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

Auditor´s report
Annual accounts at December 31, 2021
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 2021, 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 2021, 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.

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, 2021, as described in note 5 of the accompanying annual accounts, the value of non-current investments in Group companies and associates amount to 7.017.798 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 4.1, 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 As described in note 5.1.2, a write down of impairment provision of 441.542 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 budget achievement. • 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 2021 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 2021 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)

24 March 2022

TELEFÓNICA LATINOAMÉRICA HOLDING, S.L.

(Sole Shareholder Company)

ANNUAL FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

ÍNDEX

ANNUAL FINANCIAL STATEMENTS

MANAGEMENT REPORT

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

Balance sheets as at December 31, 2021 and 2020

(Thousand of euros)

ASSETS	2021	Notes	2020
NON CURRENT ASSETS	**7.073.204**		**7.552.850**
Non-current investments in Group companies ans associates	**7.017.798**	**5**	**7.496.707**
Equity instruments	7.017.798	5.1	7.496.707
Long -term financial investments	**1**		**1**
Deferred tax assets	**55.405**	**9**	**56.142**
CURRENT ASSETS	**3.781.948**		**3.611.001**
Trade and other receivables	**8.335**		**13.384**
Trade receivables	46		-
Trade receivables from Group companies and associates	7.453	11.1	12.994
Tax receivables	836	9	390
Current investments in Group companies and associates	**179.219**	**5**	**520.763**
Loans and other receivables	31.701	5.2, 9 y 11.1	388.149
Derivatives	806	11.1 y 14.1	1.313
Other financial assets	146.712	5.3 y 11.1	131.301
Short - term investments	**-**		**334**
Cash and cash equivalents	**3.594.394**	**6**	**3.076.520**
TOTAL ASSETS	**10.855.152**		**11.163.851**

The accompanying Notes 1 to 15 are an integral part of these balance sheets

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

Balance sheets as at December 31, 2021 and 2020

(Thousand of euros)

EQUITY AND LIABILITIES	2021	Notes	2020
EQUITY	**10.700.562**		**10.882.243**
CAPITAL AND RESERVES	**10.700.112**	**7**	**10.881.793**
Share capital	**236.750**	**7.1.1**	**236.750**
Share premium	**5.463.026**	**7.1.1**	**5.463.026**
Reserves	**5.182.017**	**7.1.2**	**7.320.837**
Legal	47.350		47.350
Other reserves	5.134.667		7.273.487
Profit (Loss) for the year	**(181.681)**	**3**	**(2.138.820)**
UNREALIZED GAINS (LOSSES) RESERVE	**450**		**450**
Hedging instruments	450		450
NON - CURRENT LIABILITIES	**109.228**		**109.429**
Non - Current provisions	**754**		**952**
Provisions for other responsabilities	754		952
Non - current borrowings and other liabilities from Group companies and associates	**-**	**11.1**	**3**
Deferred tax liabilities	**108.474**	**9**	**108.474**
CURRENT LIABILITIES	**45.362**		**172.179**
Short-term provisions	**8.375**	**13.4**	**375**
Current borrowings and other liabilities from Group companies and associates	**25.089**	**9 y 11.1**	**157.042**
Trade and other payables	**11.898**		**14.762**
Suppliers	11.894		11.345
Other payables to public administrations	4	**9**	3.417
TOTAL EQUITY AND LIABILITIES	**10.855.152**		**11.163.851**

The accompanying Notes 1 to 15 are an integral part of these balance sheets

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

Income statements for the years ended December 31, 2021 and 2020

(Thousand of euros)

	2021	Notes	2020
CONTINUED OPERATIONS			
Revenue	**311.068**	**10.1**	**337.220**
Rendering of services	4.785	10.1	11.160
Dividens from Group compnaies and assciates	306.283		326.060
Other operating income	**2**	**10.1**	**1.113**
Non-core and other current operating revenue	2		1.113
Employees benefits expense	**264**		**1.647**
Wages, salaries and others	112		(63)
Social security cost	152	10.2	1.710
Other operational expense	**(30.703)**	**10.3**	**(29.235)**
External services - Group companies and associates	(20.682)	11.1	(23.923)
External services - non group companies	(870)		(3.865)
Tax other than income tax	(1.149)		(1.447)
Other opertional expenses	(8.002)		-
Depreciation and amortization	**-**		**(46)**
Impairment and gains (losses) on disposal of financial instruments	**(441.542)**		**(2.324.765)**
Impairment and other losses	(441.542)	5.1.2	(2.194.908)
Gains (losses) on disposal and other gains and losses	-	5.1.1	(129.857)
OPERATING PROFIT (LOSS)	**(160.911)**		**(2.014.066)**
Finance revenue	**1.383**		**15.146**
Interest on loans and other financial instruments	1.383		15.146
Group companies and associates	1.328	5.2 y 11.1	14.913
Third parties	55		233
Finance cost	**(8.384)**		**(21.382)**
Interest on borrowins from Group companies and associates and other f	(8.384)	12.1	(21.382)
Exchange rate gains (losses)	**169**	**11.5**	**(2.384)**
NET FINANCIAL EXPENSE	**(6.832)**		**(8.620)**
PROFIT (LOSS) BEFORE TAX	**(167.743)**		**(2.022.686)**
Income tax	**(13.938)**	**9**	**(116.134)**
PROFIT (LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS	**(181.681)**		**(2.138.820)**
PROFIT (LOSS) FOR THE YEAR	**(181.681)**	**3**	**(2.138.820)**

