

REPORT PRESENTED TO THE BOARD OF DIRECTORS OF "YELL PUBLICIDAD, SOCIEDAD ANÓNIMA" IN RELATION TO THE PROPOSAL REFERRED TO IN POINT THREE OF THE AGENDA OF THE ANNUAL GENERAL MEETING TO BE HELD ON 25th AND 26th SEPTEMBER 2007, ON THE REDUCTION OF THE SHARE CAPITAL.

The Board of Directors of Yell Publicidad, Sociedad Anónima (“Yell Publicidad” or the “Company”), at the meeting held on 26th June 2007, agreed to propose a share capital decrease amounting to 231,908.35 euros, by amortisation of the 4,638,467 shares representing the share capital that is not owned by the majority shareholder, Midorina, S.L.U. (“Midorina”), to the Shareholders at the Annual General Meeting.

The aforementioned capital decrease will involve amendment of articles 5 and 6 of the Articles of Association.

Consequently, and pursuant to the provisions in articles 164, 148 and 144.1 a) of the Act on Public Limited Companies, the members of the Board of Directors have prepared this Report describing the amendment of the Articles of Association proposed and the justification for this.

1. BACKGROUND INFORMATION OF THE TRANSACTION

1.1. The IPO.

Midorina (a Company fully and indirectly held by Yell Group plc: -“Yell”-) made an initial public offering on 28th April 2006 to acquire all the shares representing the share capital of the Company traded on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia (the “IPO”). The IPO, which was authorised by the CNMV (Spanish Securities and Investments Board) on 22nd June 2006, was aimed at the 361,022,184 shares representing 100% of the Company’s share capital and it offered 8.5 euros for each one of those shares.

On 26th July 2006, the positive result of the IPO was published, which was accepted by a total of 340,247,402 shares, representing 94.25% of the share capital of Yell Publicidad.

1.2. The Exclusion Takeover Bid.

Following settlement of the IPO, the Company's Shareholders at the General Meeting agreed, on 24th January 2007, to exclude the shares representing its share capital from the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. As a result of this agreement, the Company's majority shareholder, Midorina, issued a new takeover bid to acquire shares (the "Exclusion Takeover Bid") aimed at all shares representing the Company's capital, with the exception of the 340,247,402 shares already owned by Midorina that were blocked due to aforementioned bid. Consequently, the Exclusion Takeover Bid was aimed at 20,774,782 shares. The consideration offered in the Exclusion Takeover Bid was also 8.50 euros for each one of the Company's shares. The Exclusion Takeover Bid was authorised by the CNMV on 22nd February 2007 and as a result of the same, Midorina acquired a total of 16,136,315 of the Company's shares.

Consequently, as of this date, Midorina is the holder of 356,383,717 shares, representing 98.72% of the capital of Yell Publicidad.

Considering the extremely high percentage of the Company's capital acquired by Midorina in the IPO and the Exclusion Takeover Bid, the small number of shares that continue to be owned by third parties and as a result of requests received by a considerable number of minority shareholders, Yell Publicidad wishes to offer a further opportunity of liquidity for them, thus allowing, in turn, full integration of the Company in the Group headed by Yell.

2. DESCRIPTION OF THE REDUCTION OF CAPITAL AND THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION PLANNED

As stated in section 3 below, the most appropriate instrument to achieve the reorganisation planned consists of a reduction of the Company's share capital against free reserves, by amortisation of all the shares owned by shareholders other than Midorina and the return of contributions at the rate of 8.50 euros per share amortised, in the terms provided for in article 164.3 of the Act on Public Limited Companies.

In compliance with the terms established in article 167.3 of the Act on Public Limited Companies, it is proposed to set aside, against voluntary reserves, a reserve amounting to the par value of the shares amortised, which can only be disposed of with the same

requisites as required for the share capital decrease, thus excluding the right to opposition by creditors as provided for in the aforementioned precept.

