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

Auditor´s report
Annual accounts at December 31, 2020
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 2020, 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 2020, 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.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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, 2020, as described in note 5 of the accompanying annual accounts, the value of non-current investments in Group companies and associates amount to 7.496.707 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 and requires the use of a high degree of judgment in estimating said cash flows.This judgment is accentuated by the uncertainty in the evolution of business as a result of the crisis caused by COVID-19. As described in note 5.1.2, a write down of impairment provision of 2.194.908 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 at the end of the year with the latest forecast of result for the year 2020. • Assessment of the significant assumptions employed to determine the recoverable amount, testing reasonableness and consistency based on a comparison with external market and industry data. • 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 2020 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 2020 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)

10 March 2021

TELEFÓNICA LATINOAMÉRICA HOLDING, S.L.

(Sole Shareholder Company)

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2020

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MANAGEMENT REPORT

- Management Report for the financial year ended December 31, 2020

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

Balance sheets as at December 31, 2020 and 2019

(Thousand of euros)

ASSETS	2020	Notes	2019
NON CURRENT ASSETS	**7.552.850**		**13.766.849**
Property, plant and equipment	**-**		**46**
Non-current investments in Group companies ans associates	**7.496.707**	**5**	**13.696.857**
Equity instruments	7.496.707	5.1	13.696.857
Long -term financial investments	**1**		**1**
Deferred tax assets	**56.142**	**10**	**69.945**
CURRENT ASSETS	**3.611.001**		**1.023.904**
Trade and other receivables	**13.384**		**16.253**
Trade receivables	-		647
Trade receivables from Group companies and associates	12.994	12.1	15.557
Employee benfits receivable	-		49
Tax receivables	390	10	-
Current investments in Group companies and associates	**520.763**	**5**	**371.696**
Loans and other receivables	388.149	5.2, 10 y 12.1	19.296
Derivatives	1.313	12.1 y 13.1	1.501
Other financial assets	131.301	5.3 y 12.1	350.899
Short - term investments	**334**		**660**
Cash and cash equivalents	**3.076.520**	**6**	**635.295**
TOTAL ASSETS	**11.163.851**		**14.790.753**

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, 2020 and 2019

(Thousand of euros)

EQUITY AND LIABILITIES	2020	Notes	2019
EQUITY	**10.882.243**		**13.021.063**
CAPITAL AND RESERVES	**10.881.793**	**7**	**13.020.613**
Share capital	**236.750**	**7.1.1**	**236.750**
Share premium	**5.463.026**	**7.1.1**	**5.463.026**
Reserves	**7.320.837**	**7.1.2**	**7.662.042**
Legal	47.350		47.350
Other reserves	7.273.487		7.614.692
Profit (Loss) for the year	**(2.138.820)**	**3**	**(341.205)**
UNREALIZED GAINS (LOSSES) RESERVE	**450**		**450**
Hedging instruments	450		450
NON - CURRENT LIABILITIES	**109.429**		**1.579.950**
Non - Current provisions	**952**		**1.459**
Provisions for other responsabilities	952		1.459
Non - current borrowings and other liabilities from Group companies and associates	**3**	**8.1 y 12.1**	**1.500.023**
Deferred tax liabilities	**108.474**	**10**	**78.468**
CURRENT LIABILITIES	**172.179**		**189.740**
Short-term provisions	**375**		**375**
Current borrowings and other liabilities from Group companies and associates	**157.042**	**8, 10 y 12.1**	**172.924**
Trade and other payables	**14.762**	**9**	**16.441**
Suppliers	11.345		15.879
Accounts payable to personnel	-		421
Other payables to public administrations	3.417	10	141
TOTAL EQUITY AND LIABILITIES	**11.163.851**		**14.790.753**

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, 2020 and 2019

(Thousand of euros)

	2020	Notes	2019
CONTINUED OPERATIONS			
Revenue	**326.125**	**11.1**	**747.336**
Rendering of services	65	12.1	61
Dividens from Group compnaies and assciates	326.060		747.275
Other operating income	**12.208**	**11.1**	**12.444**
Non-core and other current operating revenue	12.208		12.444
Employees benefits expense	**1.647**		**2.308**
Wages, salaries and others	(63)		(64)
Social security cost	1.710	11.2	2.372
Other operational expense	**(29.235)**	**11.3**	**(45.116)**
External services - Group companies and associates	(23.923)	12.1	(31.157)
External services - non group companies	(3.865)		(13.477)
Tax other than income tax	(1.447)		(482)
Depreciation and amortization	**(46)**		**(67)**
Impairment and gains (losses) on disposal of financial instruments	**(2.324.765)**		**(988.255)**
Impairment and other losses	(2.194.908)	5.1.2	(988.255)
Gains (losses) on disposal and other gains and losses	(129.857)	5.1.1	-
OPERATING PROFIT (LOSS)	**(2.014.066)**		**(271.350)**
Finance revenue	**15.146**		**7.296**
Interest on loans and other financial instruments	15.146		7.296
Group companies and associates	14.913	5.2 y 12.1	7.003
Third parties	233		293
Finance cost	**(21.382)**		**(51.699)**
Interest on borrowins from Group companies and associates and other finance cost	(21.382)	13.1	(51.699)
Exchange rate gains (losses)	**(2.384)**	**12.5**	**(6.220)**
NET FINANCIAL EXPENSE	**(8.620)**		**(50.623)**
PROFIT (LOSS) BEFORE TAX	**(2.022.686)**		**(321.973)**
Income tax	**(116.134)**	**10**	**(19.232)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS	**(2.138.820)**		**(341.205)**
PROFIT (LOSS) FOR THE YEAR	**(2.138.820)**	**3**	**(341.205)**

