



directories

Directories' Business generated by the Telefónica Group

(figures in millions of euros)

	Consolidated Results january – december			Grupo TPI Yellow Pages january – december		
	2002	2001	% Change	2002	2001	% Change
Operating revenues	550.5	619.5	(11.2)	532.8	511.7	4.1
Work on fixed asset accounts ¹	0.0	0.0	n.s.			
Operating expenses	(361.5)	(444.9)	(18.7)	(382.7)	(382.9)	(0.0)
Other net revenues (expenses)	(38.1)	(48.6)	(21.5)			
EBITDA	150.9	126.1	19.7	150.1	128.8	16.6
Amortization/Depreciation	(31.2)	(29.7)	5.2	(30.1)	(25.5)	17.7
Operating income	119.7	96.4	24.1	120.1	103.3	16.3
Income associated companies	(1.8)	(1.7)	3.5	(1.8)	(1.7)	3.5
Financial income	(5.0)	(15.2)	(67.2)	(1.8)	(10.8)	(83.0)
Amortization Goodwill	(1.3)	(0.5)	170.2	(3.0)	(2.2)	40.1
Reversion negative consolidation differences				1.8	1.7	3.5
Extraordinary income	(8.4)	(6.9)	23.1	(7.9)	(0.3)	n.s.
Income before taxes	103.2	72.2	43.0	107.3	90.1	19.1
Tax provision	(36.0)	(33.4)	8.0	(36.0)	(33.7)	7.0
Income before minority shareholders	67.2	38.9	73.0	71.3	56.4	26.4
Income from minority shareholders	4.3	9.2	(52.7)	4.1	8.5	(51.6)
Net profit (loss)	71.6	48.0	49.0	75.4	64.9	16.2

(1) Includes work in progress

Note: includes all of the Telefónica Group's Directory businesses from 1 January 2001 onwards.

Profitable and sustainable Growth

Telefónica Publicidad e Información's (TPI) capacity for innovation and development, together with its in-depth market knowledge based on 30 years' experience, allow the Company to win over the trust their clients place in its products. Its work is adapted to the requirements of an Information Society and offers an extensive and varied portfolio of marketing materials for a wide range of support and distribution platforms.

With the focus on customers' requirements, while constantly seeking to maximise shareholders' assets through the profitable growth of its activities, the TPI Group has developed a strategy based on the growth of its main business, the diversification of sources of income, and international expansion.

In order to exploit the full potential of existing supports, TPI has reinvented current products to adapt them to market needs, introducing improvements in advertising which stimulate the use of the product in question and, as well as profitability for the advertiser. Examples of the benefits of this strategy include local versions of Yellow Pages and separate information for homes and businesses, pocket guides or new search methods for similar activities in multimedia supports.

While keeping its attention firmly fixed on its main line of business, TPI dedicates a significant amount of human and material resources to the development of new sources of income, offering its advertisers the most innovative and effective means of

reaching their potential clients. Examples include new sector guides, advertising marketing using MMS, or new telephone information services.

The Company's presence in Latin America which started in Brazil in 1999 and continued one year later with the incorporation of Publiguías in Chile, was reinforced last year with the incorporation of TPI Peru, consolidating its position in the Directory market in Spanish and Portuguese-speaking countries.

This process of seeking new international markets by the TPI Group has paved the way to new synergies such as those which already exist in the joint purchasing of services and supplies, in the implementation of new developments and in the transmission of effective working practices between the different companies within the group clearly demonstrating TPI's capacity for sustainable and profitable growth.

Publishing Business

Páginas Amarillas (Yellow Pages)

Páginas Amarillas is the TPI Group's main product, both in terms of the income generated by advertising and its high level of brand recognition. In 2002, the TPI Group published 98 different yellow pages directories.

The different brands names handled by the TPI Group have a high strategic value and are recognised by practically one hundred percent of the population. In Spain, the Páginas Amarillas brand is established as one of the country's ten most highly-valued trademarks (1). In Chile, 98% of the

The TPI Group follows a strategy based on the growth of the core business, the diversification of sources of income and international expansion

(1) Source: Brand asset valuator-Young & Rubicam

(2) Source: EMER-GFK

During 2002, the TPI Group published 98 different yellow pages directories which contribute the greatest volume of advertising revenue



population uses the Publiguías Las Amarillas for information and in Peru 100% of the population recognises the Telefónica Peru Las Amarillas trademark (2). In Brazil, two years of market presence in São Paulo have brought high levels of recognition to the 'Guía Mais', currently the most widely used guide in the region.

