

*February 2006*

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# Telefónica Publicidad e Información

*February 2006*

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*This presentation contains financial information/data reported under IFRS. These data are preliminary, as only full compliance with International Financial Reporting Standards issued at 31/12/2005 is required, unaudited, and thus, being subject to potential future modifications. This financial information has been prepared based on the principles and regulations known to date, and on the assumption that IFRS principles presently in force will be the same as those that will be adopted to prepare the 2005 full year consolidated financial statements and, consequently, does not represent a complete and final adoption of these regulations.*

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**I. TPI Group**

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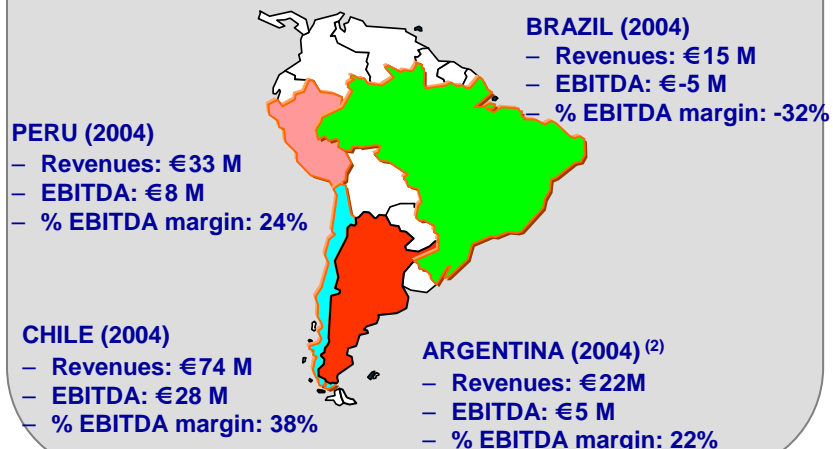
## The TPI Group is leader in the Spanish speaking directory market

### TPI GROUP (2004)

- Revenues: €608 M
- EBITDA: €210 M
- % EBITDA margin: 34.5%
- Net Income: €112 M

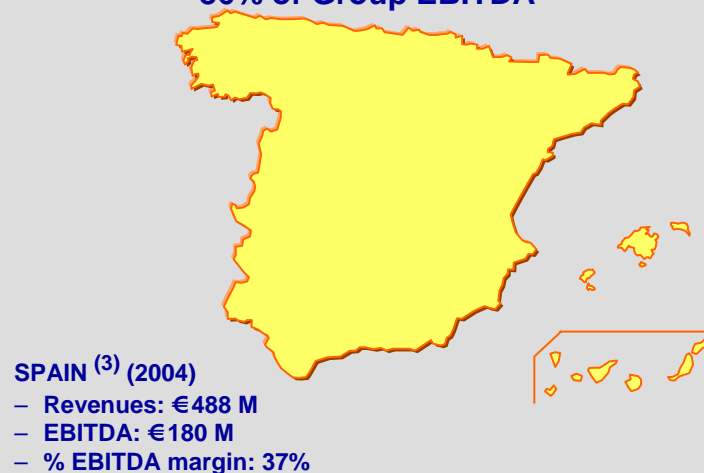
### LatAm contribution<sup>(1)</sup>:

- 20% of Group Revenues
- 14% of Group EBITDA



### Spain contribution:

- 80% of Group Revenues
- 86% of Group EBITDA

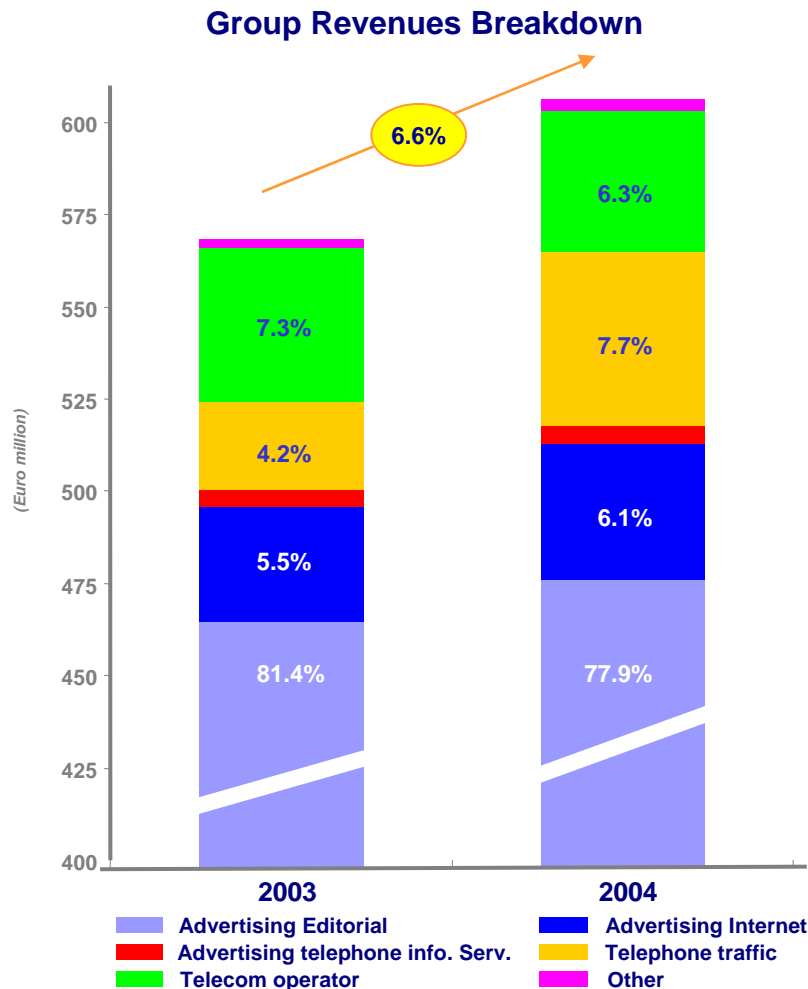


<sup>(1)</sup> Telinver is not included in this contribution figures, as it has been acquired on November 2005

<sup>(2)</sup> Acquired in November 2005

<sup>(3)</sup> Includes TPI S.A., 11888 SCT, TPI Edita, TPI Direct and Edinet Europa