The accompanying Notes 1 to 15 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, 2021 and 2020

A) Statement of recognised income and expense for the years ended December 31, 2021 and 2020

(Thousand of euros)

	2021	Notes	2020
Profit (Loss) for the period	(181.681)		(2.138.820)
Total income and expense recognized directly in equity	-		-
Total amounts transferred to income statement	-		-
TOTAL RECOGNIZED INCOME AND EXPENSE	(181.681)		(2.138.820)

B) Statement of changes in equity for the years ended December 31, 2021 and 2020

(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, 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
Appropriation of prior years profit (loss) 2020	-	-	(2.138.820)	2.138.820	-	-
Total recognized income and expense	-	-	-	(181.681)	-	(181.681)
BALANCE AS AT DECEMBER 31, 2021	236.750	5.463.026	5.182.017	(181.681)	450	10.700.562

The accompanying Notes 1 to 15 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, 2021 and 2020

(Thousand of euros)

	2021	Notes	2020
Profit (Loss) before tax	**(167.743)**		**(2.022.686)**
Adjunstments to net results	**456.376**		**2.333.431**
Depreciation and amortization	-		46
Impairment of investments in Group companies and associates	441.542	5.1.2	2.194.908
Variación de provisiones	8.002		-
Gains (losses) on disposal and other gains and losses	-		129.857
Finance revenue from loans and other financial instruments	(1.383)	11.4	(15.146)
Finance cost	8.384		21.382
Exchange rate gains (losses)	(169)	10.5	2.384
Change in working capital	**(33.107)**		**99.276**
Trade and other receivables and payables	(33.107)		99.276
Other cash flows from operating activities	**(145.125)**		**18.933**
Net interest received (paid)	(15.085)		68.948
Income tax receipts (payements)	(130.040)		(50.015)
CASH FLOWS FROM OPERATING ACTIVITIES	**110.401**		**428.954**
Payments on investments	**-**		**(4.531)**
Group companies and associates	-		(4.531)
Proceeds from dispossals	**407.482**		**3.516.833**
Group companies and associates	407.482		3.516.833
Otras activos financieros	-		6
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES	**407.482**		**(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)
Other borrowings	-		(38)
CASH FLOWS USED IN FINANCING ACTIVITIES	**-**		**(1.500.038)**
NET FOREIGN EXCHANGE DIFFERENCE	**(9)**		**6**
NET INCREASE/(DECREASE) IN CHAS AND CASH EQUIVALENT	**517.874**		**2.441.225**
Cash and cash equivalents January 1	**3.076.520**		**635.295**
Cash and cash equivalents December 31	**3.594.394**	**6**	**3.076.520**

The accompanying Notes 1 to 15 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, 2021

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 23, 2022 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 (RD) 1514/2007 on November 16th (PGC 2007), modified by Royal Decree (RD) 602/2016, dated December 2, 2016. and by Royal Decree (RD) 1/2021, dated January 12, 2021 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 2021.

The accompanying financial statements for the year ended December 31, 2021 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

Changes in accounting policies as a result of Royal Decree 1/2021.

In January 2021 Royal Decree 1/2021 (“RD 1/2021), dated January 12, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, dated November 16 (among others). Subsequently, as a consequence of the aforementioned RD 1/2021, a resolution of the Spanish Accounting and Auditing Institute (ICAC) was published, issuing requirements for the recognition, measurement and preparation of annual financial statements of revenues from the sale of goods and rendering of services to customers (hereinafter "Resolution on revenue recognition").

The main differences between the accounting and classification requirements used in fiscal year 2020 and those applied in fiscal year 2021 under the RD 1/2021 and the Resolution on revenue recognition, which have affected the Company, are described below.

Classification and measurement of financial instruments

Under the new requirements, financial instruments are now classified on the basis of both the entity's business model for managing the financial instruments and their contractual cash flow characteristics.

Financial assets are classified in the following categories:

- **Fair value through income statement**: This category includes the previous portfolios of "Financial assets held for trading" and "Other financial assets at fair value through profit or loss" and, if applicable, those financial assets that are optionally selected at initial recognition to eliminate accounting mismatches. This category includes all financial assets unless they should be classified in another category.

