rate movements and which have not been included been included in the other categories of financial assets defined in the PGC 2007 are classified as financial assets at fair value through equity. These investments are recorded under "Non-current assets" unless it is probable and feasible that they will be sold within twelve months.

Derivative financial instruments and hedge accounting

When the Company chooses not to apply hedge accounting criteria but economic hedging, gains or losses resulting from changes in the fair value of derivatives are taken directly to the income statement.

4.5. Income tax

The Company is taxed under the regime of Tax Consolidation. Telefónica, S.A. is the head of the tax group.

4.6. Revenues and expenses

Revenue and expenses are recognized on the income statement based on an accrual basis, i.e. when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

The income obtained by the Company in dividends received from Group companies and associates, and from the interest accrued on loans and credits given to them, are included in revenue in compliance with the provisions of consultation No. 2 of BOICAC 79, published on September 30, 2009.

4.7. Related parties transactins

In business merger or spin-off transactions involving the parent company and its direct or indirect subsidiary, as well as in the case of non-monetary contributions of businesses between Group companies and in the case of dividend distributions, when an exemption from preparing consolidated financial statements in accordance with the Standards on Preparing Consolidated Financial Statements (Spanish "NOFCAC") applies, the assets and liabilities may be measured at their pre-transaction carrying amount in the individual financial statements, although there is also the option of using consolidated values in under IFRS as adopted by the European Union, provided that such consolidated information does not differ significantly from that obtained by applying NOFCAC. In addition, the Company may also opt to use the values resulting from a reconciliation to NOFCAC. the change in value arising in the contributing company as results of the above accounting treatment is recognised in reserves.

In relation to mergers and spin-offs, the accounting effective date is deemed to be the opening of the financial in which the merger or spin-off is approved, provided that date is later than the time at which the companies became part of the group. In the event that one of the companies involved joined the group in the course of the financial year in which the merger or spin-off takes place, the accounting effective date is deemed to be the date of acquisition.

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Detail and movements of investment in group companies and associates for years 2019 and 2018 are as follows:

2019 (Thousand of euros)	Opening balance	Additions	Disposals	Transfers	Exchange differences	Closing balance	Fair value
Non current assets	**14.680.531**	**(1.089.092)**	**105.433**	**(15)**	**-**	**13.696.857**	**13.488.255**
Equity instruments (1)	**14.680.531**	**(1.089.092)**	**105.433**	**(15)**	**-**	**13.696.857**	**13.488.255**
Equity instruments (Cost)	16.372.722	4.596	-	-	-	16.377.318	-
Impairment losses	(1.692.191)	(1.093.688)	105.433	(15)	-	(2.680.461)	-
Current assets	**238.405**	**727.323**	**(570.207)**	**-**	**(23.825)**	**371.696**	**371.696**
Loans and other receivables	19.943	-	-	-	(647)	19.296	19.296
Derivatives (Note 13.1)	3.899	1.501	(3.899)	-	-	1.501	1.501
Other financial assets	214.563	725.822	(566.308)	-	(23.178)	350.899	350.899

2018 (Thousand of euros)	Opening balance	Additions	Disposals	Transfers	Exchange differences	Closing balance	Fair value
Non current assets	**15.118.714**	**(603.127)**	**164.619**	**325**	**-**	**14.680.531**	**13.342.404**
Equity instruments (1)	**15.118.714**	**(603.127)**	**164.619**	**325**	**-**	**14.680.531**	**13.342.404**
Equity instruments (Cost)	16.392.538	280	(19.787)	(309)	-	16.372.722	-
Impairment losses	(1.273.824)	(603.407)	184.406	634	-	(1.692.191)	-
Current assets	**221.143**	**476.408**	**(438.686)**	**(438)**	**(20.022)**	**238.405**	**238.405**
Loans and other receivables	72.394	2	(52.453)	-	-	19.943	19.943
Derivatives (Note 13.1)	1.311	3.899	(1.311)	-	-	3.899	3.899
Other financial assets	147.438	472.507	(384.922)	(438)	(20.022)	214.563	214.563

(1) The fair value at December 31, 2019 and 2018 of equity instruments in Group companies quoted in active markets (Telefónica Brasil, S.A. and Telefónica del Perú, S.A.A.) was calculated taking the listing of those investments on the last day the rest of the shareholdings are stated at the value of the discounted cash flows based on those entities business plans.

5.1. Equity instruments

5.1.1. Equity instruments (Cost):

a) Acquisitions and capital increases

On March 29, 2019, the Company acquired 15,582,458 shares in Telefónica Centroamérica, S.A. representing 20% of its share capital for a total amount of 1,105 thousand american dollars (equivalent to 984 thousand euros). On October 30, 2019, the shareholders of Telefónica Centroamérica, S.A. approved, in general meeting, a capital increase in which the Company subscribed its proportionate share by cash contribution of 950 thousand american dollars (equivalent to 855 thousand euro).

On December 30, 2019 the Company acquired 15,582,458 shares in Terra Networks Chile, S.A. representing 99.,99% of its share capital for a total amount of 2,671 thousand euros (Note 8.2).

In 2018, as part of the reorganisation of the business in Argentina carried on by the Telefónica Group, the Company acquired 5% stakes in Wayra Argentina, S.A., Pléyade Argentina, S.A. and TIWS Argentina II, S.A. for an amount of 145, 77 and 58 thousand euros respectively. In 2019 year the Company suscribed capital increases in both TIWS Argentina II, S.A. and Wayra Argentina, S.A. in the amounts of 30 thousand euros and 56 thousand euros respectively.

The transactions described above are recorded in the "Additions" column of the accompanying table of movements in "Investments in Group companies and associates.

b) Company Mergers and liquidations

On December 4, 2018, the General Shareholders' Meeting of Terra Networks Colombia, S.A.S. approved the final account for its liquidation and the distribution of the surplus, and resolved to dissolve the company. Telefónica Latinoamérica received 34,756 thousand Colombian pesos (equivalent to 9 thousand euros). The company's dissolution took effect on December 7, 2018.

Terra Networks Venezuela, S.A. was definitively liquidated on 30 November 2018.

Those transactions are recorded in the "Disposals" column of the movements in "Investments in Group companies and affiliates" table for year 2018.

c) Spin-off of subsidiaries

On 30 November 2018, the General Shareholders' Meeting of Media Networks Latin América, S.A.C. approved a partial spin-off comprising the assets and part of the liabilities linked to its Internet Satellite business which was transferred to Telefónica Servicios TIWS S.A.C. with effects December 1, 2018 by means of a capital increase of that company. The net book value of the block transferred amounted to 10,983 thousand peruvian pesos. As a result of the spin-off, Telefónica Latinoamérica holds a 41.11% of the share capital of Telefónica Servicios TIWS S.A.C. and the net book value of that participation had a value of 2,859 thousand euros at the time of the spin-off.

The fair value of the transferred assets and liabilities at the spin off date amounted to 4,087 thousand euros.

This transaction is part of the Telefónica Group's corporate reorganisation of the satellite business of Media Networks.

The transaction is recorded in the "Transfers" column of the movements in "Investments in Group companies and affiliates" table for the 2018 attached.

5.1.2. Assessment of impairment of investments in group companies and associates

At each year end, the Company re-estimates the future cash flows derived from its investments in Group companies and associates. The estimate is based on the expected cash flow to be received from each subsidiary in its functional currency, discounted using the appropriate rate, net of the liabilities associated with each investment considering the percentage of ownership in each subsidiary and translated to euros at the official closing rate of each currency as at December 31.