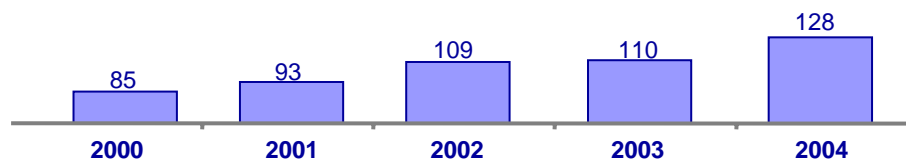
## TPI Group revenues breakdown



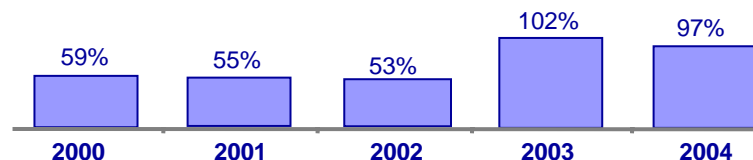
- Group revenues continue to increase based on faster growth in new business lines:
  - Editorial advertising revenues decrease its percentage as of total revenues from 81.4% to 77.9%...
  - ...while **internet** revenues increase its weight from 5.5% to 6.1% ...
  - ...and **telephone traffic** ends up representing 7.7% of total revenues versus 4.2% in 2003

**Strong cashflow generation combined with leverage capabilities, allow for future expansion plans & shareholders' remuneration**

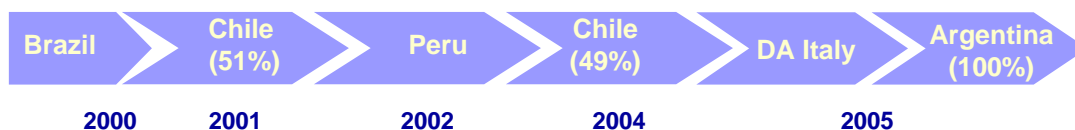
✓ **Strong cash flow generation (Eur M)**



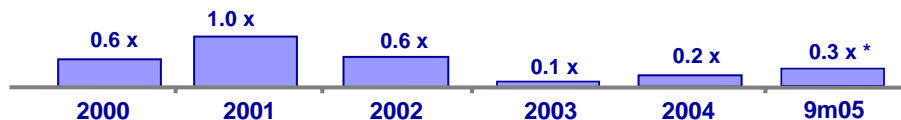
✓ **Increasing dividend payout (of Group's Net Profit)**



✓ **Continuous geographical expansion**



✓ **High leverage capabilities (Net Debt/EBITDA)**



\* Multiple calculated with annualized OIBDA

## 9m05 consolidated main financial data and evolution on a per country basis

Main financial data (TPI Consolidated Accounts*)				
(Euro million)	9m05	9m04	Var. (%)	Var. (%) <sup>(1)</sup> in local currency
Revenues	464.11	444.43	4.4%	3.3%
OIBDA	161.45	158.30	2.0%	1.7%
OIBDA margin	34.8%	35.6%	-0.8 p.p	-0.5 p.p
Net Income	94.88	95.59	-0.7%	-0.5%
EPS	0.26	0.26	-0.7%	-0.5%
<i>nº. Shares (30th September 2005):</i>	361,022,184			
		Jan. - Sept. 2005	Jan. - Sept. 2004	Var. (%)
Average exchange rates :	Peso/Euro:	719.42	751.88	-4.3%
	Reais/Euro:	3.13	3.64	-14.0%
	Sol/Euro:	4.12	4.22	-2.4%
<sup>(1)</sup> At average exchange rates of January - September 2004				

	SPAIN <sup>(2)</sup>		PUBLIGUIAS		TPI PERU		TPI BRAZIL	
	9m05 (Euro million)	% Var. (Local currency)	9m05 (Euro million)	% Var. (Local currency)	9m05 (Euro million)	% Var. (Local currency)	9m05 (Euro million)	% Var. (Local currency)
Revenues	359.70	4.0%	57.05	-3.4%	33.47	7.2%	13.70	-2.9%
OIBDA	136.67 <sup>(3)</sup>	6.0%	21.98	-17.2%	8.74	-17.0%	-5.06	24.7%
OIBDA Margin	38.0%	0.7 p.p	38.5%	-6.4 p.p	26.1%	-7.6 p.p	-36.9%	10.7 p.p

<sup>(2)</sup> Includes TPI S.A., TPI Edita, 11888 SCT, TPI Direct and Edinet Europa

<sup>(3)</sup> OIBDA in Spain does not include controlling shareholding provisions

\* Consolidated Accounts elaborated under IFRS

## The acquisition of 100% of Telinver for an enterprise value of US\$ 74 million, reinforces TPI's presence in LatAm

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- The agreement to acquire Telinver values the company at 6.9x EV/EBITDA pro forma<sup>(1)</sup> 2005. Acquisition has been completed in November 2005 and will be fully financed through leverage
- A new contractual framework with TASA for publishing white pages has been negotiated, which will result in a significant improvement of revenues and OIBDA
- The company holds 65% market share in Argentina. Operations cover central and southern areas of the country, including Buenos Aires city (same areas where TASA is present)
- Telinver operates under the Golden Pages brand, and product portfolio includes different paper products such as local books, a national B2B, tourist directories, and online directories. It also sales advertising on telephone boxes owned by TASA
- In 2004<sup>(2)</sup> revenues were of US\$ 27.7 million. EBITDA amounted to US\$ 6.2 million, resulting in 23.0% EBITDA margin

(1) EBITDA pro forma calculated including new conditions resulting from new contractual framework signed with TASA, as of 1<sup>st</sup> January, 2005

(2) 2004 financial figures for Telinver are calculated under Argentinean GAAP



The acquisition of Telinver and the start of operations in the Italian DA market, imply an update of the guidance published in 1Q05. New guidance 2005: revenues and OIBDA growth of +5.5/6.5% and +7/8% respectively, in constant euros

**Revenues**

- TPI would have met revenue guidance provided in Q105
- Telinver will be consolidated in TPI Group accounts as of the date of acquisition
- The Italian business will contribute to Group telephone traffic revenues starting 1st October