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, 2020 and 2019

A) Statement of recognised income and expense for the years ended December 31, 2020 and 2019

(Thousand of euros)

	2020	Notes	2019
Profit (Loss) for the period	**(2.138.820)**		**(341.205)**
Total income and expense recognized directly in equity	**-**		**-**
Total amounts transferred to income statement	**-**		**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(2.138.820)**		**(341.205)**

B) Statement of changes in equity for the years ended December 31, 2020 and 2019

(Thousand of euros)

	Share capital (Note 7.1)	Share premium (Note 7.1)	Reserves (Note 7.1)	Profit (Loss) for the year (Note 3)	Net unrelized gains (losses)	TOTAL
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 recognized income and expense	-	-	-	(341.205)	-	**(341.205)**
Other movements	-	-		-	-	-
BALANCE AS AT DECEMBER 31, 2019	**236.750**	**5.463.026**	**7.662.042**	**(341.205)**	**450**	**13.021.063**
Appropriation of prior years profit (loss) 2019	-	-	(341.205)	341.205	-	-
Total recognized income and expense	-	-	-	(2.138.820)	-	**(2.138.820)**
BALANCE AS AT DECEMBER 31, 2020	**236.750**	**5.463.026**	**7.320.837**	**(2.138.820)**	**450**	**10.882.243**

The accompanying Notes 1 to 16 are 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, 2020 and 2019

(Thousand of euros)

	2020	Notes	2019
Profit (Loss) before tax	**(2.022.686)**		**(321.973)**
Adjunstments to net results	**2.333.431**		**1.038.945**
Depreciation and amortization	46		67
Impairment of investments in Group companies and associates	2.194.908	5.1.2	988.255
Gains (losses) on disposal and other gains and losses	129.857		
Finance revenue from loans and other financial instruments	(15.146)	11.4	(7.296)
Finance cost	21.382		51.699
Exchange rate gains (losses)	2.384	11.5	6.220
Change in working capital	**99.276**		**(179.208)**
Trade and other receivables and payables	99.276		(179.208)
Other cash flows from operating activities	**18.933**		**(55.821)**
Net interest received (paid)	68.948		(34.431)
Income tax receipts (payements)	(50.015)		(21.390)
CASH FLOWS FROM OPERATING ACTIVITIES	**428.954**		**481.943**
Payments on investments	**(4.531)**		**(1.926)**
Group companies and associates	(4.531)		(1.926)
Proceeds from dispossals	**3.516.833**		**6**
Group companies and associates	3.516.833		-
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	**3.512.302**		**(1.920)**
(Payments)/Proceeds form financial liabilities	**(1.500.038)**		**-**
Repayment and redemption of debts	**(1.500.038)**		**-**
Borrowings from Group companies and associates	(1.500.000)	8	-
Other borrowings	(38)		-
CASH FLOWS USED IN FINANCING ACTIVITIES	**(1.500.038)**		**-**
NET FOREIGN EXCHANGE DIFFERENCE	**6**		**(262)**
NET INCREASE/(DECREASE) IN CHAS AND CASH EQUIVALENT	**2.441.225**		**479.760**
Cash and cash equivalents January 1	**635.295**		**155.535**
Cash and cash equivalents December 31	**3.076.520**	**6**	**635.295**

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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.. These consolidated accounts were prepared on February 24, 2021 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 2020.

The financial statements for the year ended December 31, 2020 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 2020 and 2019 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.

The crisis triggered by the COVID-19 pandemic has changed the macroeconomic scenario and has increased the uncertainties over the future economic prospects. It is a challenging situation in terms of forecasts elaboration. Despite the areas where significant assumptions are made have not changed, the impact of the pandemic has forced the need to increase the range of estimations in these areas. In addition, the economic effects produced by COVID-19 mainly depend on variables difficult to predict. As the pandemic process evolves in time, due to the scarce previous experience related to its economic and social consequences, an adjustment in the assumptions might be necessary.

A significant change in the facts and circumstances on which these estimates are based could have an impact on the Company's results and financial position.

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 carryforwards, whose effect has been registered when necessary in balance, is included in Note 10.1.

2.5 COVID-19: Impact on and response of the Group

The crisis triggered by the COVID-19 pandemic caused the greatest GDP fall of the last decades and, inevitably, it impacted the financial and operative performance of the subsidiaries of Telefónica Latinoamérica Holding, S.L.U. in 2020 (Note 5.1).

Revenues were affected by the reduction of the commercial activity, mainly in the second semester of the year, as lockdowns imposed across the Group's markets put unprecedented pressure to commercial activity. The decrease in revenues was partially mitigated by the measures taken to reduce costs and by lower churn rates. Furthermore, CapEx was reduced significantly.