In Spain, the processes of expanding into new areas with home and business listings and the widespread use of the Páginas Amarillas de Bolsillo (pocket yellow pages) are clear examples of the dynamic nature and solidity of the product, as well as its great attraction as a support for advertising and information for advertisers and users.

Páginas Blancas (White Pages)

Páginas blancas continues to be the Company's second most profitable product. It underwent a series of wide-ranging improvements in 2002, including the incorporation of new advertising spaces, an improved design and the inclusion of maps and street guides.

Multimedia Products

Income from multimedia products now represents 5.7% of the Group's total income, and has undergone considerable percentage growth (31.6%) with regard to the previous year, producing a total of 30.34 million euros, demonstrating the success of continuously adapting the directories to new supports.

Páginas Amarillas Online

Throughout 2002, the TPI Group's websites' network 'recorded a substantial increase in income and user levels. TPI has undertaken a thorough

revamp of its sites in order to make navigation easier and to offer more possibilities for advertisers. Other services are offered alongside the Páginas Amarillas Online service, including maps and street guides of major cities, virtual shopping malls and specialised articles.

In Spain, PaginasAmarillas.es has been consolidated as the most effective Internet directory for businesses, professionals, products and services, with more than 1.6 million listings.

In Brazil, Guía Mais Online is the leading site in the directories' category and has been voted one of Brazil's top 100 websites by the magazine Infoexame, one of the country's most important publications on information technology.

The Publiguías websites lead the Chilean market. Throughout 2002, the Company made special efforts to promote its Internet presence, with new product developments and improvements.

TPI Peru's online products have progressed firmly, surpassing all targets. TPI Peru has become the country's leading seller of online advertising and is the country's most visited commercial website.

Telephone information Services

The TPI Group's telephone information services are offered as another way of uniting supply and demand. These services are available in Spain (Páginas Amarillas Habladas), Chile and Brazil (Disk Guía Mais).

New content and functions were incorporated in 2002, offering users easier access to the service



In Spain, PáginasAmarillas.es is the most important Internet-based directory for businesses, professionals, products and services, with more than 1.6 million entries

required. It is worth highlighting the 098 General Information Service for Telefónica de España and the 727 services for the mobile telephone operator Entel PCS in Chile.

New Technologies

New developments in SMS, WAP, PDA and TV-I supports were launched during 2002. One new feature in Spain was the adaptation of content to the Multimedia Messaging Service (MMS). Information regarding all new features is available in the Yellow Pages' New Technologies Channel on the web.

TPI Group's Results

Sustained growth in all business areas and a continued process of international expansion permitted a significant increase in the TPI Group's results at the end of 2002.

As a result of this process, which started in 1999, the contribution of Latin American subsidiaries to the Group's income and EBITDA has become increasingly more significant, at approximately 24% and 11% respectively.

Income during 2002 has shown an increase of 4.1% compared to the previous year, representing 532.83 million euros. This promising situation reflects the positive growth of income from advertising, which at a rate of 7.7%, has generated an income of 483.42 million euros in countries where the Group is present:

In Spain, income from advertising has grown by 5.7%, reaching a total of 373.86 million euros. It is important to note the substantial growth of

income from Internet advertising which had increased by 35.6% at the end of 2002.

- In PubliGúías, income from advertising registered an increase of 6.4% in local currency, a turnaround from the decrease recorded in the last three years.
- The incorporation of TPI Perú into the Group's consolidated accounts contributed a total of 28.44 million euros from advertising revenue in 2002.
- In Brazil, the loss of the contract with the publishing company Listel resulted in less advertising revenue for 2002, reaching 5.42 million euros.

On the other hand, in countries where it has a presence, TPI maintains contracts with operators to publish the subscribers' list which constitutes a legal obligation for these operators. Income from these contracts did, however, suffer a significant decrease compared to 2001 (-30.9%), basically due to the new regulations passed by the Brazilian Regulatory Board (Anatel) exempting Brazilian companies from this obligation.

The TPI Group's EBITDA was 150.11 million euros, with a growth of 16.5% compared to 2001 and an increase in margins of 3 points, reaching 28.2%. The reason for this improvement is the rigid control of operational costs during this period, which remained at the same level as the previous year, compared to a growth in income of 4.1%.

The company's Net Results grew by 16.2% to 75.42 million euros, compared to the 64.9 million euros obtained in 2001.