**OIBDA**

- TPI would have also met guidance provided in Q105 in terms of OIBDA
- Telinver will contribute positively to Group OIBDA
- The Italian business will show negative OIBDA in 2005, as revenues account for only three months, while costs will include the launch of the service

**Guidance 2005\***

(Euro million)	Old	New	2004
<b>Total Revenues</b>	<b>+3 / 5%</b>	<b>+5,5 / 6,5%</b>	<b>596.58</b>
Paper	+ 1 / 3%	+ 3 / 4%	467.59
Internet	+ 19 / 22%	+ 19 / 20%	32.57
Telephone traffic	+ 9 / 11%	+ 30 / 33%	46.90
<b>OIBDA</b>	<b>+ 7 / 9%</b>	<b>+ 7 / 8%</b>	<b>201.82</b>

\* Figures in constant Euros, based on average 2004 exchange rates:

Note: 2004 Consolidated Accounts elaborated under IFRS

{  
 Peso/Euro: 757.58  
 Real/Euro: 3.63  
 Sol/Euro: 4.24

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**I. TPI Group**

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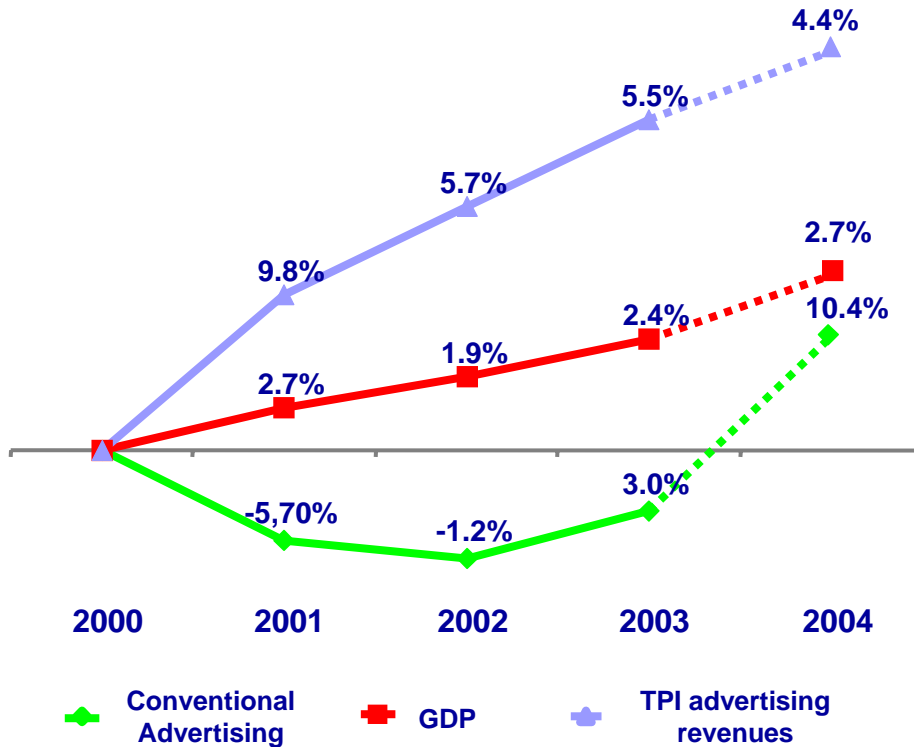
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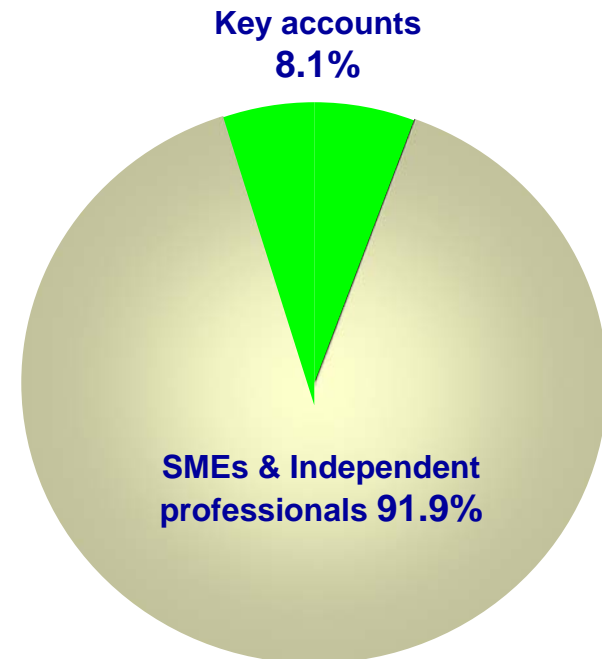
## Spanish directory market is less volatile and more resilient to changes in the economic cycle ...



TPI vs GDP & Advertising market



... the nature of its clients is behind this stability



**2004**  
% as of total revenues

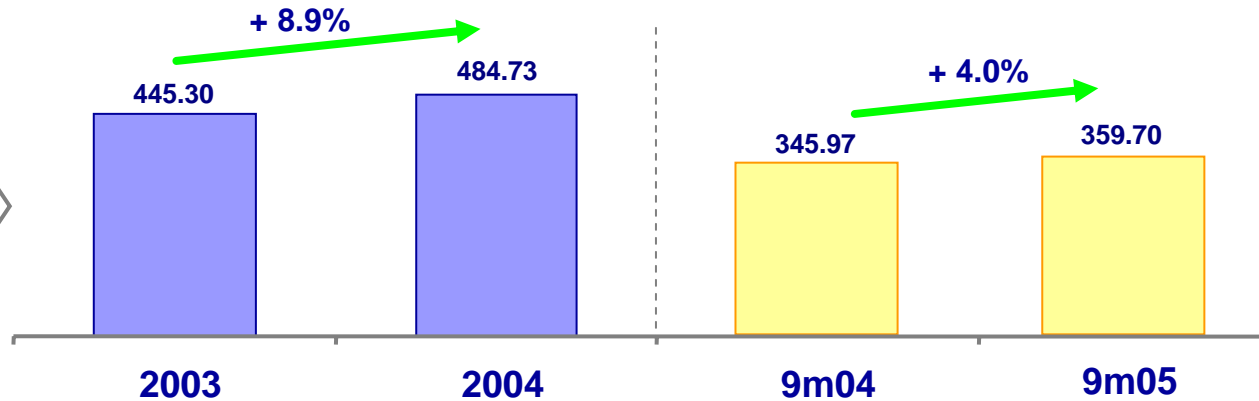
*TPI advertising revenues: Includes Yellow Pages, White Pages, Internet and Operated Assisted Yellow pages*