As a result of the estimations in 2019 a write down of impairment provision in the amount of 988,255 thousand euros (438,778 thousand euros in 2018) was recognized in the Income Statement. This amount principally reflects:

- The partial reversal of the impairment provision in Sao Paulo Telecomunicações Participaçoes, Ltda. In the amount of 93,227 thousand euros (writte down in the amount of 358,980 thousand euros in 2018).
- Writte down for Colombia Telecomunicaciones, S.A. ESP in the amount of 72,958 thousand euros (partial reversal amounting to 149,853 thousand euros in 2018).

- Writte down for Telefónica Móviles Argentina, S.A. and Telefónica de Argentina, S.A. in the amount of 274,261 thousand euros and 34,073 thousand euros respectively (writte down amounting 139,248 thousand euros and 71,421 thousand euros respectively in 2018).

- Writte down for Telefónica del Perú, S.A.A. and Latin America Cellular Holdings, S.L. amounting to 299,574 and 387,885 thousand euros respectively.

These impacts are recognized as “Impairment and other losses” in the attached Income statement.

Main assumptions used for the calculation of the discounted cash flows of investments

2019 has been a turbulent year in Peru, both economically and politically. The legislative paralysis caused by disagreement among the principal actors and the lack of a clear majority was compounded by the major confrontation between the Congress and the President, which led to legislative elections and the still-pending intervention of the courts. The economy also disappointed during the year, with growth in 2019 1.5pp lower than expected at the beginning of the year, chiefly due to specific domestic factors (strikes in the mining industry) and structural factors (paralysis of public investment and loss of confidence in institutions). In terms of business, the impact of regulation and the competitive intensity of the market negatively impacted the operator’s mobile service revenues.

In Argentina, the country’s delicate financial situation, which accelerated after the virulent financial impact of the primary elections held in August 2019, the deterioration in economic activity and the uncertainty resulting from the continuing absence of a new sustainable economic-financial programme following the establishment of the new government, put pressure on financial variables and a business plan leading to the generation of less cash compared to previous years. In the calculation of financial assumption, WACC rate expressed in local currency takes account of inflation affecting business flows over the timeframe of the plan, converging on a perpetual discount rate of around 22% and nominal perpetual growth of 10%, consistent with the expected normalisation of the rate of inflation. Those two variables are also aligned with the consensus hard currency market forecasts for Argentina.

Despite the growth rate in 2019 in Brazil has been lower than its target during the first half of the year (1.2% versus target of 2.5%), it was due to external and sporadic effects (such as commercial war, crisis in Argentina and environmental damages). Since July 2019, a visible change in the trend is observed and the economic variables behaved in a more dynamic way. In addition, a decrease in the inflation rate was registered and accordingly, the interest rates have been reduced by 250 bps to the lowest historical figure both in a notional and real basis to encourage private consumption. Fiscal objectives for the year have been over-fulfilled, strengthening the credibility of the country regarding this aspect. On the other hand, relevant political reforms have been approved, with respect to Social Security system, among others and these reforms guide Brazil into a path of debt stability and productivity rise. In terms of the variables used in the Strategic Plan of the company, the OIBDA margin for Brazil is around 40%, within the range of analysts' long-term forecasts (at around 43%). Over the term of the business plans, the operator will invest a percentage in line with the investment needs forecasted by analysts (around 18%). The scenario of low interest rates already mentioned has resulted in a decrease in the cost of debt of the company, and the WACC (Weighted average cost of capital) has fallen from 11.2% in 2018 to 10% in 2019. Terminal growth rate, in the case of Brazil is consistent with the inflation target of the Brazilian Central Bank for the midterm (4% ±1.5 percentage points), in line with inflation rates expected by the range of analysts over the period of the Strategic Plan (below 4.5%) and lower than expected nominal GDP growth (around 6.5%), and a conservative view has been maintained in keeping with analysts’ forecasts.

5.2. Loans and other receivables

Loans and other receivables for the 2019 financial year includes the tax credit related to the reversal of the deferred liabilities from intra-group transactions amounting to 18,146 thousand euros (Note 10).

5.3. Other financial assets

This item mainly includes the movements in the outstanding dividends as at December 31, 2019 and 2018.

5.4. Detail of subsidiaries and associates

The information relating to subsidiaries and associates as at December 31, 2019 and 2018 including indirect interest held by the Company in the share capital of the companies is detailed in Appendix 1.

The Company has given the relevant notices to investee companies under Article 155 of the Capital Companies Act.

The average share price for the last quarter and the last day quotation for listed companies as at December 31, 2019 and 2018 is as follows:

Year 2019:

Company			T loker	Quotation 2019		Quotation 2019	
				Avg.Q4 2019	Closing 2019	Avg.Q4 2019	Closing 2019
Telefónica Brasil S.A.							
	BOVESPA						
		Ons	VIVT3 BZ	45,99	49,04 BRL	10,43	10,83 EUR
		PNs	VIVT4 BZ	55,16	57,98 BRL	12,50	12,81 EUR
Telefónica del Perú S.A.A.							
	Lima Stock Exchange						
			TELEFBC1 PE	0,89	1,12 PEN	0,24	0,30 EUR

Year 2018:

Company			T loker	Quotation 2018		Quotation 2018	
				Avg.Q4 2018	Closing 2018	Avg.Q4 2018	Closing 2018
Telefónica Brasil S.A.							
	BOVESPA						
		Ons	VIVT3 BZ	42,00	41,20 BRL	11,68	10,38 EUR
		PNs	VIVT4 BZ	50,02	48,62 BRL	13,91	2,25 EUR
	New York Stock Exchange						
		ADRs	VIV US	15,39	14,83 BRL	13,66	9,30 EUR
Telefónica del Perú S.A.A.							
	Lima Stock Exchange						
			TELEFBC1 PE	1,955	1,94 PEN	0,53	0,50 EUR

5.5. Transactions under the Special Tax Regime

No transactions that qualify for special tax regime were carried out in 2019. Transactions qualified for special tax regime carried out in prior years are disclosed in the financial statements for those years.

6. CASH AND CASH EQUIVALENTS

The breakdown of this heading as at 31 December 2019 and 2018 is as follows:

(Thousands of euros)	Balance as at December 31, 2019	Balance as at December 31, 2018
Cash and cash equivalents Group companies and associates	635.295	155.535
Total	**635.295**	**155.535**

"Cash and cash equivalents Group companies and associates" as at December 31, 2019 and 2018 includes the bank accounts in euros and american dollars held by the Company in Telfisa Global, B.V., with a balance of

634,961 thousand euros and 375 thousand american dollars (equivalent to 334 thousand euros) as at December 31, 2019 and 150,042 thousand euros and 6,291 thousand American dollar (equivalent to 5,493 thousand euros) as at 31 December 2018. Positive balances bear interest Euribor/Libor 1 month. Negative balances accrue interest Euribor/Libor 1 month plus 200 basis points margin.

7. EQUITY

7.1. Capital and reserves

7.1.1. Share capital and Share premium reserve

As at December 31, 2019, the share capital of Telefónica Latinoamérica Holding, S.L.U. was set at 236,750,275 euros represented by 236,750,275 fully subscribed and paid-up shares with a par value of 1 euro each.

The Sole Shareholder of the Company as at December 31, 2019 and 2018 is Telefónica, S.A.