The crisis contributed to the significant depreciation against the euro of the major currencies of the countries where the subsidiaries of the Group operate and it has impacted negatively in the estimated cash flows proceeds converted to euros used to evaluate the recoverability of the investments at year end. The figures used for the recoverability test are the latest strategic plans approved by the Board of Directors of Telefónica, S.A. which include the effect of the COVID-19 crisis in their businesses.

Throughout the crisis, in order to support the communities in which the Group operates, measures have been implemented aiming at:

- Protecting the health and safety of its employees and customers:
- Providing critical infrastructure and technology services to governments and health authorities.
- Donating goods and services to hospitals and vulnerable customers.
- Providing customers with free mobile data and additional entertainment services at no extra cost.
- Accelerating payments to suppliers with liquidity problems and offering flexible payments terms.

On the other hand, the governments of the different countries where the subsidiaries of the Company operate established temporary regulatory measures that affected the telecommunications sector such as ban on suspending service due to debt and suspension of number portability operations.

In addition, in most countries, the subsidiaries of the Company agreed with the governments to offer packages of minimum connectivity at a reduced or free price, along with free access to specific platforms (health, emergency services, education, information).

Group’s state-of-the-art networks enabled the subsidiaries to facilitate record growth in traffic driven by remote working and increased consumption of entertainment services while maintaining high levels of customer experience and service quality.

3. PROPOSED APPROPRIATION OF RESULT

The Company’s Joint Directors will submit the following proposed appropriation of 2020 net results for approval at the Shole Shareholder:

(Thousand of euros)	2020
Proposed appropriation:	
Loss for the year	(2.138.820)
	(2.138.820)
Distribution to	
Unrestricted reserves	(2.138.820)
	(2.138.820)

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 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. Revenue 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.

A distribution of unrestricted reserves is considered as dividend distribution, and therefore, is registered as dividend revenue in the accounting of the receiving company whenever the distributing company and/or any of its group's subsidiaries have gathered profits above the amount of equity distributed.

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 party transactions

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 this 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.

In the particular case of a contribution to a group company of the shares of another group company, the pre-transaction carrying amount in the standalone financial statements of the contributing company may be used, unless the net equity amount is higher, in which case this amount is used.

The change in value arising in the contributing company as a result of the above accounting treatment is recognised in reserves.

5. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Detail and movements of investments in group companies and associates for years 2020 and 2019 are as follows:

2020 (Thousand of euros)	Opening balance	Additions	Disposals	Transfers	Exchange differences	Closing balance	Fair value
Non current assets	**13.696.857**	**(2.193.045)**	**(4.006.796)**	**(309)**	**-**	**7.496.707**	**5.808.987**
Equity instruments (1)	**13.696.857**	**(2.193.045)**	**(4.006.796)**	**(309)**	**-**	**7.496.707**	**5.808.987**
Equity instruments (Cost)	16.377.318	1.863	(4.964.318)	-	-	11.414.863	-
Impairment losses	(2.680.461)	(2.194.908)	957.522	(309)	-	(3.918.156)	-
Current assets	**371.696**	**2.073.203**	**(1.833.798)**	**(123)**	**(90.215)**	**520.763**	**520.763**
Loans and other receivables	19.296	1.792.451	(1.423.267)	(123)	(208)	388.149	388.149
Derivatives (Note 13.1)	1.501	1.313	(1.501)	-	-	1.313	1.313
Other financial assets	350.899	279.439	(409.030)	-	(90.007)	131.301	131.301

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

(1) The fair value as at December 31, 2020 and 2019 of equity instruments in Group companies quoted in active markets (Telefónica Brasil, S.A. in 2020 and 2019 and Telefónica del Perú, S.A.A. in 2019) was calculated taking the listing of the investments on the last day (Note 5.4); 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

In 2020, the shareholders of Telefónica Centroamérica, S.A. approved in general meetings held on February 12; June 15 and December 15three capital increases. The Company subscribed its proportionate share through cash contributions for a total amount of 2.100 thousand american dollars (equivalent to 1,863 thousand euros).

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).

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

b) Disposals and dividend distribution

Reorganisation of the Telefónica Group's operations in Latin America

In November 2019, the Board of Directors of Telefónica, S.A. adopted an action plan that included the reorganisation of the Telefónica Group's operations in Latin America grouping together the entire telecommunications and electronic communications businesses in Chile, Colombia, Ecuador, Mexico, Peru, Venezuela and Uruguay in Telefónica Hispanoamérica, S.A.U. (formerly Latin America Cellular Holdings, S.L.).

On March 30, 2020, the Company sold its entire 50.22% interest in Telefónica del Perú, S.A.A. through a transaction on the Lima Stock Exchange. The total value of this transaction amounted to 920,600 thousand euros.

As part of the reorganisation, on March 31, 2020 the Company entered into the following share purchase agreements with Telefónica Hispanoamérica, S.A.U:

- Purchase and sale agreement for the transfer of the shares held in Colombia Telecomunicaciones, S.A. E.S.P., representing 51.52% of the share capital, for an amount of 900,395 thousand euros.
- Purchase and sale agreement for the transfer of the shares held in Otecel, S.A., representing 99.99% of the share capital, for an amount of 504,999 thousand euros.
- Purchase and sale agreement for the transfer of the shares held in Terra Networks México Holding, S.A. de C.V., representing 99.99% of the share capital, for an amount of 17,054 thousand euros.