Source: Infoadex, OCDE, TPI

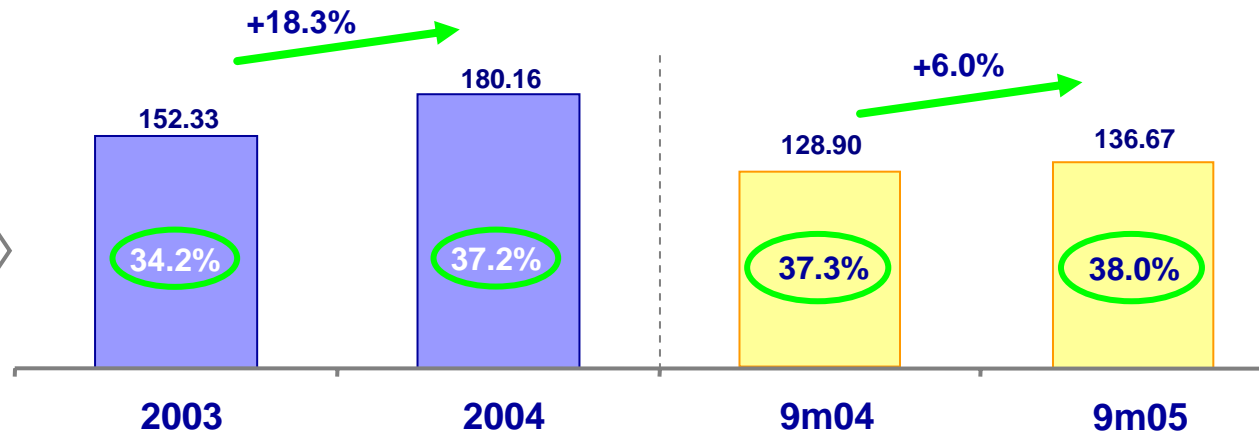
## Spain <sup>(1)</sup>, sustained revenue and OIBDA growth



**Revenues**  
(Euro million)



**EBITDA/OIBDA <sup>(2)</sup>**  
(Euro million)

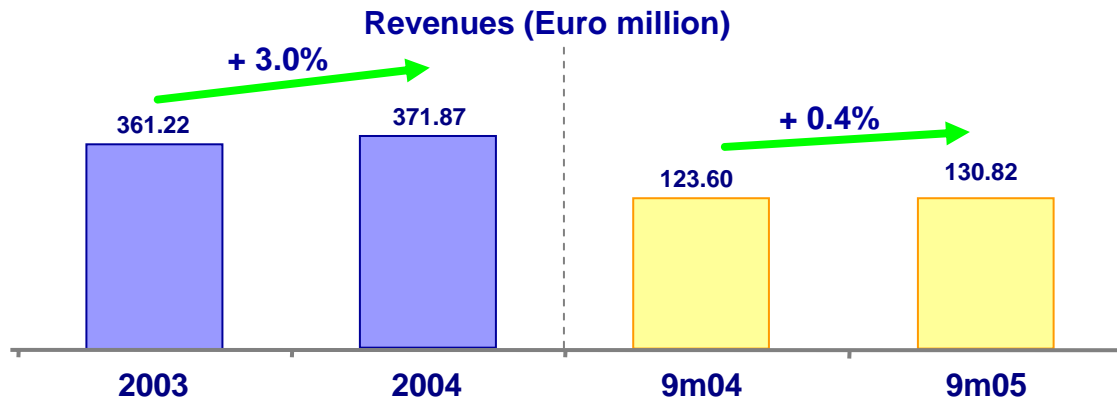


**X%** EBITDA/OIBDA Margin

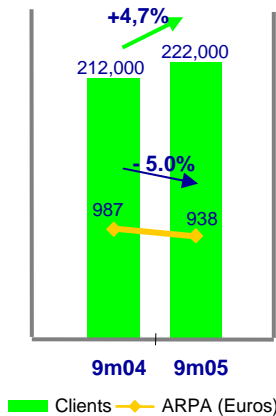
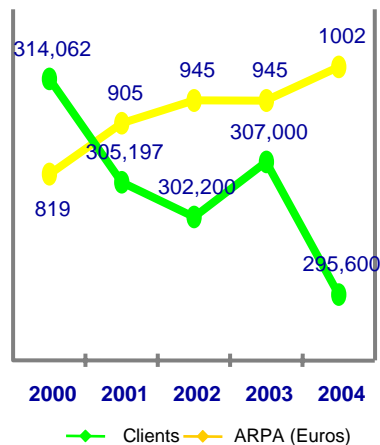
(1) Includes TPI S.A., TPI Edita, 11888 SCT, TPI Direct and Edinet Europa

(2) Controlling shareholding provisions are not included, in order to provide a clear reflection of Spain's domestic operating activity

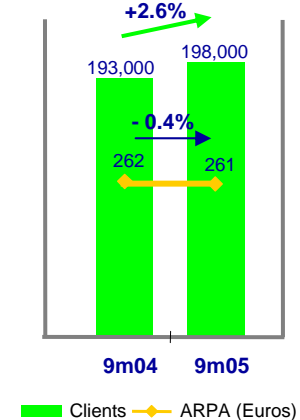
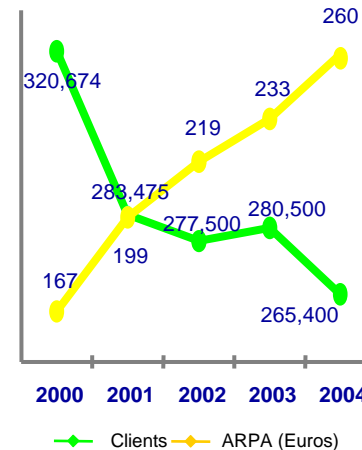
# Spain, the offline business: positive evolution of customers acquisition combined with flat revenue growth, due to a weaker performance of books published in the quarter