- **Amortized cost**: This category includes the previous portfolios of "Loans and receivables" and "Held-to-maturity financial assets" to the extent that they are held for the purpose of collecting contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- **Fair value through equity**: This category includes those loans held within a business model whose objective is achieved by both (a) collecting contractual cash flows that are solely payments of principal and interest or (b) selling them, similarly to the previous available-for-sale financial asset category. It also includes the optional designation at initial recognition of certain investments in equity instruments that previously formed the available-for-sale financial instruments portfolio.

- **Cost**: This category mainly includes investments in Group companies, associates and jointly controlled entities.

The classification of financial liabilities has two main categories:

- **Amortized cost**: This category includes all financial liabilities except those that must be measured at fair value through profit or loss. Therefore, it includes the previous portfolios of "Loans and payables" and "Trade and non-trade payables".

- **Fair value through income statement**: This category mainly includes the previous portfolios of "Financial liabilities held for trading" and "Other financial liabilities at fair value through profit or loss".

The application of the new classification and measurement criteria included in Royal Decree 1/2021 has had no impact on the Company’s equity.

Revenues from sales and services rendered

The new requirements are based on the core principle that revenue is recognized when control of promised goods or services is transferred to a customer for an amount that reflects the consideration to which the entity expects to be entitled - thus the concept of control, as a main principle, replaces the concept of risks and rewards.

In order to apply the above core principle, these steps are followed:

1. identify the contracts with a customer;
2. identify the performance obligations;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations identified; and
5. recognize revenue when (or as) the entity satisfies each performance obligation.

Due to the nature of the Company's core business, the differences between the accounting and classification requirements used in 2020 and those applied in 2021 under the new revenue recognition model are not significant, and therefore the application of the new criteria required by the Resolution on revenue recognition has had no impact on equity. The Company has considered the information to be disclosed in the notes to the financial statements regarding revenue transactions.

2.3 Materiality

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

2.4 Critical aspects of the valuation and estimation of uncertainty

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

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

Provisions for impairment of investments in Group companies and associates

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

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

Deferred tax assets

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

The appropriate valuation of tax assets and liabilities depends on a series of factors, including estimates as to the timing and realization of deferred tax assets and the projected tax payment schedule. Actual income tax receipts and payments could differ from the estimates made as a result of changes in tax legislation, the outcome of ongoing tax proceedings or unforeseen future transactions that could affect tax balances. The information about deferred tax assets and unused tax credits for loss carryforwards, whose effect has been registered when necessary in balance, is included in Note 9.1.

3. PROPOSED APPROPRIATION OF RESULT

The Company's Joint Directors will submit the following proposed appropriation of 2021 net results for approval at the Shole Shareholder:

(Thousand of euros)	2021
Proposed appropriation:	
Loss for the year	(181.681)
	(181.681)
Distribution to	
Unrestricted reserves	(181.681)
	(181.681)

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), modified by RD 602/2016 and RD 1/2021 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. 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.

4.2. Financial assets and liabilities

The crisis triggered by the COVID-19 pandemic has changed the macroeconomic scenario and has increased the uncertainties over the future economic prospects. During the 2021, although the specific areas of significant judgement have not changed, the Company has continued to assess the impact of the pandemic.

The key assumptions made and other key sources of estimation uncertainty at the reporting date that could have a material effect on the financial statements are set out below:

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 4.1). 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 under RD 1/2021 amending PGC 2007 (Note 2) are classified as "at fair value with changes in net 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.

4.3. Income Tax

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

4.4. 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.

4.5. 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 investment in group companies and associates for years 2021 and 2020 are as follows:

2021 (Thousand of euros)	Opening balance	Additions	Disposals	Trnsfers	Exchange differences	Closing balance	Fair value
Non current assets	**7.496.707**	**(441.542)**	**(37.128)**	**(239)**	**-**	**7.017.798**	**5.930.717**
Equity instruments (1)	**7.496.707**	**(441.542)**	**(37.128)**	**(239)**	**-**	**7.017.798**	**5.930.717**
Equity instruments (Cost)	11.414.863	-	(41.542)	(239)	-	11.373.082	-
Impairment losses	(3.918.156)	(441.542)	4.414	-	-	(4.355.284)	-
Current assets	**520.763**	**297.608**	**(646.955)**	**-**	**7.803**	**179.219**	**179.219**
Loans and other receivables	388.149	13.555	(370.003)	-	-	31.701	31.701
Derivatives (Note 12.1)	1.313	806	(1.313)	-	-	806	806
Other financial assets	131.301	283.247	(275.639)	-	7.803	146.712	146.712

2020 (Miles de euros)	Opening balance	Additions	Disposals	Trnsfers	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 12.1)	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

(1) The fair value as at December 31, 2021 and 2020 of equity instruments in Group companies quoted in active markets (Telefónica Brasil, S.A)) 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 2021 the Company waived its pre-emptive subscription rights in several capital increases approved in Telefónica Argentina, S.A.. As a result of that waiver its shareholding has been reduced to 9.22%.