7.1.2. Reserves

The breakdown and movements in the items comprising the reserves are as follows:

(Thousand of euros)	Balance as at December 31, 2017	Other movements	Appropriation of results 2017	Balance as at December 31, 2018	Appropriation of results 2018	Balance as at December 31, 2019
Legal reserve	**39.675**	-	7.675	**47.350**	-	**47.350**
Other reserves	**7.423.412**	(50)	211.830	**7.635.192**	(20.500)	**7.614.692**
Total	**7.463.087**	**(50)**	**219.505**	**7.682.542**	**(20.500)**	**7.662.042**

Legal reserve

Under the Capital Companies Act, an amount equal to 10% of the profits for the year must be transferred to the legal reserve until this reserve reaches, at least, the 20% of the share capital. As at December 31, 2019 the legal reserve is fully funded.

The legal reserve can be used to increase capital by the amount exceeding 10% of the increased share capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available.

Other reserves

These reserves include undistributed profits of the Company and can be freely distributed. During 2019 and 2018, the main movement of this item was the appropriation of result of previous year.

These reserves are unrestricted reserves.

8. FINANCIAL LIABILITIES

The breakdown of financial liabilities as at December 31, 2019 and 2018 is as follows:

(Thousand of euros)	Fair value		Amortized cost	Total carrying amount as at December 31, 2019	Fair value		Amortized cost	Total carrying amount as at December 31, 2018
	Financial liabilities held for trading	Subtotal financial liabilities at fair value	Trade and other payables		Financial liabilities held for trading	Subtotal financial liabilities at fair value	Trade and other payables	
Non - current financial liabilities								
Borrowings and other liabilities from Group companies and associates (Note 12.1)	-	-	1.500.023	**1.500.023**	-	-	1.500.000	**1.500.000**
Long-term borrowings	-	-	1.500.000	**1.500.000**	-	-	1.500.000	**1.500.000**
Other liabilities	-	-	23	**23**	-	-	13	**13**
Current financial liabilities								
Trade and other payables	-	-	16.441	**16.441**	-	-	19.388	**19.388**
Current borrowings and other liabilities from Group companies and associates	1.606	**1.606**	171.318	**172.924**	1.456	**1.456**	148.492	**149.948**
Short term accrued interest from borrowings (Note 12.1)	-	-	87	**87**	-	-	87	**87**
Derivatives (Note 12.1 y 13.1)	1.606	**1.606**	-	**1.606**	1.456	**1.456**	-	**1.456**
Others liabilities (Note 13.1)	-	-	4.590	**4.590**	-	-	5.338	**5.338**
Tax liabilities (Note 10)	-	-	131.834	**131.834**		-	107.472	**107.472**
Trade and other payables (Note 13.1)	-	-	34.807	**34.807**	-	-	35.595	**35.595**

8.1. Long term borrowings

On November 24, 2016, the Company entered into a loan agreement with Telefónica Finanzas, S.A.U. for an amount of 1,500 million euros maturing on November 24, 2021. The loan bears interest EURIBOR plus a 208 basis points margin. The fair value as at December 31, 2019 of this loan amounts to 1,562,492 thousand euros (1,566,694 thousand euros as at December 31, 2018).

Finance transactions entered into with Group companies are on market conditions.

8.2. Other debts

As at December 31, 2019, this heading includes the amount pending payment with Inversiones Telefónica Internacional Holding, S.A. for the acquisition of its stake in Terra Networks Chile, S.A., 2,671 thousand euros (Note 5.1).

8.3. Trade and other payables

This caption includes the amounts payable related to the Management Fee agreement and other services rendered by Group companies.

Short term financial liabilities fair value does not differ significantly from book value.

9. TRADE AND OTHER PAYABLES

Information on deferred payments to third parties. (Third additional provision, "Information requirement" of Law 15/2010 of July, 5)

In accordance with the aforementioned Law, the following information corresponding to the Company is disclosed:

	2019	2018
	Number of days	
Weighted average maturity period	**31**	**57**
Ratio of payments	31	57
Ratio of outstanding invoices	22	55
	Thousand of euros	
Total payments	29.842	29.201
Outstandinginvoices	338	585

Telefónica Latinoamérica Holding, S.A.U. has adapted its internal processes and payment schedules to the provisions of Law 15/2010 (amended by Law 31/2014) and Royal Decree 4/2013, amending Law 3/2004, establishing measures against late payment in commercial transactions. Engagement conditions with commercial suppliers, as contractually agreed with them, in 2019 and 2018 included payment periods with a maximum of 60 days.

For efficiency reasons and in line with general practice in the business, the Company has set payment schedules, whereby payments are made on set days. Invoices falling due between two payment days are settled on the following payment date in the schedule.

10. INCOME TAX

Tax balances as at December 31, 2019 and 2018 are as follows:

(Thousand of euros)	2019	2018
Tax receivables:	**88.091**	**98.706**
Deferred tax assets (Note 10.1)	69.945	80.473
Tax receivables	-	87
VAT	-	87
Loans and other receivables (Note 5.2)	18.146	18.146
Tax liabilities	**210.443**	**256.551**
Deferred tax liabilities (Nota 10.1)	78.468	149.060
Current borrow ings and other liabilities Group companies and associate	131.834	107.472
Current payables to public administrations	141	19
VAT	123	-
Social security	4	5
Others	14	14

"Current borrowings and other liabilities Group companies and associates" mainly includes the debt with Telefónica, S.A. for inspection assessments of the 2005-2007 period in the amount of 67,435 thousand euros and the amount accrued related to Corporate income tax 2019 net of advanced payments made during the 2019, in an amount of 63,408 thousand euros.

10.1. Deferred tax assets and liabilities

The balances and movements in deferred tax assets and liabilities as at December 31, 2019 and 2018 are as follows:

2019 (Thousand of euros)	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Total deferred tax liabilities
Opening balance	**20.976**	**15.983**	**43.514**	**80.473**	**149.060**
Reversal	-	(754)	(771)	(1.525)	-
Transfers to the tax group's net position	-	-	(9.003)	(9.003)	(70.592)
Closing balance	**20.976**	**15.229**	**33.740**	**69.945**	**78.468**

2018 (Thousand of euros)	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Total deferred tax liabilities
Opening balance	**20.976**	**17.497**	**42.833**	**81.306**	**220.249**
Reversal	-	(1.514)	(1.048)	(2.562)	(1.349)
Transfers to the tax group's net position	-	-	1.729	1.729	(69.840)
Closing balance	**20.976**	**15.983**	**43.514**	**80.473**	**149.060**

The main impact on "Temporary differences, assets" in the 2019 relates to the reversal of provisions for staff compensation and indemnities amounting to 754 thousand euros. In addition, 771 thousand euros of international double taxation deductions for the year 2018 that cannot be used by the tax Group have been reversed. Transfers amounting 9,003 thousand euros mainly relate to the Tax Group's use of donation tax credits and international double taxation tax credits against Corporate Income tax for 2018 amounting to 959 thousand euros and 10,744 thousand euros, respectively, and the generation of 2,714 thousand euros of international double taxation tax credits in 2019.

However, and in accordance with Transitional Provision 16 as amended by Royal Decree Law 3/2016 of 2 December, which requires the integration by fifths of portfolio impairment losses deductible in the tax base prior to January 1, 2013, 70.592 thousand euros has been reversed; this movement is recognised as a transfer in the movement table.

10.2. Reconciliation of accounting profit (loss) to taxable income and income tax expense to income tax payable

The calculation of the income tax expense and income tax payable for 2019 and 2018 is as follow.