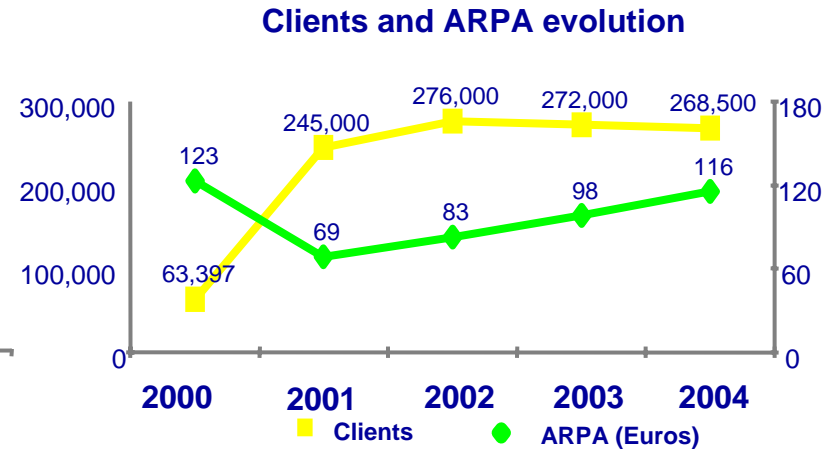
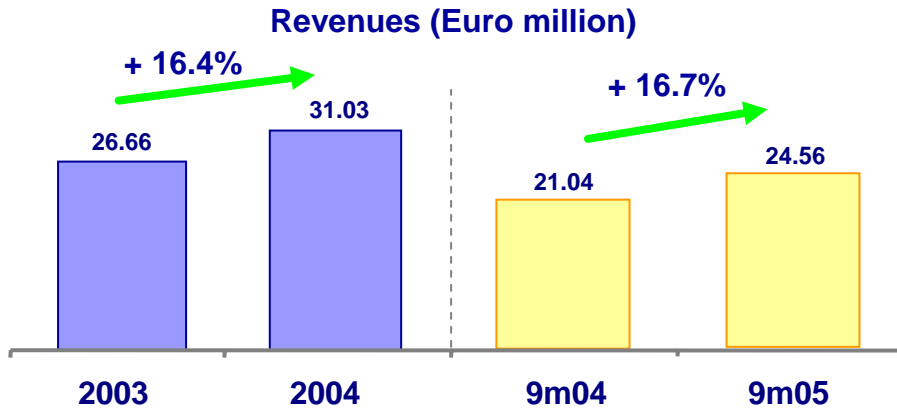
### ARPA Yellow Pages & No. Clients



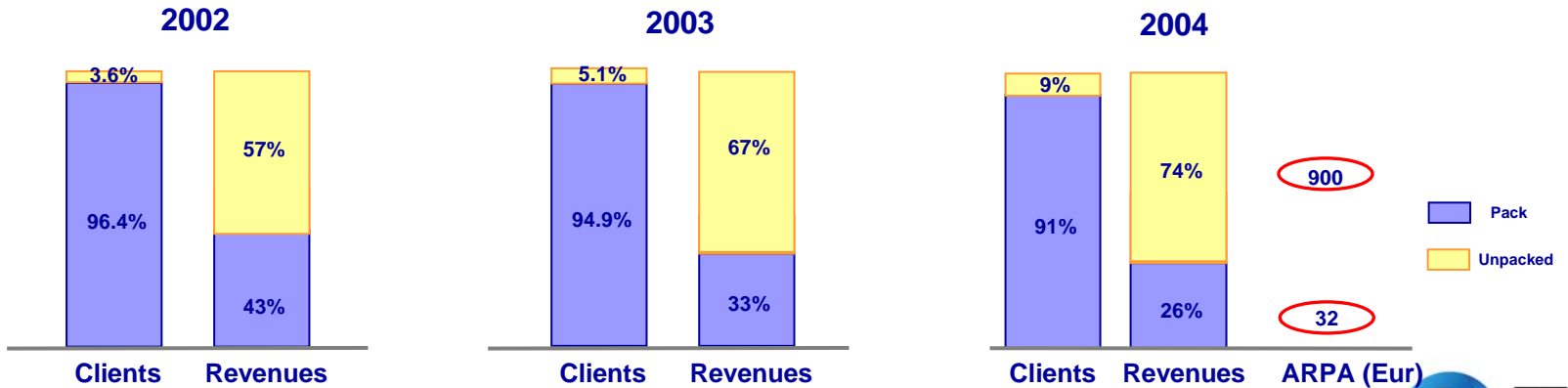
### ARPA White Pages & No. Clients



# Spain, On Line revenues grow as bundling breaks



## Contribution of unbundled clients to total revenues and clients



# The online strategy: increase advertisers exposure and monetization



## The increase of traffic&visibility of advertisers will lead to...

- Enhancement of TPI's own sites (proximity search, new design and functionalities, push to talk service, new search engine – NOXTRUM, etc.)
- Agreements with other traffic agregators:
  - ✓ 2003: Terra portal and search engine
  - ✓ June 05: MSN.es portal
  - ✓ June 05: Ask Jeeves local search engine
  - ✓ July 05: Yahoo.es portal

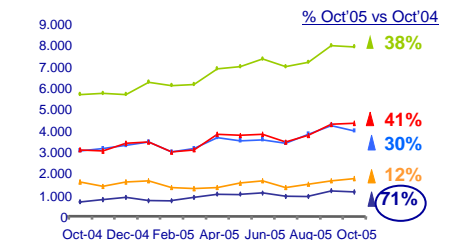
### Home audience

SITE	Ranking	Users	Rearch (%)
google.es	1	7.627	77,23
msn.com	2	6.075	61,51
terra.es	3	3.169	32,09
yahoo.es	4	3.016	30,54
wanadoo.es	5	2.399	24,29
ya.com	6	1.771	17,93
lycos.es	7	1.463	14,81
TPI PA	8	1.114	11,28
iespana.es	9	871	8,82
miarroba.com	10	739	7,48
hispavista.com	11	641	6,49
eresmas.com	12	581	5,88
arrakis.es	13	543	5,50
lanetro.com	14	443	4,49
qdq.com	15	304	3,08

\* Home Unique users ('000)  
 \*\* Páginas Amarillas includes White Pages, Street finder an