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).

These transactions are included in the "Additions" column of the accompanying table of movements in "Investments in Group companies and associates".

b) Capital decreases, dividend distributions and company liquidation process

On May 11, 2021, the shareholders of Terra Networks Chile, S.A. approved a capital decrease in cash amounting to 1,516,734 thousand Chilean pesos, equivalent to 1,722 thousand euros. As required by the accounting principles in force, the Company reduced the net book value of the investment in Terra Networks Chile in the same amount by decreasing its cost in the amount of 2,104 thousand euros and the impairment provision in the amount of 382 thousand euros.

On June 3, 2021, the shareholders of Media Networks Latin America, S.A.C. approved a capital decrease in cash in the amount of 142,360 thousand New Soles, equivalent to 35,278 thousand euros. As required by the accounting principles in force, the Company reduced the net book value of the investment in the same amount by decreasing the cost of the investment in 38,438 thousand euros and the impairment provision in the amount of 3,160 thousand euros.

On July 26, 2021, Telefónica Technology (Beijing) Company Limited, in which the Company held a 100% interest, was dissolved and the Company's interest in the company was derecognised, with a portfolio cost of 1,000 thousand euros and 871 thousand euros on the date of dissolution.

There were no capital reductions, dividend distributions or company dissolutions in the 2020.

c) Reorganisation of the Telefónica Group's operations in Latin America in 2020

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 4.4).

These transactions are recognised in the “Disposals” column of the table of movements in “Investments in Group companies and associates” for year 2020.

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 (mainly net debt) considering the percentage of ownership in each subsidiary and translated to euros at the official closing rate of each currency as at December 31. The main assessments used to determine the discounted cash flows are the long term OIBDA margin, the long term investment ratio, the weighted average cost of capital (WACC) and the perpetual growth rate, indicators employed by the Group in its investments valuation.

Moreover, and only for the companies where discounted cash flow analysis is not available due to the specific nature of their businesses, the impairment is calculated by comparing their equity figure as of the end of the period and the net book value of those investments.

As a result of the estimations in 2021 a write down of impairment provision in the amount of 441,542 thousand euros (2,194,908 thousand euros in 2020) 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 amounts of 377,483 thousand euros and 98,243 thousand euros, respectively in 2021. Writte down in the amounts of 1,085,637 and 803,149 thousand euros on Telefónica Brasil, S.A and Sao Paulo Telecomunicaçoes Participaçoes, Ltda in 2020.

- Partial reversal of the impairment provision on Telefónica Móviles Argentina, S.A. amounting to 49,717 thousand euros (write down in the amount of 264,628 thousand euros in 2020).

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

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

The year 2021 casted lights and shadows over Brazil. On the one hand, the dynamic situation in the first half. Brazil was one of the first countries to regain the same activity level prior to Covid pandemic. However, there has been an economic stagnation in the second half of the year caused by the rise in the inflation rate, the interest rates increase, a stricter tax expense policy and the uncertainty regarding future economic measures. As for the long term OIBDA margin two-year estimates of Telefónica's Group analysts for the operator in Brazil, it is in a range within 41% to 46%. Regarding investments, the operator will invest a percentage within the range of the investment needs forecasted by analysts (around 19%). The interest rates increase has resulted in an increase in the cost of debt of the company, and the WACC has risen from 11,1% in 2020 to 12% in 2021. The perpetuity growth rate is within the range of the estimations of the analysts, and it is consistent with the Brazilian Central Bank’s medium-term inflation target (within a range between 1,5% and 4,5%) and it is below the forecasted nominal GDP growth rate (which oscillates around 6%).

The economic activity in Argentina has boosted during the year thanks to a successful vaccination program designed to contain Covid pandemic and home policies enhancing economic growth. Within this scenario, the conversations with the International Monetary Fund to reschedule the debt repayments have resulted in an agreement that might be considered the milestone to a more sustainable future growth. As unsolved issue, the reduction of inflation rate which in 2021 was higher than 50% and partially hindered the sustained improvement obtained since 2019. The WACC in local currency is considering that inflation rate impacts the cash flows over the plan horizon with a discount rate of 23% as of perpetuity. The perpetuity growth rate of 10% is consistent with the inflation rate estimated for the same period. With respect to operating ratios, a long term OIBDA of 25% is being used which is below analysts' estimations for peers and the investment over revenues ratio is around 10,5%.

5.2. Loans and other receivables Group companies and associates

As at December 31, 2021 and 2020 this heading includes 18,146 thousand euros related to the tax credit related to the reversal of the deferred liabilities from intra-group transactions. Additionally, as at December 31, 2021 this heading includes the amount related to the Corporate Income Tax accrual for the current year net of advanced payments, 13,555 thousand euros (Note 9).

