Yell Group plc Interim Report 2004/05

Yell will be the best business information bridge between buyers and sellers in its markets, regardless of channel, time or location.

By realising our goals and maintaining the highest standards of corporate responsibility we will deliver real value to our Users and Customers, our People, our Shareholders and the communities in which we operate.

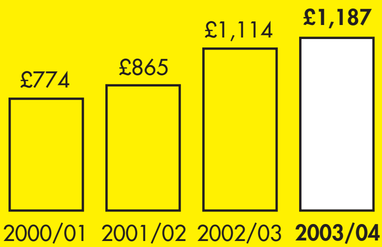
No.1

In the UK classified advertising market

No.1

Independent telephone directory publisher in the US

Yell Group plc revenue (£m)



Yell Group plc adjusted EBITDA (£m)

SIX MONTH RESULTS TO 30 SEPTEMBER 2004

GROUP TURNOVER

UP 6.3% to £604.6m

GROUP ADJUSTED EBITDA

UP 9.8% to £206.0m

OPERATING CASH FLOW

UP 11.0% to £170.6m

DILUTED EARNINGS PER SHARE

UP 18.3% to 15.5 pence

INTERIM DIVIDEND

UP 40% to 4.2 pence per share

Earnings and cash flow figures stated before exceptional legal costs in our US operation of £12.8 million (£8.0 million net of tax credit) in 2004, and exceptional IPO costs of £148.5 million (£111.3 million net of tax credit) in 2003. Diluted earnings stated before amortisation.

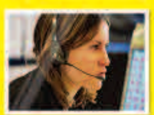
Yellow Pages

Yellow Book

Yell.com

Yellowbook.com

Business Pages



Yellow Pages 118 24 7

CHIEF EXECUTIVE'S STATEMENT

Yell has performed strongly during the first six months of this year. Our focus on **Winning, Keeping** and **Growing** our advertiser base is ensuring we remain the leader in our chosen markets and that we continue to deliver against our commitments to our stakeholders.

In the US, Yellow Book has delivered excellent growth, continuing our strong performance. Organic growth was driven by an increase in unique advertisers, in retention and growth in average revenue per unique advertiser. Integration of Feist, which we acquired in March 2004, is proceeding well and contributing to our overall growth. We published six new directories and launched sales in a new Las Vegas directory.

We continue to develop Yellowbook.com. We launched a new, faster and more efficient search engine and redesigned the site.

In the UK, we increased the number of advertisers and the average revenue per unique advertiser. We continued with our rescoping programme and published five new directories, including three in London. This programme gives users more locally-focused directories and businesses the opportunity to target their advertising more effectively. We also launched sales into a new Hull and East Yorkshire directory. Our Yellow Pages directories now cover the whole of the UK for the first time.

Yell.com has grown rapidly through significant growth in both usage and advertiser numbers. We enhanced Yell.com search with the launch of Super Search, a sophisticated local search facility, providing keyword searching across the entire Yell.com advertiser base. We also launched Yell.com mobile, enabling users to access Yell's advertiser database whilst on the move.

Our success in growing revenues and profits and in maintaining high cash generation now enables us to raise substantially our interim dividend this year by 40% per share, with the intention of recommending the same level of increase for the full year. Thereafter we intend to maintain our policy of dividend growth at least in line with earnings. This does not constrain our ability to pursue our consistent growth strategy and by taking this step, we also ensure that we continue to operate with an efficient capital structure.

John Condron, Chief Executive Officer

492,000

Total unique printed directories customers UK and US to date in FY05

120,700

Yell.com searchable advertisers

GROUP TURNOVER

In the six months to 30 September 2004 we increased Group revenue by 6.3% to £604.6 million. With over 46% of Group revenue being generated in the US, the continuing weakness of the US dollar had a significant effect on reported Group revenues. At a constant exchange rate turnover growth was 12.3%.

UK TURNOVER

Total turnover from our UK operations was £325 million, an increase of 3.3%, or 3.9% excluding last year's discontinued products, (the sale of Yell Data and the ending of our contract with BT to sell advertising into its phone books). Turnover from our printed directories grew 1.9% to £300.9 million. The effect of RPI -6% was to reduce our prices by an average of 3.5%. During the period we increased the number of unique advertisers by 1.2% to 254,000 and grew the average value of unique advertisers to £1,183.

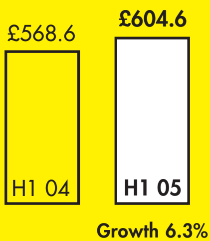
As anticipated, the UK retention rate has declined from 78% to 75%, (or 74% excluding national and key accounts). Our success in attracting more than 100,000 new advertisers in each of the last four years has inevitably diluted overall retention. New advertisers are now proving more difficult to retain in a competitive market than those advertisers for whom the value of advertising in Yellow Pages is proven. Our strategy to increase our advertiser base is contributing to our sustained growth in customer numbers and revenue.

As part of our strategy to grow our advertiser base we rescoped five directories into ten to meet changes in shopping and trading patterns. This included three of the five London directories that we are rescoping, with the last two of these directories being rescoped later in the year.

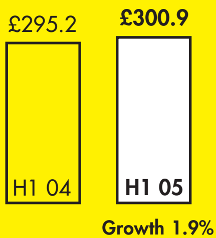
Yell.com continued to perform strongly with revenue growth of 42.6% to £16.4 million in the period. Strong growth in the number of searchable advertisers, up 39.1% to over 120,000, was allied with a 37% increase in usage.

Overall our turnover in the UK remains on course to meet full-year expectations.