On March 31, 2020 it was agreed to increase the share capital of Telefónica Hispanoamérica, S.A.U.; the Company waived its pre-emptive subscription rights and as result of which the Company reduce its shareholding to 31.42%. On October 20, 2020, the Company entered into a sale and purchase agreement with Telefónica, S.A. to transfer the mentioned participation for an amount of 974,020 thousand euros.

On December 30, 2020 the Company sold its stake in Telefónica Móviles del Uruguay, S.A., 1,107,308,146 shares representing 100% of the share capital, to Telefónica Hispanoamérica, S.A.U. The price of the transaction amounted to 370.000 thousand euros.

The net impact in the Income statement of these transactions amounted to a loss of 129,857thousand euros and it is recognised under "Gain (losses) on disposal and others" caption in the accompanying Income Statement.

On June 30, 2020, Telefónica Hispanoamérica, S.A.U. declared a dividend distribution. The Company recognised the dividends received, 190,922 thousand euros, as a decrease of the cost of the investment as stated in the accounting policies for dividends recognition (Note 4.6).

These transactions are recognised in the "Disposals" column of the table of movements in "Investments in Group companies and associates".

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 2020 a write down of impairment provision in the amount of 2,194,908 thousand euros (988,255 thousand euros in 2019) was recognized in the Income Statement. This amount principally reflects:

- Write down for Telefónica Brasil, S.A. and Sao Paulo Telecomunicaçoes Participaçoes, Ltda in the amount of 1,085,637 thousand euros and 803,149 thousand euros, respectively. In 2019, 93,227 thousand euros of the impairment provision on Sao Paulo Telecomunicaçoes Participaçoes, Ltda were reversed.
- Write down for Telefónica Móviles Argentina, S.A. amounting to 264,628 thousand euros (274,261 thousand euros in 2019).

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

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

As mentioned in Note 2.5. the economic crisis triggered by COVID-19 has led to the largest fall in global GDP in recent decades, which inevitably had a significant impact on the financial and operating performance of the subsidiaries that could not readily have been foreseen at the beginning of the year. On the other hand, the crisis has contributed to a significant depreciation of the main currencies of the countries in which the Company operates against the euro, which has had a very significant negative impact on the translation into euros of the estimated cash flows to be received from each subsidiary.

In 2020, Brazil, despite being affected by COVID-19 like other economies, Brasil has succeeded in reducing the impact of the pandemic almost by half when compared to the rest of the Latin American economies. as a whole, for example. This positive behavoir is the combination of a milder incidence of the disease, more relaxed close-down measures and direct funds granted to final consumers. The previously weak fiscal balances have been affected by these policies and new uncertainties have been raised harming the exchange rate. As for the long-term OIBDA margin (operating income before depreciation and amortisation) two-years estimates of analysts for the operator in Brazil, it is in a range within 41% to 45%. Regarding investments, the operator will invest a percentage within the range of the investment needs forecasted by analysts (around 16%). The interest rates increase has resulted in an increase in the cost of debt of the company, and the WACC (Weighted average cost of capital) has risen from 10% in 2019 to 11.1% in 2020.

Argentina is one of the worst affected countries worldwide by the crisis triggered by COVID-19 pandemic. The lack of ambitious tax policies and a long, strict lockdown are the main reasons. In addition, the future economic recovery is expected to be slower and the levels pre COVID 19 COVID are not estimated to be reached before 2023-24. Moreover, the country is sunk in a high inflation scenario that is being dealt with short term unsuccessful measures and not with long term structural policies. The Decree of Need and Urgency (DNU) approved by the government in the third quarter of the year to control the prices in the IT industry, is conditioning unequally its future evolution. The Decree will also have a strong negative impact in the revenue growth and in the gross margin of the business in the country. On the other hand, the dual exchange rate system caused by the scarce foreign currencies, an unpredictable institutional framework and the need to carry out deep tax adjustments are worsening the inequalities that Argentina will have to deal with after the pandemic. The value in use of the investment in Argentina has been updated with the latest approved strategic plan, using different valuation scenarios. The WACC in local currency is considering that inflation rate impacts the cash flows over the plan horizon with a perpetuity rate of 23%. The perpetuity growth rate of 10% is consistent with the perpetuity inflation rate. Both variables are aligned with the analysts' expectations for the Argentinian market using a strong currency. With respect to operating ratios, a long term OIBDA of 26% is being used which is below analysts' estimations for peers and the investment over revenues ratio is around 10%.

5.2. Loans and other receivables Group companies and associates

The share purchase agreements signed by the Company and Telefónica Hispanoamérica, S.A.U. on March 31, 2020 (Note 5.1.1) included a 90-day deferral payment clause bearing interest EURIBOR plus 587 basis points margin. The total amount of those transactions amounted to 1,422,448 thousand euros. These receivables were paid on May 28, 2020 together with the accrued interest in the amount of 12,621 thousand euros. Accrued interest were registered under "Interest income on loans and other financial instruments to Group companies and associates " in the attached Income statement.