(Thousand of euros)	2019	2018
Accounting profit (loss) before tax from continuing operations	**(321.973)**	**5.366**
Permanent differences	**233.865**	**(107.270)**
Arising in the year	233.865	(107.270)
Temporary differences	**273.342**	**273.362**
Arising in prior years	273.342	273.362
Tax result	**185.234**	**171.458**
Gross tax payable	46.309	42.865
Corporate income tax payable	**46.309**	**42.865**
Temporary differences for tax valuation	(68.336)	(68.374)
Other impacts	10.380	(660)
Corporate income tax accrued in Spain	46.309	42.865
Forein taxes	30.879	52.035
Income tax	**19.232**	**25.866**
Current income tax	87.568	94.240
Deferred income tax	(68.336)	(68.374)

The permanent differences mainly correspond to the net allocation of accounting valuation adjustments made by the Company to its shareholdings that do not have associated deferred tax liabilities and to exempt dividends received.

Temporary differences mainly represent the recognition of the reversal of tax impairment under Transitional Provision 16 of the Corporate Tax Law (Note 11.1).

The Other impacts heading mainly includes the difference between the corporation tax provisions of the Corporate Income tax calculated in December 2018 and the final return filed in July 2019 and the effect of the change in the tax rate in the provision recognised for inspection assessments for 2005-2007, 9,634 thousand euros.

10.3. Other information

In July 2019, new inspections were initiated in several of the companies belonging to the Tax Group, of which Telefónica, S.A. is the parent company and Telefónica Latinoamérica Holding, S.L. is one of its subsidiaries. The items and periods being audited are Corporate Income Tax for the years 2014-2017 and value added tax, withholdings and Personal income tax for employees, income from movable and immovable capital and income from non-residents from May 2015 to 2018. As a result of the ongoing inspection process and the financial years to be inspection, it is not considered necessary to recognise additional liabilities in the annual accounts of Telefónica Latinoamérica Holding, S.L.

In relation to the Corporate income tax audits for the period 2008-2011, the head of the tax group was notified on January 22, 2019 of the decision of the Central Economic-Administrative Court partially granting the relief requested in the framework of the economic-administrative claims brought against the final calculations that concluded the inspection.

In this regard, Telefónica was notified on March 15, 2019 of the decision to enforce that Decision. However, because the tax group did not accept that Decision, due among other reasons to the non-inclusion of late payment interest, it lodged an appeal before the Central Economic-Administrative Court, which was resolved on June 13, 2019, giving rise to the award of a compensatory amount in favour of Telefónica S.A. as head of the Tax Group in 2019.

In relation to the corporate income tax audits for the period 2005-2007 and the period 2008-2011, which ended in 2012 and 2015 respectively, following the proceedings that followed those audits, Telefónica, S.A., as the head of the Tax Group, did not agree with the principles for the use of negative taxable bases and deductions and appealed and is currently awaiting a ruling in both sets of proceedings at the National Appeal Court.

As a result of the final outcome of the litigation described no requirement to recognise further liabilities is believed to exist at the close of the 2019.

11. REVENUES AND EXPENSES

11.1. Revenues

Dividends from subsidiaries

The detail of the amounts recognized in 2019 and 2018 is as follows:

(Thousand of euros)	2019	2018
Telefónica Móviles del Uruguay, S.A.	28.621	24.243
Telefónica Brasil, S.A.	341.478	371.060
SP Telecomunicaciones Participaçoes Ltda.	240.552	118.364
Otecel, S.A.	104.659	-
Telefónica Móviles Argentina, S.A.	31.965	10.876
Pléyade Argentina, S.A.	-	6
Total	**747.275**	**524.549**

Rendering of services

The Company has signed contracts to provide management support services its subsidiaries. The revenue recognised in 2019 for this concept amounts to 11,133 thousand euros (11,890 thousand euros in 2018).

11.2. Personnel expenses and employee benefits

The breakdown of social security cost is as follows:

(Thousand of euros)	2019	2018
Social security	149	290
Pension plans	(2.544)	(3.704)
Other benefits	23	67
Total	**(2.372)**	**(3.347)**

In 2019, pension plans includes 2,604 thousand euros relating to the reinbursment of contributions made by Telefónica Internacional, S.A.U. (actually Telefónica Latinoamérica Holding, S.L.U.) to the Directors' Pension Plan in prior years. The contributions have been recovered as the employees concerned did not qualify any more for this benefit. In 2018, the reinbursment amounted to 5,058 thousand euros. The Company currently has no outstanding obligations related to this pension plan.

11.3. External services

External services with Group companies and associated include the amount accrued for management support services rendered by Telefónica, S.A., 23,548 thousand euros (18,881 thousand euros in 2018).

The Company has a representative office in Beijing. All transactions carried out by this office have been in Chinese Yuan (CNY). The impact of this branch in this item in 2019 amounts to 1,197 thousand euros and 323 thousand euros in 2018.

11.4. Financial revenues

For 2019 and 2018 this heading records the interest accrued on derivative transactions 6,913 thousand euros in the 2019 and 1,573 thousand euros in the 2018.

11.5. Excchange differences

The breakdown of exchange gains recognized in the income statement is as follows:

(Thousand of euros)	2019	2018
Positive exchange differences	**35.887**	**42.801**
On current operations	609	681
On derivatives	34.079	41.676
On other items	1.199	444
Negative exchange differences	**(42.107)**	**(44.458)**
On current operations	(165)	(427)
On derivatives	(26.341)	(23.011)
On other items	(15.601)	(21.020)
Total	**(6.220)**	**(1.657)**

Other items includes the impact of the fluctuation of the exchange rates in the outstanding receivables related to dividends by subsidiaries, mainly nominated in Brazilian reais and American dollars.

12. RELATED PARTIES TRANSACTIONS

12.1. Sole Shareholer and Group companies and associates

Telefónica Latinoamérica Holding, S.L.U. is a holding company that has subsidiaries in Latin America and is part of a larger group whose parent company is Telefónica, S.A. (Sole Shareholder). Telefónica's Group companies operate in the telecommunications, media and entertainment industries.

The most relevant transactions between the Company and the Telefónica Group are described in each of the notes to these financial statements. The most significant balances and transactions with Telefónica Group companies, recognized in the balance sheet and income statement are presented below:

Details of balances as at December 31, 2019 and 2018 with Group companies and associates:

2019	Assets				Liabilities				
(Thousand of euros)	Trade receivables	Loans and other receivables (Note 5.3)	Derivatives (Nota 13.1)	Other financial instruments (Nota 5.4)	Non current borrowings and other liabilities (Nota 8)	Derivatives (Nota 13.1)	Short term accrued interest on borrowings (Note 8)	Other liabilities (Nota 8)	Trade and other payables (Nota 8)
Telefónica, S.A. (Parent company)	-	18.146	1.501	-	23	1.606	-	38	21.466
Telefónica Finanzas, S.A.U.	-	-	-	-	1.500.000	-	87	-	
Telefónica Brasil, S.A.	-	-	-	174.054	-	-	-	-	8.858
Otecel, S.A.	480	-	-	103.205	-	-	-	-	-
Telefónica Móviles Argentina, S.A	4.493	-	-	-	-	-	-	1.338	2.273
Sao Paulo Telecom Participaçoes, Ltda	-	-	-	73.640	-	-	-	-	-
Telefónica Venezolana, C.A	1.584	-	-		-	-	-	-	445
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	2.414	-	-	-	-	-	-	-	-
Telefónica Chile, S.A.	972	-	-	-	-	-	-	-	-
Telefónica del Perú, S.A.C	3.293	-	-	-	-	-	-	-	-
Telefónica Móviles Chile, S.A.	1.390	-	-	-	-	-	-	-	-
Inversiones Telefónica Internacional Holding, S.A.	-	-	-	-	-	-	-	2.671	-
Terra Networks Argentina, S.A.	-	1.150	-	-	-	-	-	-	-
Otras empresas del Grupo Telefónica	931	-	-	-	-	-	-	543	1.765
Total	**15.557**	**19.296**	**1.501**	**350.899**	**1.500.023**	**1.606**	**87**	**4.590**	**34.807**