As at December 31, 2020, this heading included 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. The credit was paid in January 2021. This movement is recorded in the “Disposals” column of the movements in “Investments in Group companies and affiliates” for 2021.

Finally, in year 2020 this heading included the movements related to 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 for 2020.

5.3. Other financial assets

This item mainly includes the movements in the outstanding dividends as at December 31, 2021 and 2020.

5.4. Detail of subsidiaries and associates

The information relating to subsidiaries and associates as at December 31, 2021 and 2020 including indirect interest held by the Company in the share capital of the companies is detailed in Appendix 1.

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

The average share price for the last quarter and the last day quotation for listed companies as at December 31, 2021 and 2020 is as follows:

Company	T loker	Quotation 2021			Quotation 2021		
Telefónica Brasil S.A.		Avg.Q4	Closing		Avg.Q4	Closing	
BOVESPA Ons	VIVT3 BZ	48,08	49,57	BRL	8,27	7,84	EUR

Company	T loker	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

5.5. Transactions under the Special Tax Regime

No transactions that qualify for special tax regime were carried out in 2021. 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, 2021 and 2020 includes, mainly, the bank accounts in euros and US dollars held by the Company in Telfisa Global, B.V., with a balance of 3,593,993 thousand euros and 308 thousand American dollars (equivalent to 272 thousand euros) as at December 31, 2021 and 3,076,517 thousand euros and 4 thousand American dollar (equivalent to 3 thousand euros) as at December 31, 2020. Positive balances bear interest Euribor/Libor 1 month. Negative balances accrue interest Euribor/Libor 1 month plus 200 basis points margin.

7. EQUITY

7.1. Share capital and Reserves

7.1.1. Share capital and Share premium reserve

As at December 31, 2021, 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 2021 and 2020 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, 2019	Appropriation of results 2019	Balance as at December 31, 2020	Appropriation of results 2020	Balance as at December 31, 2021
Legal reserve	**47.350**	-	**47.350**	-	**47.350**
Other reserves	**7.614.692**	(341.205)	**7.273.487**	(2.138.820)	**5.134.667**
Total	**7.662.042**	**(341.205)**	**7.320.837**	**(2.138.820)**	**5.182.017**

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, 2021 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 2021 and 2020, the main movement of this item was the appropriation of result of previous year.

These reserves are unrestricted reserves.

8. 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:

	2021	2020
	Number of days	
Weighted average maturity period	**55**	**41**
Ratio of payments	55	42
Ratio of outstanding invoices	24	13
	Thousand of euros	
Total payments	31.349	27.441
Outstanding invoices	389	505

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 2021 and 2020 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.

9. INCOME TAX

Tax balances as at December 31, 2021 and 2020 are as follows:

(Thousand of euros)	2021	2020
Tax receivables:	**87.942**	**74.678**
Deferred tax assets (Nota 9.1)	55.405	56.142
Tax receivables	836	390
Loans and other receivables (Note 5.2)	31.701	18.146
Tax liabilities	**109.468**	**240.933**
Deferred tax liabilities (Note 9.1)	108.474	108.474
Current borrowings and other liabilities from Group companies and associates	990	129.042
Current payables to public administrations	4	3.417
VAT	-	3.406
Social security	-	1
Others	4	10

Loans and other receivables includes 18,146 thousand euros related the tax credit related to the reversal of the deferred liabilities from intra-group transactions and the amount related to the Corporate Income Tax accrual for the current year net of advanced payments, 13,555 thousand euros (Note 5.2).

"Current borrowings and other liabilities form Group companies and associates" includes the liability for intra-group transactions amounting to 990 thousand euros once the account payable related to the Corporate income tax for year 2020 amounting 59,926 euros and final inspection assessments for the period 2005-2007 in an amount of 66,756 thousand euros are settled.

9.1. Deferred tax assets and liabilities

The balances and movements in deferred tax assets and liabilities as at December 31, 2021 and 2020 are as follows:

2021 (Thousand of euros)	Tax credits	Temporary differences, assets	Deductions	Total deferred tax assets	Total deferred tax liabilities
Opening balance	**20.976**	**14.072**	**21.094**	**56.142**	**108.474**
Reversal	-	(185)	(1.397)	(1.582)	-
Transfers to the tax group's net position	-	-	845	845	-
Closing balance	**20.976**	**13.887**	**20.542**	**55.405**	**108.474**

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**
Creación	-	-	-	-	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**

The main impact on "Temporary differences, assets" in the 2021 is related to the reversal of provisions for staff compensation and indemnities amounting to 134 thousand euros. In addition, 1,247 thousand euros of international double taxation deductions for the year 2020 that cannot be used by the tax Group have been reversed and 150 thousand euros of Research and Development deductions for 2012 and 2013 were reversed following the conclusion of the Corporation Tax Inspection of the Tax Group in respect of the 2014-2017 period.