Source: Nielsen

### Usage performance (2)

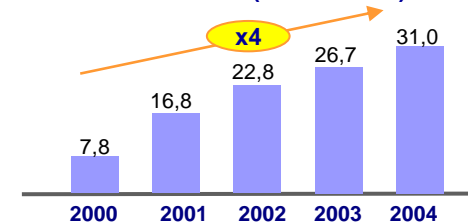


(2) Number of unique users, on a monthly basis

## ...an improvement of monetization through a more complete online value offer to the advertiser

- Continued increase of unbundled clients
- Enrichment of the bundle offer, including new products
- Moderate increase in prices in order to promote the unbundling

### Online revenues (Euro million)



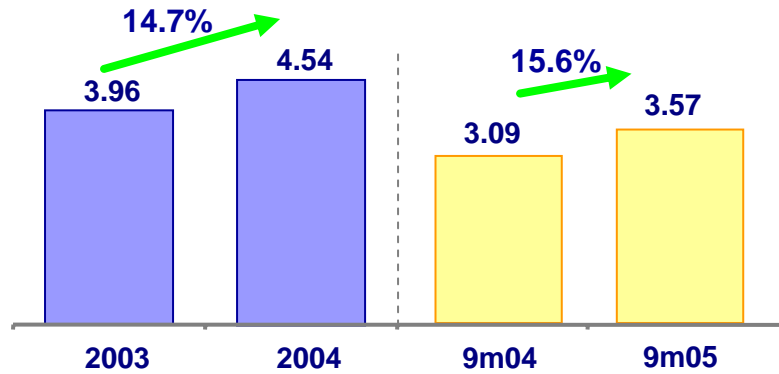
*TPI aims to continue playing the role of being the online advertising agent of S&Ms through offering the most complete online presence, making simple a time consuming and complex process for the advertiser*

# TPI Spain, DA\* Information Services: continues to show strong revenue growth

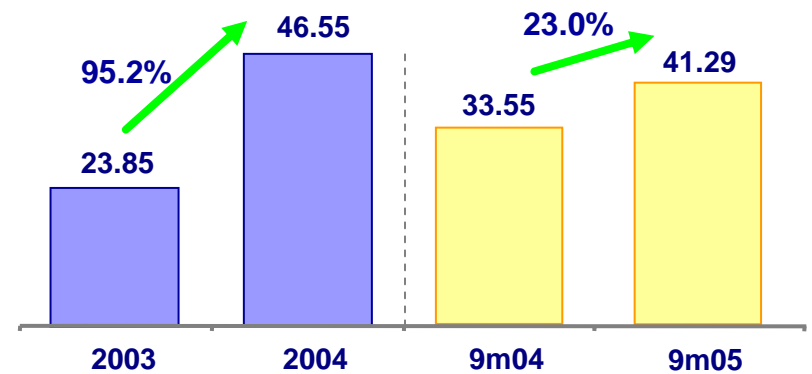
llama y encuentra  
**11 888**



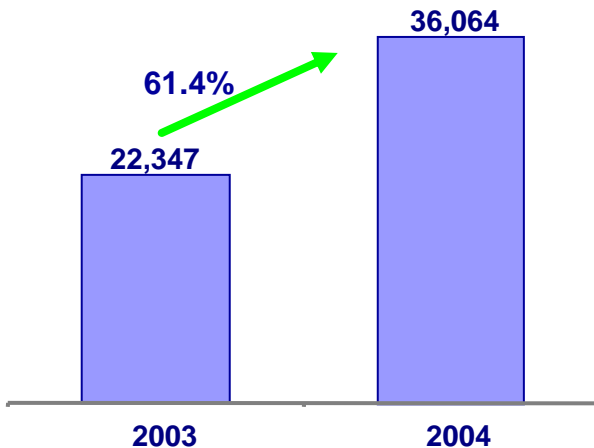
Advertising Revenues (Euro million)



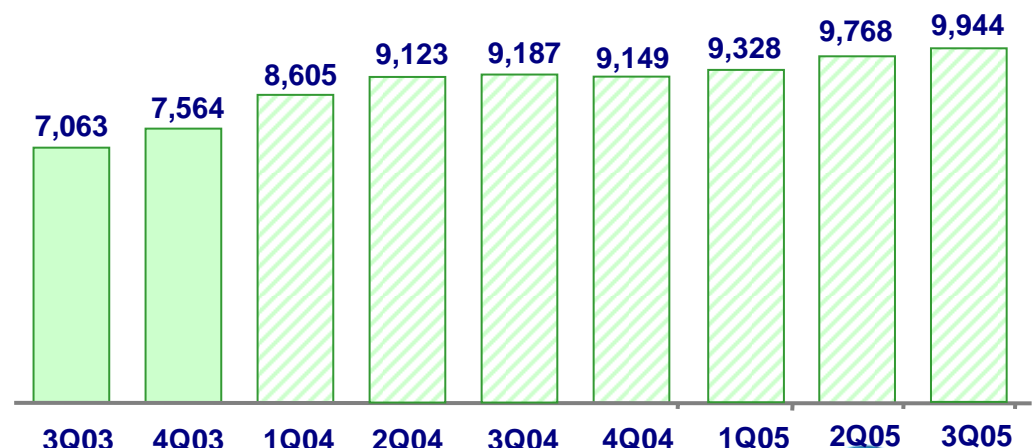
Traffic Revenues (Euro million)



Number of calls ('000)



Number of calls ('000) – Split by quarter



(\* Traffic revenues and number of calls includes all telephone information services provided



## TPI starts operating in the DA Italian market



- **Numbers granted:** 1288, 1248
- **Operations started:** 1<sup>st</sup> October
- **Market features:**
  - ✓ Attractive estimated market size of 200 - 250 million calls a year
  - ✓ Differently to Spain there will not be a universal service provider post deregulation
  - ✓ Attractive price scenario
- **Key success factors**
  - ✓ Quality of numbers granted
  - ✓ Well received advertising campaign – based on Spain’s successful “pelochos”
  - ✓ Quality of the service:
    - Multilingual offering: Italian, English, German and French
    - Value added services such as call completion, restaurant reservations, SMS, etc.
  - ✓ TPI expertise
- **First impressions:**
  - ✓ Preliminary data shows that operations evolve according to business plan
  - ✓ Well received advertising campaign
  - ✓ Should this trend continue, this business will be profitable in 2006