As at December 31, 2020, this caption includes a short-term receivable from Telefónica Hispanoamérica, S.A.U. for the sale of the stake in Telefónica Móviles del Uruguay, S.A. amounting to 370.000 thousand euros.

These transactions are shown in the "Additions" and "Disposals" columns for year 2020 movements in "Investments in Group companies and associates" table.

In addition, as at December 31, 2020 and 2019 these columns include the tax credit associated with the reversal of deferred liabilities from intragroup 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 31 December 2020 and 2019.

5.4. Detail of subsidiaries and associates

The information relating to subsidiaries and associates as at December 31, 2020 and 2019 including indirect interest held by the Company in the share capital of the companies is detailed in Appendix I.

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 31 December 2020 and 2019 is as follows:

Year 2020

Company		Tloker	Quotation 2020			Quotation 2020		
Telefónica Brasil S.A.			**Avg.Q4**	**Closing**		**Avg.Q4**	**Closing**	
BOVESPA								
	Ons	VIVT3 BZ	44,49	46,50	BRL	7,66	7,29	EUR

Year 2019

Company		Tloker	Quotation 2019			Quotation 2019		
Telefónica Brasil S.A.			**Avg.Q4**	**Closing**		**Avg.Q4**	**Closing**	
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.			**Avg.Q4**	**Closing**		**Avg.Q4**	**Closing**	
Lima Stock Exchange								
		TELEFBC1 PE	0,89	1,12	PEN	0,24	0,30	EUR

5.5. Transactions under the Special Tax Regime

No transactions that qualify for special tax regime were carried out in 2020. 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

"Cash and cash equivalents with Group companies and associates" as at December 31, 2020 and 2019 includes the bank accounts in euros and US dollars held by the Company in Telfisa Global, B.V., with a balance of 3,076,517 thousand euros and 4 thousand American dollars (equivalent to 3 thousand euros) as at December 31, 2020 and 634,961 thousand euros and 375 thousand American dollar (equivalent to 334 thousand euros) as at December 31, 2019. Positive balances bear interest Euribor/Libor 1 month. Negative balances accrue interest Euribor/Libor 1 month plus 200 basis points margin.

The increase of funds deposited in bank accounts is mainly due to the collection of 3,329,689 thousand euro from the sales and purchase agreements detailed in Note 5.1.1.

7. EQUITY

7.1. Share capital and Reserves

7.1.1. Share capital and Share premium reserve

As at December 31, 2020, 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 31 December 2020 and 2019 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, 2018	Appropriation of results 2018	Balance as at December 31, 2019	Appropriation of results 2019	Balance as at December 31, 2020
Legal reserve	**47.350**	-	**47.350**	-	**47.350**
Other reserves	**7.635.192**	(20.500)	**7.614.692**	(341.205)	**7.273.487**
Total	**7.682.542**	**(20.500)**	**7.662.042**	**(341.205)**	**7.320.837**

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, 2020 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 2020 and 2019, 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, 2020 and 2019 is as follows:

(Thousand of euros)	Fair Value		Amortized cost	Total carrying amount as at December 31, 2020	Fair Value		Amortized cost	Total carrying amount as at December 31, 2019
	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)	-	-	3	**3**	-	-	1.500.023	**1.500.023**
Long-term borrowings	-	-	-	-	-	-	1.500.000	**1.500.000**
Other liabilities	-	-	3	**3**	-	-	23	**23**
Current financial liabilities								
Trade and other payables	-	-	14.762	**14.762**	-	-	16.441	**16.441**
Current borrowings and other liabilities from Group companies and associates	357	**357**	156.685	**157.042**	1.606	**1.606**	171.318	**172.924**
Short term accrued interest from borrowings (Note 12.1)	-	-	-	-	-	-	87	**87**
Derivatives (Note 12.1 y 13.1)	357	**357**	-	**357**	1.606	**1.606**	-	**1.606**
Others liabilities (Note 13.1)	-	-	1.960	**1.960**	-	-	4.590	**4.590**
Tax liabilities (Note 10)	-	-	129.042	**129.042**		-	131.834	**131.834**
Trade and other payables (Note 13.1)	-	-	25.683	**25.683**	-	-	34.807	**34.807**

8.1. Long-term borrowings

On November 24, 2016, the Company entered into a loan agreement with Telefónica Finanzas, S.A.U. in an amount of 1.500 million euros maturing on November 24, 2021. The loan beared interest at EURIBOR plus a 208 basis points margin. On May 29, 2020 the loan was repaid.

8.2. 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:

	2020	2019
	Number of days	
Weighted average maturity period	**41**	**31**
Ratio of payments	42	31
Ratio of outstanding invoices	13	22
	Thousand of euros	
Total payments	27.441	29.842
Outstandinginvoices	505	338

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 2020 and 2019 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, 2020 and 2019 are as follows:

(Thousand of euros)	2020	2019
Tax receivables:	**74.678**	**88.091**
Deferred tax assets (Note 10.1)	56.142	69.945
Tax receivables	390	-
Loans and other receivables (Note 5.2)	18.146	18.146
Tax liabilities	**240.933**	**210.443**
Deferred tax liabilities (Note 11.1)	108.474	78.468
Current borrowings and other liabilities Group companies and associates (Note 8)	129.042	131.834
Current payables to public administrations	3.417	141
VAT	3.406	123
Social security	1	4
Others	10	14

Current borrowings and other liabilities Group companies and associates mainly includes debt with Telefónica, S.A. for inspections 2005 - 2007 amounting to 67,435 thousand euros and the amount of Corporate income tax for the financial year, net of payments on account made during 2020, amounting to 60,616 thousand euros.