The capital decrease foreseen allows the objectives of full integration of the Company in Midorina and the group headed by Yell to be achieved, for the benefit of all, while at the same time providing liquidity to the remaining Company shareholders by payment of a fair amortisation rate, equal to the price offered by Midorina both in the IPO as well as in the Exclusion Takeover Bid, accepted by the vast majority of the Company shareholders.

Moreover, the proposal protects the rights of the minority shareholders of Yell Publicidad, by submitting approval of the capital decrease not only to the majority of the share capital attending the Company's Annual General Meeting, but also to the favourable vote of the majority of share capital belonging to shareholders other than Midorina, stated either directly or by representation, in a separate vote from the Company's Annual General Meeting, as provided for in article 148 of the Act on Public Limited Companies, to which the aforementioned article 164.3 refers.

3. JUSTIFICATION OF THE MEASURES PROPOSED

The reduction of the Company's share capital with amortization of all the shares owned by shareholders other than Midorina is fully justified from the point of view of the corporate interest of Yell Publicidad and the group it is a member of. The reasons for that point of view are fundamentally the following:

3.1. Economic rationality.

The capital decrease and subsequent concentration of all the ownership of Yell Publicidad's capital in Midorina will lead to clear benefits for the Company and its group, such as more organisational and financial efficiency; rationalisation of the group structure and its business; more flexibility in relevant decision making to respond to the changing circumstances of the environment; and cost savings, among others, infrastructure costs, legal advertising costs of the notice of meetings of General Meetings and of printing the documentation it is obligatory to make available to the shareholders, fees of the agent that is responsible for keeping the share register and the depository institutions of the shares, among others.

3.2. Protection of the interests of the minority shareholders.

Suitable consideration

The amortisation rate (that is, the amount proposed to give to the shareholders whose shares are amortised), which is offered in the proposal is also fully justified from an economic and financial point of view.

The consideration offered to the minority shareholders for each one of their shares, 8.50 euros, coincides with the consideration offered both in the IPO as well as in the Exclusion Takeover Bid. In this respect, for the purposes of assessing the fairness of the consideration offered, it is worth remembering that the IPO was the result of a competitive process that Telefónica, as the Company's previous controlling shareholder, initiated, following the usual market practice to maximise the sale price of its controlling stake (216,269,764 shares representing 59.91% of the share capital). In the organisation, performance and execution of the abovementioned process, Telefónica was advised by the investment bank BNP Paribas.

Yell was invited to participate in that competitive process along with other potential buyers who, as may be supposed, were the investors most interested in Yell Publicidad and who, therefore, would be willing to offer the maximum price for the stake Telefónica held in the Company. Within the setting of that process and among all the investors invited, Yell presented the best offer of all those put forward by the candidates selected. That offer was finally accepted by Telefónica on 28th April 2006, by signing a formulation commitment contract and acceptance of the public offer to acquire shares. As a result of all the above, as well as the fact that no competing offer was presented, one may conclude that the value of 8.50 euros was the maximum value an investor was prepared to pay for each one of the shares in Yell Publicidad.

Moreover, it is important to point out that the price of 8.50 euros was authorised by the CNMV on the occasion of the Exclusion Takeover Bid, pursuant to the provisions in article 7 of Royal Decree 1197/1991, of 26th July, on the system of takeover bids. Moreover, due to the Exclusion Takeover Bid, the Board of Directors of Yell Publicidad commissioned a "fairness opinion" from Société Générale, which was issued and published on 21st December 2006 and which concluded that the value of 8.50 euros foreseen for the Exclusion Takeover Bid represented, on that date, from a financial point of view, a reasonable value for the Company's minority shareholders to be offered for their shares. In this respect, the valuation report dated 15th February 2007, also prepared by Société Générale, which is attached as an Addendum to the prospectus explaining the Exclusion

Takeover Bid concluded that the reasonable range of valuation of the Company shares, using diverse commonly accepted valuation methods, was between 7.26 and 7.93 euros per share.