*Entrance in French market still under study*

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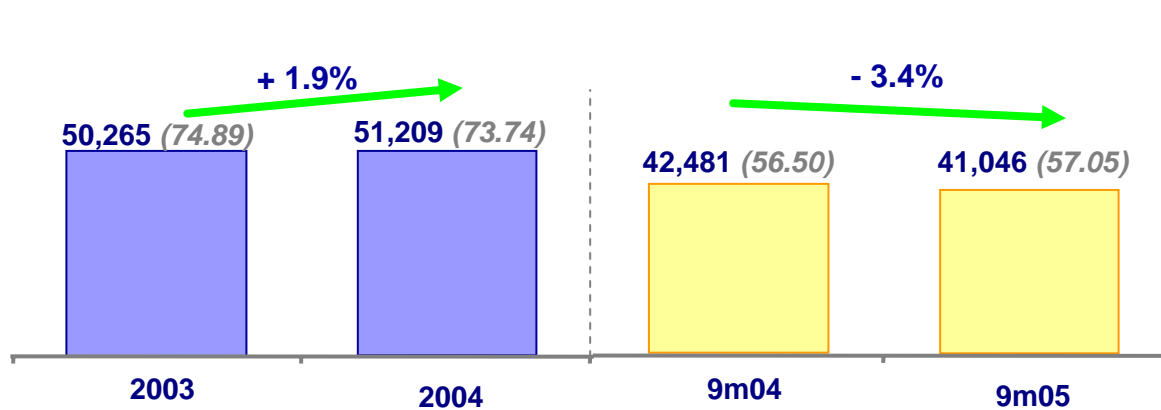
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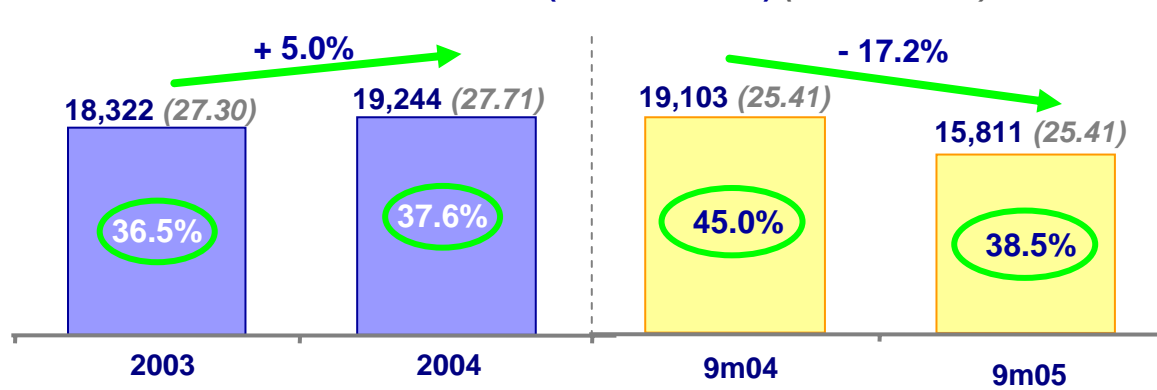
## Publiguias: results show the impact of stronger competition in the Santiago directory



Revenues (Pesos million) (Euro million)



EBITDA/OIBDA (Pesos million) (Euro million)



→ Growth in local currency

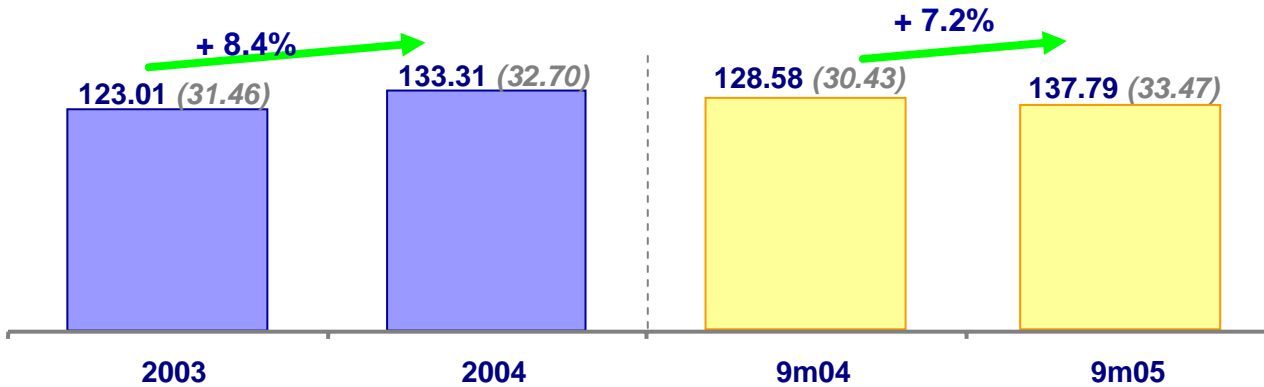
X% EBITDA/OIBDA Margin

- ✓ Competitive environment in Chile is getting tougher following the recent acquisition of our main competitor Chilnet
- ✓ 9m05 OIBDA decreased explained both by increased competition and provisions for bad debts, corresponding to previous years' editions

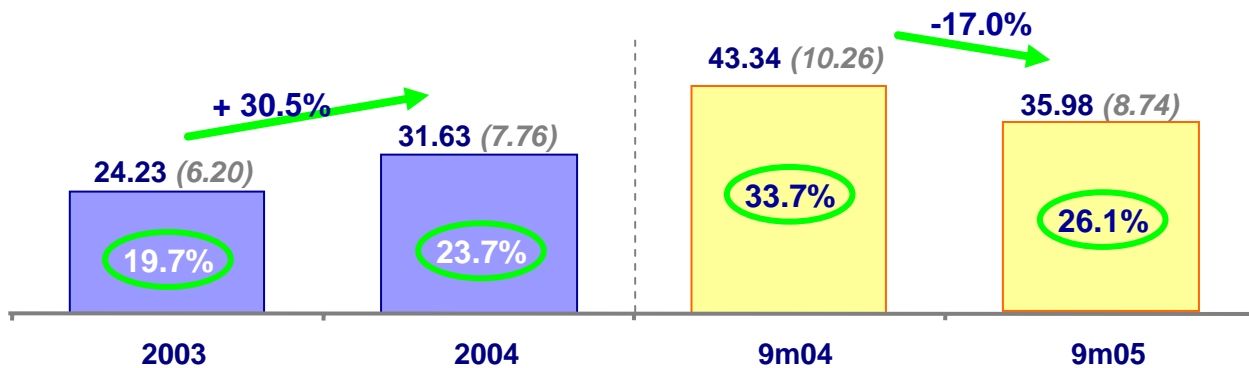
## Peru: healthy growth in revenues



Revenues (Soles million) (Euro million)