10.1. Deferred tax assets and liabilities

The balances and movements in deferred tax assets and liabilities as at December 31, 2020 and 2019 are as follows:

2020 (Thousand of euros)	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Total deferred tax liabilities
Opening balance	**20.976**	**15.229**	**33.740**	**69.945**	**78.468**
Arising in the year	-	-	-	-	99.096
Reversal	-	(1.157)	(1.101)	(2.258)	-
Transfers to the tax group's net position	-	-	(11.545)	(11.545)	(69.090)
Closing balance	**20.976**	**14.072**	**21.094**	**56.142**	**108.474**

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**

The main impact on Temporary differences on assets in the 2020 was from the reversal of provisions for staff compensation and indemnities amounting to 593 thousand euros and the reversion of 513 thousand euros of temporary differences that cannot be used.

In addition, 1,101 thousand euros of international double taxation deductions for the year 2019 that cannot be used by the tax Group have been reversed.

Transfers of 11,545 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 2019 amounting to 11,548 thousand euros and 1,613 thousand euros, respectively, and the generation of 1,626 thousand euros of international double taxation tax credits in 2020.

Following publication in the Official State Gazette of 31 December 2020 of Law 11/2020 of 30 December to make provision for the General National Budget for 2021 (LPGE) with effect from 1 January 2021, the participation exemption regime described under Corporate Income Tax law under its article 21 will be reduced by 5% as a non-deductible management expense, which reduces the effective exemption to 95%. Following the assessment of potential impacts, an amount of 99,096 thousand euros of deferred liabilities has been recognised and reflected as Created in the movement table for the year 2020.

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 1 January 2013, 69,090 thousand euros recognised as a transfer in the movement table has been reversed.

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 2020 and 2019 is as follow.

(Thousand of euros)	2020	2019
Accounting profit (loss) before tax from continuing operations	**(2.022.686)**	**(321.973)**
Permanent differences	**1.991.588**	**233.865**
Arising in the year	1.991.588	233.865
Temporary differences	**273.982**	**273.342**
Arising in prior years	273.982	273.342
Tax result	**242.884**	**185.234**
Gross tax payable	60.721	46.309
Corporate income tax payable	**60.721**	**46.309**
Temporary differences for tax valuation	(68.496)	(68.336)
Other impacts	100.432	10.380
Corporate income tax accrued in Spain	**60.721**	46.309
Forein taxes	23.477	30.879
Income tax	**116.135**	**19.232**
Current income tax	85.534	87.568
Deferred income tax	30.601	(68.336)

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 Income Tax law (Note 10.1).

The heading “Other impacts” mainly shows difference between the provisions of the Corporate Income Tax calculated in December 2019 and the final return filed in July 2020 and the effect of the deferred tax liability of 99,096 thousand euros mentioned in the table of movements for deferred assets and liabilities.

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.

11. REVENUES AND EXPENSES

11.1. Revenues

Dividends from subsidiaries

The detail of the amounts recognized in 2020 and 2019 is as follows:

(Thousand of euros)	2020	2019
Telefónica Móviles del Uruguay, S.A.	23.145	28.621
Telefónica Brasil, S.A.	248.496	341.478
SP Telecomunicaciones Participaçoes Ltd	54.409	240.552
Otecel, S.A.	-	104.659
Telefónica Móviles Argentina, S.A.	-	31.965
Pléyade Argentina, S.A.	10	-
Total	**326.060**	**747.275**

Other operating income

The Company has signed contracts to provide management support services its subsidiaries. The revenue recognised in 2020 for this concept amounts to 11,095 thousand euros (11,133 thousand euros in 2019).

11.2. Personnel expenses and employee benefits

The breakdown of social security cost is as follows:

(Thousand of euros)	2020	2019
Social security	118	149
Pension plans	(1.793)	(2.544)
Other benefits	(35)	23
Total	**(1.710)**	**(2.372)**

In 2020, pension plans includes 1,828 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 2019, the reinbursment amounted to 2,604 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., 19,819 thousand euros (23,548 thousand euros in 2019).

During 2020 the Company closed its 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 2020 amounts to 3,173 thousand euros and 1,197 in 2019.

11.4. Financial revenue

In 2020, this item includes the interest accrued as a result of the deferral payment clause included in the sale and purchase agreements detailed in Note 5.1.1. As stated in Note 5.2, accrued interest amounted to 12,621 thousand euros.

Moreover, interest income on derivative transactions has been recognised, 2,289 thousand euros in 2020 and 6,913 thousand euros in 2019.