Transfers of 845 thousand euros mainly relate to the Tax Group's net amount for use of international double taxation tax credits against corporate income tax for 2020 amounting to 1,224 thousand euros and the generation of 1,224 thousand euros of international double taxation tax credits in 2021.

9.2. 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 2021 and 2020 is as follow.

(Thousand of euros)	2021	2020
Accounting profit (loss) before tax from continuing operations	**(167.743)**	**(2.022.686)**
Permanent differences	**127.273**	**1.991.588**
Arising in the year	127.273	1.991.588
Temporary differences	**(740)**	**273.982**
Arising in prior years	(740)	273.982
Tax result	**(41.210)**	**242.884**
Gross tax payable	(10.303)	60.721
Corporate income tax payable	**(10.303)**	**60.721**
Temporary differences for tax valuation	185	(68.496)
Other impacts	298	100.432
Corporate income tax accrued in Spain	(10.303)	60.721
Forein taxes	23.758	23.477
Income tax	**13.938**	**116.134**
Current income tax	13.753	85.534
Deferred income tax	185	30.600

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 9.1).

The heading Other impacts mainly shows difference between the provisions of the Corporate Income Tax calculated in December 2020 and the final return filed in July 2021.

9.3. 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 has been 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 for the period June – December 2015 and years 2016 to 2018.

In October 2021, the records of the inspections were signed off on an agreed basis and do not affect Telefónica Latinoamérica Holding, S.L. and with disagreement as to income exempt from tax on equity since 2015. The Company will challenge the Tax Determination through the economic-administrative track.

As a result of the inspection process ended in 2021and the years pending to be inspected, it is not considered necessary to recognise additional liabilities in the financial statements of the Company.

10. REVENUES AND EXPENSES

10.1. Revenues

Rendering of services

In 2021, Telefónica Latinoamérica Holding assigned to Telefónica Hispanoamérica the service provision and management support contracts signed with Telefónica Móviles Chile, S.A., Otecel, S.A., Pegaso PCS, S.A. de

C.V., Telefónica del Perú, S.A.A., Telefónica Chile, S.A., Telefónica Móviles del Uruguay, S.A. and Telefónica Venezolana, C.A. The assignment took effect on January 1, 2021 and covers a variety of services.

The revenue recognised in 2021 for the service provision and management support contracts not assigned to Telefónica Hispanoamérica amounts to 4,717 thousand euros (11,095 thousand euros in 2020).

Dividends from subsidiaries

The detail of the amounts recognized in 2021 and 2020 is as follows:

(Thousand of euros)	2021	2020
Telefónica Móviles del Uruguay, S.A.	-	23.145
Telefónica Brasil, S.A.	220.048	248.496
SP Telecomunicaciones Participaçoes Ltda.	86.235	54.409
Pléyade Argentina, S.A.	-	10
Total	**306.283**	**326.060**

10.2. Personnel expenses and employee benefits

The breakdown of social security cost is as follows:

(Thousand of euros)	2021	2020
Social security	79	118
Pension plans	(238)	(1.793)
Other benefits	7	(35)
Total	**(152)**	**(1.710)**

In 2021, pension plans includes 244 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 2020, the reinbursment amounted to 1,848 thousand euros. The Company currently has no outstanding obligations related to this pension plan.

10.3. External services

External services with Group companies and associated include the amount accrued for management support services rendered by Telefónica, S.A., 19,109 thousand euros (19,819 thousand euros in 2020).

During 2021 the Company closed its representative office in Beijing.

10.4. Financial revenue

In 2021, this item includes interest income on derivative transactions in the amount of 1,328 thousand euros in 2021 and 2,289 thousand euros in 2020.

Moreover, in 2020 this item included 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.

10.5. Exchange differences

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

(Thousand of euros)	2021	2020
Positive exchange differences	**28.216**	**127.562**
On current operations	209	10.410
On derivatives	19.017	115.098
On other items	8.990	2.054
Negative exchange differences	**(28.047)**	**(129.946)**
On current operations	33	(191)
On derivatives	(27.506)	(38.770)
On other items	(574)	(90.985)
Total	**169**	**(2.384)**

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.