2018 (Thousand of euros)	Assets				Liabilities				
	Trade receivables	Loans and other receivables (Note 5.3)	Derivatives (Nota 13.1)	Other financial instruments (Nota 5.4)	Non current borrowings and other liabilities (Nota 8)	Derivatives (Nota 13.1)	Short term accrued interest on borrowings (Note 8)	Other liabilities (Nota 8)	Trade and other payables (Nota 8)
Telefónica, S.A. (Parent company)	-	18.146	3.899	-	13	1.456	-	-	19.377
Telefónica Finanzas, S.A.U.	-	-	-	-	1.500.000	-	87	-	-
Telefónica Brasil, S.A.	-	-	-	-	-	-	-	-	13.313
Otecel, S.A.	445	-	-	-	-	-	-	3.293	-
Telefónica Móviles Argentina, S.A	8.762	-	-	-	-	-	-	1.587	1.202
Sao Paulo Telecom Participaçoes, Ltda	-	-	-	214.563	-	-	-	-	-
Telefónica Venezolana, C.A	1.371	-	-	-	-	-	-	-	444
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	1.418	-	-	-	-	-	-	-	-
Telefónica Chile, S.A.	1.042	-	-	-	-	-	-	-	-
Telefónica del Perú, S.A.C	3.682	-	-	-	-	-	-	-	-
Telefónica Móviles Chile, S.A.	1.435	-	-	-	-	-	-	-	-
Terra Networks Argentina, S.A.	-	1.797	-	-	-	-	-	-	-
Otras empresas del Grupo Telefónica	3.155	-	-	-	-	-	-	458	1.259
Total	**21.310**	**19.943**	**3.899**	**214.563**	**1.500.013**	**1.456**	**87**	**5.338**	**35.595**

Transactions with Group companies and associates in 2019 and 2018:

2019 (Thousand of euros)	Other operating income	Interest on loans and other financial instruments	External services	Interest on borrowings
Telefónica, S.A. (Parent company)	-	6.913	23.616	20.066
Telefónica Brasil, S.A.	-	-	4.654	-
Telefónica Finanzas, S.A.	-	-	15	31.633
Telfisa Global, B.V.	-	90	209	-
Telefónica Contenidos, S.A.	-	-	1.298	-
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	1.470	-	-	-
Telefónica Móviles Argentina, S.A.	4.257	-	1.071	-
Telefónica del Perú, S.A.A.	2.276	-	-	-
Telefónica Móviles Chile, S.A.	1.345	-	-	-
Telefónica Chile, S.A.	902	-	-	-
Otecel, S.A.	610	-	-	-
Otras empresas del Grupo Telefónica	1.429	-	294	-
TOTAL	**12.289**	**7.003**	**31.157**	**51.699**

2018 (Thousand of euros)	Other operating income	Interest on loans and other financial instruments	External services	Interest on borrowings
Telefónica, S.A. (Parent company)	-	1.573	18.955	33.631
Telefónica Brasil, S.A.	-	-	3.338	-
Telefónica Finanzas, S.A.	-	-	15	31.634
Telfisa Global, B.V.	-	99	-	1
Colombia Telecomunicaciones, S.A. ESP	98	-	363	-
Telefónica Contenidos, S.A.	-	-	1.272	-
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	3.083	-	-	-
Telefónica Móviles Argentina, S.A.	4.678	-	1.202	-
Telefónica del Perú, S.A.A.	2.829	-	-	-
Telefónica Móviles El Salvador, S.A. de C.V.	687	-	-	-
Telefónica Móviles Chile, S.A.	1.536	-	-	-
Telefónica Chile, S.A.	1.135	-	-	-
Telefónica Celular de Nicaragua, S.A.	573	-	-	-
Otras empresas del Grupo Telefónica	1.622	-	771	-
TOTAL	**16.241**	**1.672**	**25.916**	**65.266**

12.2. Joint Directors and senior management

The Joint Directors of Telefónica Latinoamérica Holding, S.L.U. have not received any remuneration of any kind for the performance of their duties.

During the 2019 and 2018 financial years, the Joint Directors have not entered into any transactions with Telefónica, S.A. or with a company of the same Group other than those derived from the ordinary course of their businesses.

As at December 31, 2019 and 2018, the Company had no life insurance obligations to the Joint Directors and no guarantee obligations on their behalf.

As at December 31, 2019 and 2018 there were no prepayments granted to Joint Directors.

In relation to article 229 of the Corporate Enterprises Act, the Joint Directors have stated that they are not subject to any situation of conflict with the interests of the Company.

13. DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICY

13.1. Derivative financial instruments

In 2019 the Company continued to use derivatives to limit the risk of unhedged interest and exchange rate positions and to adapt debt structure to market conditions.

The Company arranges all the derivatives with Telefónica, S.A. and are carried out on market conditions.

As at December 31, 2019 and 2018, outstanding derivatives transactions are foreign exchange derivatives and are recognised in the balance sheet at fair value, as assets or liabilities depending on their nature, under the following headings:

(Thousand of euros)	Balance as at December 31, 2019	Balance as at December 31, 2018
Derivatives (Note 12.1)	1.501	3.899
Current borrowings and other liabilities from Group companies and associatess - Derivatives (Note 12.1)	(1.606)	(1.456)
Total	**(105)**	**2.443**

The breakdown of Telefónica Latinoamérica Holding, S.A.U.'s exchange rate derivatives as at December 31, 2019 and 2018, notional amounts at year end and outstanding values at that date is as follows:

2019	Nocional	Company pays		Company recives		Fair value
	Thousand of euros	Nominal	Currency	Nominal	Currency	Thousand of euros
NON Hedging derivatives						
Forwards	**348.611**					**(105)**
BRL/EUR	4.281	4.281	EUR	19.500	BRL	9
EUR/BRL	241.125	1.091.400	BRL	238.035	EUR	(1.523)
EUR/USD	103.205	115.894	USD	104.530	EUR	1.409
Total	**348.611**					**(105)**

2018	Nocional	Company pays		Company recives		Fair value
	Thousand of euros	Nominal	Currency	Nominal	Currency	Thousand of euros
NON Hedging derivatives						
Forwards	**217.893**					**2.443**
BRL/EUR	3.333	3.333	EUR	14.600	BRL	(54)
EUR/BRL	214.560	952.217	BRL	215.288	EUR	2.497
Total	**217.893**					**2.443**

All transactions are arranged at short-term.

The breakdown of the financial results from derivatives not classified as hedges in the 2019 amounted to 20,066 thousand euros (33,361 thousand euros in 2018) of interest rate expenses, 6,913 thousand euros of financial revenue (1,573 thousand euros in 2018) and 7,738 thousand euros of net foreign exchange gains (18,665 thousand euros in 2018) (Note 11.5).

13.2. Risk management policy

Financial management in Telefónica Group is centralised in the ultimate parent company, Telefónica, S.A., in terms of decision-making and adoption of policies and objectives. The parent company directly monitors and manages the global risk of the entire Group from a consolidated perspective. Accordingly, the Company follows the parameters set by the parent company for taking positions and performing certain finance transactions to hedge risks that are disclosed in the Telefónica Group's consolidated financial statements and its individual financial statements.

The Company is exposed to various financial market risks, mainly as a result of (i) its ordinary businesses (ii) equity investments, and (iii) debt assumed to finance its businesses.