EBITDA/OIBDA (Soles million) (Euro million)



- ✓ Advertising revenues up 6% in local currency
- ✓ Internet revenues multiplied by more than 2 times
- ✓ OIBDA decreased due to a change in the bad debt provisions recognition schedule vs 2004, that will disappear at 2005 year end

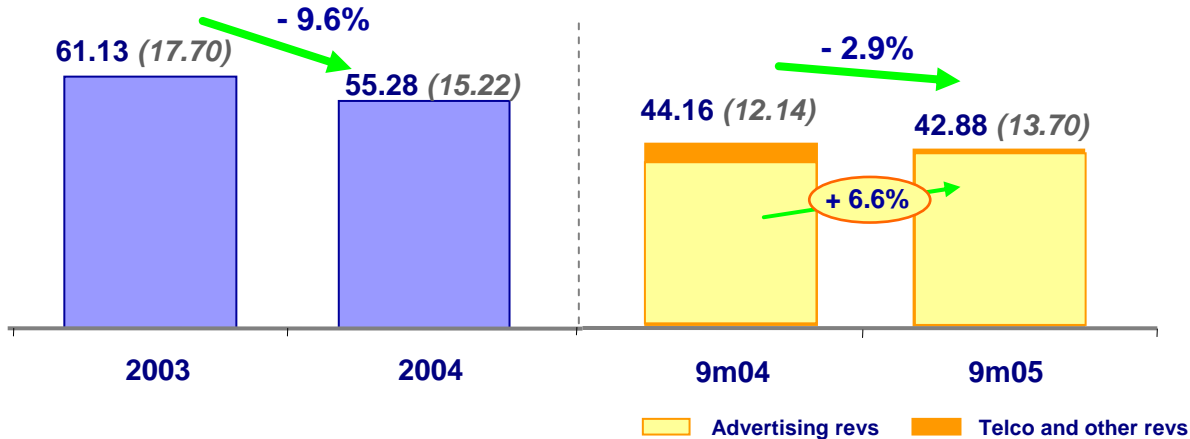
→ Growth in local currency

X% EBITDA/OIBDA Margin

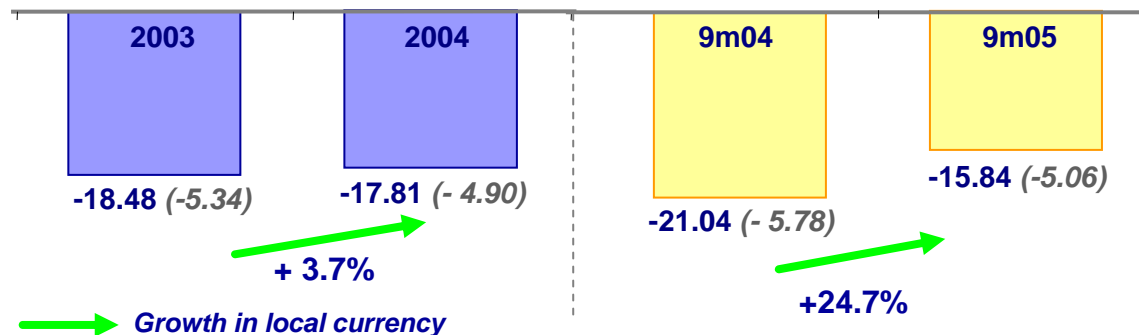
## Brazil: advertising revenues up 6.6% in local currency



Revenues (Reais million) (Euro million)



EBITDA/OIBDA (Reais million) (Euro million)



- ✓ GuiaMais paper business showed a like for like growth of 3.5% in local currency
- ✓ Internet revenues up 27.5% in local currency
- ✓ Total revenues went down due to lower Telco operator revenues
- ✓ Competition still fierce

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## Conclusions

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- TPI:
  - holds strong leadership positions in all Spanish speaking areas where present
  - is a strong cash flow generator with high leverage capabilities which, in turn, allow for:
    - expansion policy
    - improvement of shareholders remuneration
  
- New guidance for 2005 reflecting the acquisition of Telinver and the entrance to the Italian DA Market: Revenues +5.5/6.5% and OIBDA +7/8%, in constant euros of 2004
  - 3-4% growth rates for paper business
  - Double digit growth of internet revenues
  - Strong performance of telephone information services (30% - 33%)

## Transition to IFRS: TPI is reporting under IFRS from 1Q05 results

- **In this presentation:**
  - 2003 & 2004 figures are calculated under Spanish GAAP
  - 1H04 & 1H05 figures are calculated under IFRS
- **Main impacts resulting from transition from Spanish GAAP to IFRS:**
  - Revenues and expenses from online and DA advertising will be recognized over the life of the adverts (amortization method vs publication method under Spanish GAAP)
  - Chile and Peru do not comply with the requirements to be considered hyperinflationary economies and therefore their Income Statements will be converted with the average local currency/Euro exchange rates.
  - Costs that do not meet the definition of asset cannot be capitalised
  - Goodwill and Intangible Assets with indefinite useful life are not amortized but annually tested for impairment
  - There are no longer “extraordinary” items in the Income Statement
- **The transition impacts were not significant in 2004 TPI’ Income Statement**

	Spanish GAAP	IFRS	Var.(%)
<b>Revenues</b>	608,4	596,6	-1,9%
<b>Operating Income before D&amp;A</b>	210,1	204,0	-2,9%
<b>Operating Income</b>	185,6	179,0	-3,6%
<b>Net Profit</b>	111,9	113,5	1,5%

- **Operating result before Depreciation and Amortization that was denominated EBITDA under Spanish GAAP, is now called OIBDA under IFRS, including all the above**