11. RELATED PARTY TRANSACTIONS

11.1. 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, 2021 and 2020 with Group companies and associates:

2021	Assets				Liabilities			
(Thousand of euros)	Trade receivables	Loans and other receivables (Note 5.2)	Derivatives (Note 13.1)	Other financial assets (Note 5.3)	Derivatives (Note 13.1)	Interest from borowings (Note 8)	Other liabilities (Note 8)	Trade and other payables (Note 8)
Telefónica, S.A. (Parent company)	-	31.701	806	-	259		-	15.372
Telefónica Cybersecurity & Cloud Tech España, S.L.	521	-	-	-	-		-	-
Telefonica Iot & Big Data Tech, S.L.	129	-	-	-	-		-	-
Telefónica Brasil, S.A.	621	-	-	146.712	-		-	3.931
Telefónica Móviles Argentina, S.A	4.527	-	-	-	-		1.859	892
Telefónica de Argentina, S.A.	-	-	-	-	-		705	275
Telefónica Venezolana, C.A	1.208	-	-	-	-		-	445
Otras empresas del Grupo Telefónica	447	-	-	-	-		-	360
Total	**7.453**	**31.701**	**806**	**146.712**	**259**		**2.564**	**21.275**

2020	Assets				Liabilities			
(Thousand of euros)	Trade receivables	Loans and other receivables (Note 5.2)	Derivatives (Note 13.1)	Other financial assets (Note 5.3)	Non - current borrowings and other liabilities (Note 8)	Derivatives (Nota 13.1)	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 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
Telefónica Venezolana, C.A	1.759	-	-	-	-	-	-	444
Pegaso Comunicaciones y Sistemas, S.A. de C.V.	1.210	-	-	-	-	-	-	-
Telefónica Chile, S.A.	823	-	-	-	-	-	-	-
Telefónica del Perú, S.A.C	2.514	-	-	-	-	-	-	-
Telefónica Móviles Chile, S.A.	1.191	-	-	-	-	-	-	-
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**

Transactions with Group companies and associates in 2021 and 2020:

2021 (Thousand of euros)	Rendering of services	Interest on loans and other financial instruments	External services	Interest on borrowings and other financial instruments
Telefónica, S.A. (Parent company)	-	1.328	19.165	8.384
Telefónica Brasil, S.A.	-	-	326	-
Telefónica Finanzas, S.A.	-	-	15	-
Telefónica Móviles Costa Rica, S.A.	51	-	-	-
Telefónica Móviles Argentina, S.A.	4.580	-	306	-
T. Móviles El Salvador, S.A. de C.V.	93	-	-	-
Otras empresas del Grupo Telefónica	(6)	-	870	-
TOTAL	**4.718**	**1.328**	**20.682**	**8.384**

2020 (Thousand of euros)	Rendering of services	Interest on loans and other financial instruments	External services	Interest on borrowings and other financial instruments
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**

11.2. 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 2021 and 2020 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, 2021 and 2020, the Company had no life insurance obligations to the Joint Directors and no guarantee obligations on their behalf.

As at December 31, 2021 and 2020 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.

12. DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICY

12.1. Derivative financial instruments

In 2021 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, 2021 and 2020, 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, 2021	Balance as at December 31, 2020
Derivatives (Note 12.1)	806	1.313
Current borrowings and other liabilities from Group companies and associatess - Derivatives (Note 12.1)	(259)	(357)
Total	**547**	**956**

All transactions are arranged at short-term.

The breakdown of Telefónica Latinoamérica Holding, S.A.U.'s exchange rate derivatives as at December 31, 2021 and 2020, notional amounts at year end and outstanding values at that date is as follows:

2021	Nocional	Company pays		Company receives		Fair value
	Thousand of euro	Nominal	Currency	Nominal	Currency	Thousand of euros
NON Hedging derivatives						
Forwards	**160.745**					**547**
BRL/EUR	1.379	1.379	EUR	9.000	BRL	806
EUR/BRL	159.366	1.007.311	BRL	158.066	EUR	(259)
Total	**160.745**					**547**

2020	Nocional	Company pays		Company receives		Fair value
	Thousand of euro	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**

The breakdown of the financial results from derivatives not classified as hedges in the 2021 amounted to 8,384 thousand euros (8,469 thousand euros in 2020) of interest rate expenses, 1,328 thousand euros of financial income (2,289 thousand euros in 2020) and 8,489 thousand euros of net foreign exchange losses (76,328 thousand euros net foreign exchange gains in 2020) (Note 10.5).

12.2. 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 (or debt with short – tem maturity likely to be renewed) 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 2020) were received in the 2021 and 2020 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. Hedges should meet effectiveness tests 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 Telefonica Group’s Finance Department and implemented by the companies’ Finance Directors. The Group’s Finance department 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 2021 financial year, the policy of using derivative financial instruments to limit risks in unhedged exchange rate positions continued.

13. OTHER INFORMATION

13.1. Employees structure

As at December 31, 2021 and 2020 the Company had no employees.

13.2. 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 2021 and 35 thousand euros in 2020. Those payments relate to the audit service exclusively.

13.3. 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 122,287 thousand mexican pesos (34,509 thousand euros and 5,275 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 (196,833 thousand euros); the amount drawn down at the end of the year was 1,700 thousand American dollars (1,501 thousand euros).

13.4. Litigation

As at 31 December 2021, the Company has registered a provision for litigation related to a claim for damages. As at that date, the litigation is duly recorded in the financial statements and the Company does not expect any impacts in addition to those already recognised.