Taking all the above into account, the fact that the settlement date of the Exclusion Takeover Bid is close and also that, since the date of those reports, there have not been any relevant events that could significantly affect the valuation of the Company shares, the amortisation rate of 8.50 euros per share is considered fully justified.

Approval by the majority of the minority shareholders

Pursuant to the provisions in articles 164.3 and 148 of the Act on Public Limited Companies, the capital decrease by means of share amortisation requires the approval not just of the General Meeting, but also of the majority of the shareholders affected who attend it, with the requisites foreseen in article 103 of the Act on Public Limited Companies.

Consequently, the proposal that the Board of Directors submits to the Shareholders at the General Meeting of Yell Publicidad foresees voting by all those attending the Meeting, as well as by the shareholders other than Midorina attending the Meeting, who will vote separately.

3.3. Peaceful acceptance of the trading operation

The capital decrease proposed is an operation accepted in commercial trading of which there are diverse recent procedures in the Spanish market.

The majority of the legislations of countries in our economic area specifically allow agreement on full integration of a subsidiary in the group, excluding the minority shareholders, as long as they are adequately compensated and the total stake of the aforementioned minority shareholders in the share capital of the company concerned does not exceed a minimum percentage, which usually ranges from 5% to 10% of the capital, especially when this percentage has been acquired within the setting of a takeover bid of listed shares, as is the case.

Therefore, Directive 2004/25/EC by the European Parliament and the Council, of 21st April 2004, concerning takeover bids (the “Directive on Takeover Bids”) imposed the obligation on Member States of granting the bidder who has acquired at least 90% of the capital with voting rights in a company a right to demand that the holders of the remaining shares transfer those shares at a fair price.

In this respect, there is the recently approved Act 6/2007, of 12th April, on reform of the Act on Public Limited Companies, to amend the system of takeover bids, in order to transpose the Directive on Takeover Bids in our Law. As was required and foreseeable, the aforementioned Act, which will come into force next 13th August and which is pending statutory development, introduces a new article 60 *quáter* in the Act on the Stock Exchange, which establishes the right of the bidder who has made a take over bid to demand that the rest of the holders of the shares transfer them to it at a fair price, as long as (i) the offer is accepted by holders of shares representing at least 90% of the voting rights of the shares other than those owned by the bidder and (ii) the bidder is the holder of at least 90% of the voting rights.

In order to accredit the justification of the operation proposed, it is worth remembering that the final date for transposing the Directive on Takeover Bids was 20th May 2006, the date on which that “squeeze out” right should have been included in our Laws. That date falls before the date of authorisation and settlement of the IPO in which all the necessary requisites to exercise the “squeeze out” were complied with by Midorina, as stated in the preceding paragraph.

4. PROPOSAL OF AGREEMENT

The literal wording of the agreement whose adoption is proposed to the Shareholders at the General Meeting is as follows:

1. Reducing the Company’s share capital, now set at EIGHTEEN MILLION FIFTY-ONE THOUSAND ONE HUNDRED AND NINE EUROS AND TWENTY CENTS (€18,051,109.20), by the amount of TWO HUNDRED AND THIRTY-ONE THOUSAND NINE HUNDRED AND TWENTY-THREE EUROS AND THIRTY-FIVE CENTS (€231,923.35), therefore set at the amount of SEVENTEEN MILLION EIGHT HUNDRED AND NINETEEN THOUSAND ONE HUNDRED AND EIGHTY-FIVE EUROS AND EIGHTY-FIVE CENTS (€17,819,185.85).

The reduction agreed is performed by means of amortisation and cancellation of 4,638,467 fully subscribed and paid up shares, each with a par value of FIVE EURO CENTS (€0.05), of the same class and series, represented by means of account entries.

The shares to be amortised are the 4,638,467 shares that are not owned by Midorina, S.L., the Company’s majority shareholder.

So that the amortisation does not affect all the shares in the same way, it is specifically recorded that, according to the provisions in articles 164.3, 148 and 144 of the Act on Public Limited Companies, this agreement requires the favourable vote of the majority of the shareholders interested, whose shares are amortised.