The main market risks affecting the Company and risk management policy are as follows:

Exchange rate risk

Foreign currency risk primarily arises in connection with the Company's international presence, through its investments and businesses in countries that use currencies other than euro (in Latin America), and from the existence of debt denominated in currencies other than that of the country where the business is conducted or the home country of the company incurring such debt.

The primary goal of the foreign exchange risk management policy is that, in the event of currency depreciation against the euro, any potential losses in the value of cash flows generated by business in those currencies caused by exchange rate depreciations against the euro are, at least partially, offset by savings from the lower euro value of foreign currency debt. The degree of hedging varies for each type of investment.

The principal transactions that generate or may generate exchange rate risk with or without effect on the income statement) are, among others, highly probable transactions in foreign currency, incoming future cash flows in foreign currency, investments and divestments, provisions for receipts or payments in foreign currency, the value of investments (subsidiaries) in currencies other than the euro.

Interest rate risk

Interest rate risk arises mainly from changes in interest rates affecting (i) the finance costs of variable rate debt through interest rate fluctuations, and (ii) the value of long-term fixed rate liabilities held by its investees.

The Company’s financing is referenced to the Euribor (Note 8.1).

Other risk

The Company also has potential liquidity risk arising from the possibility of a mismatch between funding requirements (operating and finance expenses, investments, debt maturities and dividends) and sources of funds, mainly operating income, dividends and divestments. The cost of raising funds may also be affected by changes in the credit spreads required by lenders. In this regard, the Company should be able to pay all its commitments in the next 12 months without recourse to new credits (using credit facilities granted and not drawn down), on the assumption that the budget is met.

Finally, the Company is exposed to country risk (which overlaps with market and liquidity risks). This refers to the possible decline in the value of assets, cash flows generated or cash flows returned to the parent company as a result of political, economic or social instability in the countries where the Company operates. In order to mitigate this risk, the Company has a policy of repatriating funds generated by its investees that are not needed to undertake new profitable business development opportunities in the region.

In relation to repatriated funds to Spain, 566,308 thousand euros (385,359 thousand euros in 2018) were received as dividends from Latin American companies.

The Telefónica Group actively manages the risks described in order to reduce cash flow and income statement fluctuations, or to balance any fluctuations with opposite movements in debt. This is intended to protect the Group's solvency and to facilitate financial planning and the pursuit of investment opportunities.

The Company actively manages those risks through a policy of derivative financial instruments, mainly related to exchange rates, and a policy of paying funds to Spain.

Derivatives policy

The policy adopted by the Company's parent company on the use of derivatives stresses the following points:

- Clearly identified underlying asset upon which the derivative is applied.
- Match between the underlying asset and one side of the derivative.
- Match between the company that contracts the derivative and the company that has the underlying asset.
- Ability to value the derivative at market price, using the valuation systems available at Telefónica.
- Selling options only when there is an underlying exposure.

Hedge accounting

Hedges can be classified as:

- Fair value.
- Cash flow, which may be for any value of the risk to be hedged (mainly interest rates and exchange rates) or for a limited range of the risk through options.
- Net investment hedge for foreign group companies and affiliates".

Hedges may consist of a set of different derivatives. The management of accounting hedges need not be static, with the hedging relationship remaining unchanged until the maturity of the hedge. Hedging ratios may be altered to allow for appropriate management in accordance with the stated principles of stabilising cash flows, financial performance and protecting the value of equity. Thus, hedges may be derecognised as hedges, prior to the expiry of the hedge, either because of a change in the underlying, a change in the perception of risk in the underlying, or a change in the view of the markets. Derivatives included in such hedges may be reallocated to other potential new hedges that are required to meet performance criteria and be well documented. To measure the effectiveness of transactions defined as accounting hedges, the Company assesses the extent to which any changes in the fair value or cash flows of the hedge would balance changes in the fair value or cash flows of the hedged item attributable to the hedged risk, using linear regression for both prospective and retrospective tests.

Risk management guidance is issued by the Corporate Finance Department of the Telefónica Group which may authorise reasoned deviations from the policy, normally due to the narrowness of the markets with respect to the volume of transactions or to clearly limited and reduced risks.

During the 2019 financial year, the policy of using derivative financial instruments to limit risks in unhedged exchange rate positions continued.

14. OTHER INFORMATION

14.1. Employees structure

As at December 31, 2019 and 2018 the Company had no employees.

14.2. Audit Fees

The expenses accrued refer to the fees for services rendered by the various member firms of the PricewaterhouseCoopers network, of which PricewaterhouseCoopers Auditores, S.L., the Company's auditor, forms part, amounted to 119 thousand euros in the 2019 and 119 thousand euros in 2018. Those payments relate to the audit service exclusively.

14.3. Security and Guarantees

Letter of guarantee granted to the company Casiopea (Luxembourg) on the reinsurance line it has arranged with Telefónica Móviles México.

Casiopea granted a reinsurance line to cover the operator's surety transactions, with a limit of 800,000 thousand mexican pesos and a drawn amount of 277,561 thousand mexican pesos (37,765 thousand euros and 13,103 thousand euros).

Letters of guarantee granted to the company Casiopea (Luxembourg) on the reinsurance lines it has formalised with Colombia Telecomunicaciones, S.A. ESP.

Casiopea granted reinsurance lines to cover the surety, collateral and guarantee transactions of these operators, for a total limit of 223,000 thousand american dollars (198,584 thousand euros); the amount drawn down at the end of the year was 10,800 thousand American dollars (9,618 thousand euros).

14.4. Litigation

As at 31 December 2019 and 2018, the Company had no ongoing legal proceedings which could give rise to financial loss in the future.

14.5. Commitments

Commitment to Telefónica de Contenidos

On 31 March 2010, Telefónica Internacional, S.A.U. (currently Telefónica Latinoamérica Holding, S.L.U.) signed an irrevocable commitment to enter into a Rights Assignment Agreement with Telefónica de Contenidos, S.A.U., for the exploitation of the historical catalogue of football match content from the 1997-2009 seasons and bullfights. The contract is worth €17.7 million (plus VAT), payable over 14 years from January 2011.

On 28 December 2011, Telefónica de Contenidos, S.A.U. acquired 22% of the share capital of DTS Distribuidora de Televisión Digital, S.A., thus being fulfilled the condition precedent to the commitment of Telefónica Internacional, S.A.U. to enter into a Rights Assignment Agreement with Telefónica de Contenidos, S.A.U. for the exploitation of the so-called historical football and bullfighting catalogues.

Link to Telefónica Internacional, S.A.U. as a strategic partner of Colombia Telecomunicaciones, S.A., ESP.

Pursuant to the provisions of amendment no. 2 to the Framework Investment Agreement dated 21 September 2017, once the merger between Colombia Telecomunicaciones, S.A. ESP and Telefónica Móviles Colombia, S.A. had been carried out the Colombian Nation could at any time, offer Telefónica all or part of the shares the Nation owned and Telefónica would be obliged to acquire them (directly or through any of its subsidiaries) in the event that Colombia Telecomunicaciones, S.A. ESP had a cumulative EBITDA growth of less than 5.75% in the measurement periods and provided that, during the twelve (12) months following the date of the Ordinary Meetings at which the measurement was made, at least, one of the following actions took place: 1) Colombia Telecomunicaciones, S.A. ESP made payments to the Strategic Partner of Brand Fee or any other type of payment to the Strategic Partner for the use of the Strategic Partner's trademarks or 2) decreed and/or paid dividends with the vote in favour of the Strategic Partner. This right expired on 22 March 2019.