11.5. Exchange differences

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

(Thousand of euros)	2020	2019
Positive exchange differences	**127.562**	**35.887**
On current operations	10.410	609
On derivatives	115.098	34.079
On other items	2.054	1.199
Negative exchange differences	**(129.946)**	**(42.107)**
On current operations	(191)	(165)
On derivatives	(38.770)	(26.341)
On other items	(90.985)	(15.601)
Total	**(2.384)**	**(6.220)**

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 PARTY TRANSACTIONS

12.1. Sole shareholder 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, 2020 and 2019 with Group companies and associates:

2020	Assets				Liabilities				
(Thousand of euros)	Trade receivables	Loans and other receivables (Note 5.3)	Derivatives (Note 13.1)	Other financial assets (Note 5.4)	Non - current borrowings and other liabilities (Note 8)	Derivatives (Note 13.1)	Short term accrued interest on borrowings (Note 8)	Other liabilities (Note 8)	Trade and other payables (Note 8)
Telefónica, S.A. (Parent company)	-	18.146	1.313	-	3	357	-	109	20.641
Telefónica Hispanoamérica,S.A.	-	370.000	-	-	-	-	-	-	-
Telefónica Finanzas, S.A.U.	-	-	-	-	-	-	-	-	-
Telefónica Brasil, S.A.	-	-	-	131.301	-	-	-	-	3.010
Otecel, S.A.	474	-	-	-	-	-	-	-	-
Telefónica Móviles Argentina, S.A	4.471	-	-	-	-	-	-	1.053	586
Telefónica de Argentina, S.A.	-	-	-	-	-	-	-	552	243
Sao Paulo Telecom Participaçoes, Ltda	-	-	-	-	-	-	-	-	-
Telefónica Venezolana, C.A	1.759	-	-	-	-	-	-	-	444
Pegaso Comunicaciones y Sistemas, S.A. de C.	1.210	-	-	-	-	-	-	-	-
Telefónica Chile, S.A.	823	-	-	-	-	-	-	-	-
Telefónica del Perú, S.A.C	2.514	-	-	-	-	-	-	-	-
Telefónica Móviles Chile, S.A.	1.191	-	-	-	-	-	-	-	-
Inversiones Telefónica Internacional Holding,	-	-	-	-	-	-	-	-	-
Terra Networks Argentina, S.A.	-	-	-	-	-	-	-	246	-
Otras empresas del Grupo Telefónica	552	3	-	-	-	-	-	-	759
Total	**12.994**	**388.149**	**1.313**	**131.301**	**3**	**357**	**-**	**1.960**	**25.683**

2019	Assets				Liabilities				
(Thousand of euros)	Trade receivables	Loans and other receivables (Note 5.3)	Derivatives (Note 13.1)	Other financial assets (Note 5.4)	Non - current borrowings and other liabilities (Note 8)	Derivatives (Note 13.1)	Short term accrued interest on borrowings (Note 8)	Other liabilities (Note 8)	Trade and other payables (Note 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.	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,	-	-	-	-	-	-	-	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**

Transactions with Group companies and associates in 2020 and 2019:

2020 (Thousand of euros)	Non-core and other current operating revenue	Interest on loans and other financial instruments	External services	Interest on borrowings
Telefónica, S.A. (Parent company)	-	2.289	19.876	8.469
Telefónica Hispanoamérica,S.A	-	12.621	-	-
Telefónica Brasil, S.A.	-	-	3.302	-
Telefónica Finanzas, S.A.	-	-	15	12.913
Telefónica Contenidos, S.A.	-	-	1.323	-
Telfisa Global, B.V.	-	4	-	-
Telefónica Móviles Argentina, S.A.	4.448	-	(372)	-
Telefónica del Perú, S.A.A.	2.532	-	-	-
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	1.212	-	-	-
Telefónica Móviles Chile, S.A.	992	-	-	-
Telefónica Chile, S.A.	674	-	-	-
Otecel, S.A.	467	-	-	-
Otras empresas del Grupo Telefónica	1.010	-	(222)	-
TOTAL	**11.335**	**14.913**	**23.923**	**21.382**

2019 (Thousand of euros)	Non-core and other current operating revenue	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**

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 2020 and 2019 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, 2020 and 2019, the Company had no life insurance obligations to the Joint Directors and no guarantee obligations on their behalf.

As at December 31, 2020 and 2019 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 2020 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, 2020 and 2019, 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, 2020	Balance as at December 31, 2019
Derivatives (Note 12.1)	1.313	1.501
Current borrowings and other liabilities from Group companies and associatess - Derivatives (Note 12.1)	(357)	(1.606)
Total	**956**	**(105)**

All transactions are arranged at short-term.

The breakdown of Telefónica Latinoamérica Holding, S.A.U.'s exchange rate derivatives as at December 31, 2020 and 2019, notional amounts at year end and outstanding values at that date is as follows:

2020	Nocional	Company pays		Company receives		Fair value
	Thousand of euros	Nominal	Currency	Nominal	Currency	Thousand of euros
NON Hedging derivatives						
Forwards	**146.178**					**956**
BRL/EUR	2.239	2.239	EUR	14.000	BRL	(44)
EUR/BRL	143.939	917.689	BRL	144.459	EUR	1.000
Total	**146.178**					**956**

2019	Nocional	Company pays		Company receives		Fair value
	Thousand of euros	Nominal	Currency	Nominal	Currency	Miles de 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)**

The breakdown of the financial results from derivatives not classified as hedges in the 2020 amounted to 8,469 thousand euros (20,066 thousand euros in 2019) of interest rate expenses, 2,289 thousand euros of financial income (6,913 thousand euros in 2019) and 76,328 thousand euros of net foreign exchange gains (7,738 thousand euros in 2019) (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.