14.5. Commitments

Commitment to Telefónica de Contenidos

On 31 March 2010, Telefónica Internacional, S.A.U. (currently Telefónica Latinoamérica Holding, S.L.U.) signed an irrevocable commitment to enter into a Rights Assignment Agreement with Telefónica de Contenidos, S.A.U., for the exploitation of the historical catalogue of football match content from the 1997 to 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.

14. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred since December 31, 2021 until date of preparation of these annual financial statements.

15. 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 14, 2022. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX 1:

Details of subsidiaries and associates as at December 31, 2021

(Thousand of euros)					Income (Loss)			
Name and corporate purpose	% direct ownership	% indirect ownership	Share capital	Reserves	From operations	For the year	Dividends received year 2021 (Note 10.1)	Net carrying amount (Note 5)
Telefónica Brasil, S.A. (1) (2) (*)	24,09%	11,92%	23.164.194	(12.229.112)	1.130.993	997.381	220.048	4.281.518
Registered office: Brasil								
Corporate purpose: Telecomunications services								
SP Telecomunicaciones Participaçoes Ltda.	60,60%	-	5.627.380	(2.934.607)	(339)	191.905	86.235	2.216.352
Registered office: Brasil								
Corporate purpose: Holding								
Telefónica de Argentina S.A.	9,22%	19,95%	2.061.355	(837.060)	(202.175)	(279.244)	-	55.789
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Telefónica Móviles Argentina S.A.	25,28%	-	392.159	1.278.312	72.466	(146.317)	-	347.381
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Telefónica Internacional Holding, B.V.	100%	-	18	67.259	(2.659)	(2.641)	-	64.636
Registered office: Paises Bajos								
Corporate purpose: Holding								
Media Networks Latin América S.A.C	99,99%	-	46.340	1.446	(1.956)	(7.207)	-	40.578
Registered office: Perú								
Corporate purpose: Telecomunications services								
Telefónica Holding Atticus, B.V.	100%	-	18	4.343	(417)	(416)	-	3.563
Registered office: Paises Bajos								
Corporate purpose: Holding								
Terra Networks Perú, S.A.	99,99%	-	2.561	1.707	(184)	5	-	4.273
Registered office: Perú								
Corporate purpose: Access and Portal Service Provider								
Telefónica Centroamérica, S.A.	20,00%	-	31.557	(31.507)	1.699	949	-	200
Registered office: Panamá								
Corporate purpose: Telecomunications services								
Telefónica Servicios TIWS SAC	41,11%	-	6.846	143	190	(228)	-	2.779
Registered office: Perú								
Corporate purpose: Telecomunications services								
Wayra Argentina, S.A.	5%	-	17.087	(11.350)	(666)	(3.238)	-	125
Registered office: Argentina								
Corporate purpose: Desarrollo y apoyo de proyectos en el campo de las TIC								
Terra Networks Chile, S.A.	99,99%	-	35.718	(35.217)	(352)	(337)	-	164
Registered office: Chile								
Corporate purpose: Access and Portal Service Provider								
Terra Networks Argentina, S.A.	99,99%	-	2.338	(1.546)	(400)	(488)	-	304
Registered office: Argentina								
Corporate purpose: Access and Portal Service Provider								
Pléyade Argentina	3,05%	-	42	293	(66)	(136)	-	6
Registered office: Argentina								
Corporate purpose: Insurance intermediation								
TIWS ARGENTINA II	5,00%	-	2.653	(1.055)	(46)	1.009	-	130
Registered office: Argentina								
Corporate purpose: Telecomunications services								
Total							**306.283**	**7.017.798**

(*) Companies listed on international stock exchanges at December 31, 2021. Nota 5.5
(**) Company under liquidation process
(1) Consolidated data
(2) This company owns a 11,92% of the stake in Telefónica Brasil, S.A. indirectly througth a través de SP Telecomunicaciones Partipaçoes, Ltda.

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 10.1)**	**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 in Telefónica Brasil, S.A. indirectly througth a través de SP Telecomunicaciones Partipaçoes, Ltda.

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

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

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 181,681 thousand euros is mainly the result of the following factors:

- Revenues amounting to 311,068 thousand euros mainly derived from dividends.
- Impairment loss in the investments in Group companies and associates amounting to 441,542 thousand euros.

Total assets of the Company as at December 31, 2021 amounts to 10,855,152 thousand euros, of which 7,017,798 thousand euros represents interest in Group companies and associates.

The Company has positive working capital of 3,736,586 thousand euros.

As at December 31, 2021, 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

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 2021.

Risk management policy:

The Company's risk management policy is described in Note 13 of the annual financial statements for 2021.

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 2021 Financial Year which have been prepared by the Joint Directors of the Company and validly approved on today’s date.

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

Madrid, a 14 March 2022

______________________ ____________________________

Mr. Diego Colchero Paetz Mr. Francisco Javier Ariza Garrote