The purpose of this capital decrease is to return the contributions to the shareholders affected. The amount to be given to the holders of the shares amortised is 8.50 euros per share. Therefore, the total sum that must be given to all the shareholders affected by the decrease amounts to the sum of THIRTY NINE MILLION FOUR HUNDRED AND TWENTY-SIX THOUSAND NINE HUNDRED AND SIXTY-NINE EUROS AND FIFTY CENTS (€39,426,969.50).

2. Establishing the payment procedure required to perform the reduction of capital and the subsequent amortisation of the shares affected in the following terms:

The Company will give the agent in charge of performing the transaction, Santander Investment, S.A., the total amortisation value of the shares, and it will proceed to pay each one of the shareholders the sum they are respectively entitled to, through Iberclear (the Spanish Central Securities Depository) and the depository institutions that certify having the shares subject to amortisation entered in their registers. The aforementioned payment by Iberclear will take place as shortly as possible after the date of adopting this agreement.

With regard to the shares amortised registered at firms that participate in Iberclear that do not certify having amortised shares registered within the period, the amortisation sum will remain available to Company shareholders (for the legally required period) at the offices of Santander Investment, S.A., located in Boadilla del Monte (Madrid), Ciudad Grupo Santander, Avenida de Cantabria s/n, for payment on accreditation of the shares amortised.

In the event of any of the shares to be amortised being embargoed, pledged, under usufruct or there being any other charges on encumbrances on them, which are recorded in the accounting records of the entities participating in Iberclear, the relevant sums will be paid to the person who is entitled to receive the amortisation value of those shares according to the accounting records of the shares.

The Company will bear the costs and will pay, for and on behalf of each shareholder, 1% of the amortisation value received by each shareholder to settle the Property Transfer Tax (Corporate Transaction type).

3. Setting aside an unavailable reserve: This capital decrease will be performed against voluntary reserves. In this respect, it is agreed to provide an unavailable reserve amounting to TWO HUNDRED AND THIRTY-ONE THOUSAND NINE HUNDRED AND TWENTY-THREE EUROS AND THIRTY-FIVE CENTS (€231,923.35), equivalent to the par value of the shares amortised and which it will only be possible to draw on with the same requisites as established for the reduction of capital, as provided for in number 3 of article 167 of the Act on Public Limited Companies. In order to accredit the existence of freely available reserves of a

sufficient amount it is declared that, according to the Company balance sheet closed on 31st March 2007 to which the above agreement one refers, the amount of those voluntary reserves on that date was 109,514,484.78 euros.

4. Implementation period: The statutory amendment corresponding to this capital decrease agreement, which is described in section 5 below, will be effective immediately due to the sole will of the General Meeting, notwithstanding the acts of formalisation that are the remit of the governing body, such as executing the public document, as there will be no right to opposition by creditors to the reduction according to the provisions in number 3 of article 167 of the Act on Public Limited Companies.

5. Amendment of Articles of Association: Consequently, to amend articles 5 and 6 of the Company Articles of Association, which, with express revocation of their current text, will be drafted literally as follows:

Article 5.

The share capital is SEVENTEEN MILLION EIGHT HUNDRED AND NINETEEN THOUSAND ONE HUNDRED AND EIGHTY-FIVE EUROS AND EIGHTY-FIVE CENTS (€17,819,185.85), and it is fully subscribed and paid up.

Article 6.

The share capital is divided into 356,383,717 ordinary shares, each with a par value of five euro cents (€0.05), forming a sole class and series, represented by account entries.

The Company will recognise the parties legitimised in the entries of the relevant accounting records as shareholders.

All the shares grant their legitimate holder shareholder status and the rights recognised in Law and in these Articles of Association. Notwithstanding the

above, the Company may issue shares without voting rights, in the conditions and respecting the limits and requisites established by Law.

Madrid, 26th June 2007