Other risks

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, 432,171 thousand euros (566,308 thousand euros in 2019) were received in the 2020 and 2019 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 2020 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, 2020 and 2019 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 35 thousand euros in the 2020 and 119 thousand euros in 2019. 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 188,961 thousand mexican pesos (32,753 thousand euros and 7,736 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 (181,766 thousand euros); the amount drawn down at the end of the year was 4,300 thousand American dollars (3,505 thousand euros).

14.4. Litigation

As at 31 December 2020 and 2019, 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 1997to 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

15. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred since December 31, 2020 until date of preparation of these annual financial statements.

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 March 4, 2021. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX 1:

Details of subsidiaries and associates as at December 31, 2020

(Thousand of euros)					Income (Loss)			
Name and corporate purpose	% direct ownership	% indirect ownership	Share capital	Reserves	From operations	For the year	Dividends received year 2020 (Note 12.1)	Net carrying amount (Note 5)
Telefónica Brasil, S.A. (1) (2) (*)	24,09%	11,92%	23.164.194	(12.230.357)	1.149.725	838.030	248.496	4.659.001
Registered office: Brasil								
Corporate purpose: Telecomunications services								
SP Telecomunicaciones Participaçoes Ltda.	60,60%	-	5.345.514	(2.681.133)	(501)	150.359	54.409	2.314.595
Registered office: Brasil								
Corporate purpose: Holding								
Telefónica de Argentina S.A.	10,80%	22,20%	1.668.879	(651.158)	(236.715)	(199.115)		64.717
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Telefónica Móviles Argentina S.A.	25,28%	-	351.658	1.661.847	(647.029)	(750.492)		297.664
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Telefónica Internacional Holding, B.V.	100%	-	18	100.722	(33.502)	(33.462)		67.278
Registered office: Paises Bajos								
Corporate purpose: Holding								
Media Networks Latin América S.A.C	99,99%	-	81.618	(6.542)	11.521	4.389		79.465
Registered office: Perú								
Corporate purpose: Telecomunications services								
Telefónica Holding Atticus, B.V.	100%	-	18	4.469	(126)	(126)		3.563
Registered office: Paises Bajos								
Corporate purpose: Holding								
Terra Networks Perú, S.A.	99,99%	-	2.561	1.679	(20)	99		4.338
Registered office: Peru								
Corporate purpose: Access and Portal Service Provider								
Telefónica Centroamérica, S.A.	20,00%	-	31.557	(23.872)	(5.752)	(7.677)		1
Registered office: Panama								
Corporate purpose: Telecomunications services								
Telefónica Servicios TIWS SAC	41,11%	-	6.846	182	1.168	(567)		2.656
Registered office: Perú								
Corporate purpose: Telecomunications services								
Telefónica Technology (Beijing) Company Limited (**)	100%	-	1.000	(743)	74	94		351
Registered office: China								
Corporate purpose: Telecomunications services								
Wayra Argentina, S.A.	5%	-	15.454	(11.028)	97	(1.692)		137
Registered office: Argentina								
Corporate purpose: Development and support of projects in the field of ICT								
Terra Networks Chile, S.A.	99,99%	-	37.439	(35.219)	44	45		2.265
Registered office: Chile								
Corporate purpose: Access and Portal Service Provider								
Terra Networks Argentina, S.A.	99,99%	-	2.276	(1.329)	(219)	(350)		597
Registered office: Argentina								
Corporate purpose: Access and Portal Service Provider								
Pléyade Argentina	3,05%	-	36	291	47	(74)	10	8
Registered office: Argentina								
Corporate purpose: Insurance intermediation								
TIWS ARGENTINA II	5,00%	-	2.653	(1.836)	489	618		72
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Total							**302.915**	**7.496.707**

(*) Companies listed on international stock exchanges at December 31, 2020. Nota 5.5
(**) Company under liquidation process
(1) Consolidated data
(2) This company owns a 11,92% of the stake of Telefónica Brasil, S.A. indirectly througth a través de SP Telecomunicaciones Partipaçoes, Ltda.

APPENDIX 1:

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.

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

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2020

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 2,138,820 thousand euros is mainly the result of the following factors:

- 326,125 thousand euros as dividend income.
- Impairment loss in the investments in Group companies and associates amounting to 2,194,908 thousand euros.

Total assets of the Company as at December 31, 2020 amounts to 11,163,851 thousand euros, of which 7,496,707 thousand euros represents interest in Group companies and associates.

The Company has positive working capital of 3,438,822 thousand euros.

As at December 31, 2020, 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

During the 2020, the Company's performance has been significantly impacted by the economic crisis resulting from the COVID-19 pandemic. The Company's performance is expected to make positive progress as the economic crisis in each of the markets in which the Company operates is resolved. The Joint Directors will continue their efforts to maintain levels of business.

Research and Development

The Company has not carried out any Research and Development during 2020.

Risk management policy:

The Company's risk management policy is described in Note 13 of the annual financial statements for 2020.

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 2020 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, March 4, 2021

Mr. Diego Colchero Paetz

Mr. Francisco Javier Ariza Garrote