In exercise of the Nation's right to require Telefónica to vote in favour of the registration of the shares of Colombia Telecomunicaciones, S.A. ESP in the National Registry of Securities and Issuers and on the

Colombian Stock Exchange, on 22 March 2018, at the request of the Nation, the Ordinary Universal Shareholders' Meeting of Colombia Telecomunicaciones, S.A. ESP voted in favour of the registration of Colombia Telecomunicaciones, S.A. ESP and its shares in the National Registry of Securities and Issuers and on the Colombian Stock Exchange. Telefónica has no obligation to acquire or transfer any of the shares representing the capital of Colombia Telecomunicaciones, S.A. ESP that it owns, either as a result of this agreement or as a result of the registration of the shares in the National Registry of Securities and Issuers and on the Colombian Stock Exchange. Following registration with the National Registry of Securities and Issuers on 10 May 2018, on 23 May 2018 the Colombian Stock Exchange approved the conditional registration of the shares of Colombia Telecomunicaciones, S.A. ESP on the Colombian Stock Exchange, subject to the Nation's compliance with the publication of the first public offer announcement to the solidarity sector in accordance with the provisions of Law 226 of 1995 (20 December) under which Article 60 of the Political Constitution is implemented with regard to the disposal of state share holdings, measures are taken for their democratisation and other provisions are enacted. On 2 August 2018, the Nation - Ministry of Finance and Public Credit, in its capacity as shareholder in Colombia Telecomunicaciones, S.A. ESP, published an announcement of the public offer of the shares it owned in Colombia Telecomunicaciones, S.A. ESP to the solidarity sector in accordance with Law 226 of 1995, and, therefore, as of such publication, Colombia Telecomunicaciones, S.A. ESP and its ordinary shares were listed on the Colombian Stock Exchange. By means of Information Bulletin no. 242 of 3 October 2018, the Colombian Stock Exchange announced that the first stage of the programme for the disposal of the shares owned by the Nation - Ministry of Finance and Public Credit in Colombia Telecomunicaciones, S.A. ESP aimed at the solidarity sector was declared null and void due to the fact that no acceptances were received during the term of the offer.

The term for the Nation's Share Disposal Programme was one year from July, 13 2018. The Nation could extend the term for up to one more year, suspend it or terminate it in advance. The Nation did not extend the term of the Disposal Programme.

In addition, the Framework Investment Agreement also provides that, (a) in the event that Telefónica decides to dispose or transfer all or part of its shareholding in Colombia Telecomunicaciones, S.A. ESP to third parties, it is obliged (i) to require the acquirer or transferee to subscribe to the Framework Investment Agreement, and (ii) to impose on the acquirer or transferee the obligation to submit a purchase offer for the Nation's entire shareholding in Colombia Telecomunicaciones, S.A. ESP, (which amounts to 32.5% of the share capital) at the same price and under the conditions negotiated with Telefónica, and under the procedure established by law for the disposal of shares owned by state-owned entities, and (b) in the event that the Nation transfers its shareholding to a third party in certain circumstances, the Strategic Partner will enter into a new shareholders' agreement with such an acquirer, which will then have to be negotiated by the parties and, as appropriate, it will include some of the rights currently recognised for the Nation under the current Framework Investment Agreement.

15. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred since the end of the financial year and up to the date of preparation of these annual accounts.

16. ADITIONAL NOTE FOR THE ENGLISH TRANSLATION

The annual financial statements were originally prepared in Spanish and were authorized for issue by the Joint Directors in the meeting held on February 24, 2020. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I:

Details of subsidiaries and associates as at December 31, 2019

(Thousand of euros)					Income (Loss)			
Name and corporate purpose	% direct ownership	% indirect ownership	Share capital	Reserves	From operations	For the year	Dividends received year 2019 (Note 12.1)	Net carrying amount (Note 5)
Latin America Cellular Holdings, S.L.U. Registered office: España Corporate purpose: Holding	100%	-	54	987.413	(385.337)	(384.926)	-	1.333.676
Telefónica Venezolana, C.A. (1) Registered office: Venezuela Corporate purpose: Telecomunications services	-	97,04%	8.051	(132.573)	19.304	102.065	-	-
Telefónica Móviles del Uruguay, S.A. Registered office: Uruguay Corporate purpose: Telecomunications services	100%	-	37.195	131.737	48.792	40.458	28.621	-
Telefónica del Perú, S.A.A (1) (3) (*) Registered office: Perú Corporate purpose: Telecomunications services	50,18%	48,31%	684.463	916.049	(80.082)	(301.174)	-	844.903
Colombia Telecomunicaciones, S.A. ESP (2) Registered office: Colombia Corporate purpose: Telecomunications services	51,52%	8,08%	1.048	1.628.262	166.690	40.449	-	1.306.879
Otecel, S.A. Registered office: Ecuador Corporate purpose: Telecomunications services	100,00%		136.625	106.374	63.438	(9.235)	104.659	514.399
Telefónica Brasil, S.A. (1) (4) (*) Registered office: Brasil Corporate purpose: Telecomunications services	24,09%	11,92%	23.164.194	(7.536.071)	1.654.116	1.152.298	341.478	5.744.638
SP Telecomunicaciones Participaçoes Ltda. Registered office: Brasil Corporate purpose: Holding	60,60%	-	5.345.514	(1.674.891)	1.149	206.279	240.552	3.117.744
Telefónica de Argentina S.A. Registered office: Argentina Corporate purpose: Telecomunications services	14,61%	21,10%	942.506	7.371	(77.930)	(68.363)	-	68.383
Telefónica Móviles Argentina S.A. Registered office: Argentina Corporate purpose: Telecomunications services	25,28%	-	327.873	2.039.734	8.988	(102.101)	31.965	562.292
Telefónica Internacional Holding, B.V. Registered office: Paises Bajos Corporate purpose: Holding	100%	-	18	128.527	(29.761)	(27.806)	-	100.740
Media Networks Latin América S.A.C Registered office: Perú Corporate purpose: Telecomunications services	99,99%	-	81.618	(6.398)	23.724	7.269	-	80.905
Telefónica Holding Atticus, B.V. Registered office: Paises Bajos Corporate purpose: Holding	100%	-	18	4.780	(312)	(311)	-	3.563
Terra Networks Perú, S.A. Registered office: Perú Corporate purpose: Access and Portal Service Provider	99,99%	-	2.561	2.457	114	56	-	5.073
Terra México Holding, S.A. de C.V. Registered office: México Corporate purpose: Holding	99,99%	-	32.531	(20.226)	(201)	168	-	6.939
Telefónica Centroamérica, S.A. Registered office: Panamá Corporate purpose:	20,00%	-	22.242	(13.256)	(7.356)	(10.532)	-	-
Telefónica Servicios TIWS SAC Registered office: Perú Corporate purpose: Telecomunications services	41,11%	-	6.846	(2.482)	3.682	3.270	-	2.859
Telefónica Technology (Beijing) Company Limited Registered office: China Corporate purpose: Telecomunications services	100%	-	1.000	(772)	33	37	-	265
Wayra Argentina, S.A. Registered office: Argentina Corporate purpose: Development and support of projects in the field of ICT	5%	-	13.329	(10.812)	(94)	749	-	163
Terra Networks Chile, S.A. Registered office: Chile Corporate purpose: Access and Portal Service Provider	99,99%	-	37.439	(35.361)	178	224	-	2.301
Terra Networks Argentina, S.A. Registered office: Argentina Corporate purpose: Access and Portal Service Provider	99,99%	-	2.242	(2.564)	1.063	1.390	-	1.068
Pléyade Argentina Registered office: Argentina Corporate purpose: Insurance intermediation	3,05%	-	32	(15)	411	417	-	22
TIWS ARGENTINA II Registered office: Argentina Corporate purpose: Telecomunications services	5,00%	-	2.653	467	(1.869)	(2.180)	-	45
Total							**747.275**	**13.696.857**

(*) Companies listed on international stock exchanges at December 31, 2019. Nota 5.5
(1) Consolidated data
(2) This company owns a 8,08% of the stake of Colombia Telecomunicaciones, S.A. ESP througth Latin America Cellular Holdings, S.L.U.
(3) This company owns a 48,31% of the stake of Telefónica del Perú, S.A.A. througth Latin America Cellular Holdings, S.L.U.
(4) This company owns a 11,92% of the stake of Telefónica Brasil, S.A. througth SP Telecomunicaciones Partipaçoes, Ltda.

APPENDIX I:

Details of subsidiaries and associates as at December 31, 2018

(Thousand of euros)					Income (Loss)			
Name and corporate purpose	% direct ownership	% indirect ownership	Share capital	Reserves	From operations	For the year	Dividends received year 2017 (Note 12.1)	Net carrying amount (Note 5)
Latin America Cellular Holdings, S.L.U. (2) Registered Office: España Company purpose: Holding	100%	-	54	1.139.954	(427.923)	(258.783)	-	1.721.560
Telefónica Venezolana, C.A. (1) Registered Office: Venezuela Company purpose: Telecomunications services	-	97,04%	803.827	(604.547)	(71.319)	(129.196)	-	-
Telefónica Móviles del Uruguay, S.A. Registered Office: Uruguay Company purpose: Telecomunications services	100%	-	37.195	126.489	57.363	50.879	33.561	-
Telefónica del Perú, S.A.A (1) (3) (*) Registered Office: Perú Company purpose: Telecomunications services	50,18%	48,31%	684.463	965.242	100.333	(52.118)	-	1.144.477
Colombia Telecomunicaciones, S.A. ESP Registered Office: Colombia Company purpose: Telecomunications services	51,52%	8,08%	1.049	1.496.168	119.582	86.409	-	1.229.984
Otecel, S.A. Registered Office: Ecuador Company purpose: Telecomunications services	100,00%		116.140	233.731	38.246	8.132	27.896	536.744
Telefónica Brasil, S.A. (1) (4) (*) Registered Office: Brasil Company purpose: Telecomunications services	24,09%	11,92%	23.164.194	(5.575.958)	1.873.540	1.310.052	294.434	5.744.638
SP Telecomunicaciones Participaçoes Ltda. Registered Office: Brasil Company purpose: Holding	60,60%	-	5.345.514	(1.198.210)	(24.357)	320.175	200.278	3.383.497
Telefónica de Argentina S.A. Registered Office: Argentina Company purpose: Telecomunications services	17,54%	20,26%	231.623	240.594	52.007	(9.990)	-	173.877
Telefónica Móviles Argentina S.A. Registered Office: Argentina Company purpose: Telecomunications services	25,28%	-	196.807	812.698	559.333	351.258	56.133	975.801
Telefónica Internacional Holding, B.V. Registered Office: Paises Bajos Company purpose: Holding	100%	-	18	154.835	(55.881)	(52.457)	-	128.572
Telefónica Holding Atticus, B.V. Registered Office: Paises Bajos Company purpose: Holding	100%	-	18	42.276	(33.378)	(33.377)	-	3.563
Terra Networks Perú, S.A. Registered Office: Perú Corporate purpose: Access and Portal Service Provider	99,99%	-	2.561	2.131	1.388	1.065	-	5.757
Terra Networks Argentina, S.A. Registered Office: Argentina Corporate purpose: Access and Portal Service Provider	99,99%	-	1.474	(34)	226	(116)	-	1.324
Terra Networks Venezuela, S.A. Registered Office: Venezuela Corporate purpose: Access and Portal Service Provider	100%	-	1.026	(1.020)	1	(3)	-	3
Terra México Holding, S.A. de C.V. Registered Office: México Company purpose: Holding	99,99%	-	32.531	(17.910)	(4.634)	(2.947)	-	6.939
Terra Networks Colombia, S.A. Registered Office: Colombia Company purpose: Holding	99,74%	-	394	(350)	(46)	(28)	-	16
Media Networks Latin América S.A.C Registered Office: Perú Company purpose: Telecomunications services	99,99%	-	84.517	(25.799)	15.712	1.860	-	61.884
Telefónica Technology (Beijing) Company Limited Registered Office: China Company purpose: Telecomunications services	100%	-	1.000	(913)	13	(9)	-	78
Total							**612.302**	**15.118.714**

(*) Companies listed on international stock exchanges. Nota 5.5
(1) Consolidated data
(2) This company owns a 8,08% of the stake of Colombia Telecomunicaciones, S.A. ESP througth Latin America Cellular Holdings, S.L.U.
(3) This company owns a 48,31% of the stake of Telefónica del Perú, S.A.A. througth Latin America Cellular Holdings, S.L.U.
(4) This company owns a 11,92% of the stake of Telefónica Brasil, S.A. througth SP Telecomunicaciones Partipaçoes, Ltda.

TELEFÓNICA LATINOAMÉRICA HOLDING, S.L. (Sole Shareholder Company)

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2019

This report is submitted for the purpose of compliance with laws now in force. The Company decided not to prepare consolidated annual accounts for the current financial year in reliance on the exemption in the Royal Decree on Consolidation.

Loss of the year in the amount of 341,205 thousand euros is mainly the result of the following factors:

- 747,336 thousand euros as dividend income.
- Impairment loss in the investments in Group companies and associates amounting to 988,255 thousand euros.
- Finance losses totalling 50,623 thousand euros, which mainly include finance expenses for interest amounting to 51,669 thousand euros arising from interest accrued on loans and interest rate charges on derivatives.

Total assets of the Company as at December 31, 2019 amounts to 14,790,753 thousand euros, of which 13.696.857 thousand euros represents interest in Group companies and associates.

The Company has positive working capital of 834.164 thousand euros.

As at December 31, 2019, the share capital of the Company was set at 236,750,275 euros, represented by 236,750,275 shares of par value 1 euro each.

Prospects

No significant changes in the Company’s profit or loss are expected and the Joint Directors will continue their efforts to maintain the Company’s business.

Research and Development

The Company has not carried out any Research and Development during 2019.

Risk management policy:

The Company's risk management policy is described in Note 13 of the annual financial statements for 2019.

Events after the reporting period:

No material events have occurred since the end of the financial year and up to the date of preparation of the annual financial statements.

MR. DIEGO COLCHERO PAETZ AND MR. FRANCISCO JAVIER ARIZA GARROTE, JOINT DIRECTORS OF TELEFÓNICA LATINOAMÉRICA HOLDING, S.L.

HEREBY CERTIFIES:

That this document, all pages of which have been initialled by the undersigned and authenticated with the Company's seal, contains the Annual Financial Statements (Balance Sheet, Income statement, Statement of Changes in Equity, Cash Flow Statement and Notes to the Financial Statements) and the Management Report of "Telefónica Latinoamérica Holding, S.L." for the 2019 Financial Year which have been prepared by the Joint Directors of the Company and validly approved on today's date.

That, in accordance with Article 253 of Royal Legislative Decree 1/2010 of 2 July to approve the restated text of the Capital Companies Act, in accordance with Article 37.1.3 of the Commercial Code, the Joint Directors of "Telefónica Latinoamérica Holding, S.L.", sign below this document on this last page.

Madrid, a 24 February 2020

Mr. Diego Colchero Paetz	Mr. Francisco Javier Ariza Garrote