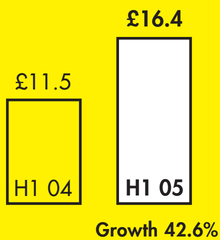
Group revenue (£m)



UK printed directories revenue (£m)



Yell.com revenue (£m)



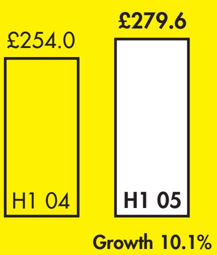
US TURNOVER

With turnover of £279.6 million our US operations grew 10.1% over the same period last year. At a constant exchange rate the increase was 23.4%, reflecting the success of our growth strategy. During the period we grew our customer base by 13.3% to 238,000 unique advertisers and increased the turnover per unique advertiser by 8.8% to $2,133. We also increased the retention rate from 70% to 72%.

Organic turnover growth was 16.0%, to which same-market growth contributed 12.3%, with 3.7% coming from six new launches. Acquisitions, primarily Feist, accounted for a further 10.2% of growth reflecting a heavy first half publishing schedule. Growth was slightly offset by changes in operational practices and production rescheduling.

Growth in the US business should be in line with full-year expectations. However, third quarter growth is expected to slow slightly as a result of the effects of fewer launches and production rescheduling following acquisitions.

Yellow Book revenue (£m)



ADJUSTED EBITDA

Group adjusted EBITDA grew 9.8% to £206 million, or 14.6% at a constant exchange rate. Group adjusted EBITDA margin was 34.1%, an increase of 1.1% over the same period last year, driven by the strong performance of Yellow Book.

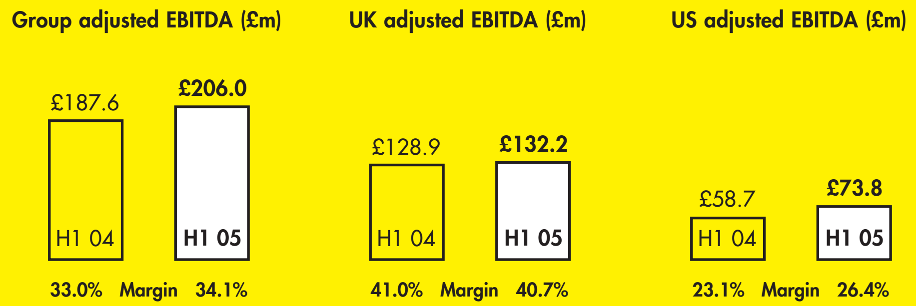
UK adjusted EBITDA increased to £132.2 million, up 2.6%, reflecting the continuing strong growth of Yell.com which significantly increased adjusted EBITDA to £5.1 million from £2.1 million in the same period last year. Consequently, overall UK adjusted EBITDA is broadly in line with the previous year.

US adjusted EBITDA grew 25.7% to £73.8 million, or 40.9% at a constant exchange rate, with an increase in US adjusted EBITDA margin to 26.4% reflecting the development of the directory portfolio and the strong revenue growth.

OPERATING CASH FLOW AND NET DEBT

The group converted 82.8% of adjusted EBITDA to cash compared to 81.9% last year. Group operating cash flow before payments of exceptional costs and after capital expenditure increased 11.0% to £170.6 million or 14.6% at a constant exchange rate.

Net debt at £1,169 million is down £54 million from 31 March 2004 and represents a multiple of 3.1 times adjusted EBITDA for the last 12 months.



ADJUSTED PROFIT AFTER TAX

Adjusted profit after tax for the period was £60.7 million, compared with an adjusted profit after tax of £22.1 million for the same period last year. This reflects strong adjusted EBITDA growth, as well as lower interest charges arising from the new capital structure put in place at the time of the IPO on 15 July 2003. The tax charge before exceptional items was £37.7 million which represents 25.5% of profit before tax, adjusted for goodwill amortisation and exceptional costs.

EXCEPTIONAL COSTS AND AFTER TAX RESULTS

Exceptional costs of £8.0 million are the estimated total costs after tax relating to the nine-month long litigation brought against Yellow Book, which was settled on 7 October 2004. Including these costs the profit after tax was £52.7 million. As previously reported, there were substantial exceptional costs which arose on IPO during the same period last year and amounted to £148.5 million before tax and £111.3 million after a tax credit of £37.2 million. Including these costs the loss after tax for the six months ended 30 September 2003 was £89.2 million.

EARNINGS AND DIVIDEND PER SHARE

Basic earnings per share before amortisation and exceptional costs were 15.8 pence, compared to pro forma (before amortisation and as if the IPO had occurred before the start of last year) basic earnings per share of 13.3 pence last year.

Diluted earnings per share before amortisation and exceptional costs were 15.5 pence compared to 13.1 pence last year, an increase of 18.3%.

The Board has declared an increase of 40% in the interim dividend to 4.2 pence per share and this is expected to account for one-third of the full-year dividend.

£170.6m

Operating cash flow

82.8%

Cash conversion

Financials

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

£m (Unaudited)	Notes	Full year ended 31 March 2004	Six months ended 30 September 2003	 2004
Turnover	2	1,186.9	568.6	604.6
Cost of sales		(552.9)	(251.1)	(271.6)
Gross profit		634.0	317.5	333.0
Distribution costs		(34.5)	(17.2)	(17.7)
Administrative costs				
Ordinary items		(359.0)	(173.3)	(170.4)
Exceptional items	4	(90.1)	(90.1)	(12.8)
		(449.1)	(263.4)	(183.2)
Operating profit	3	150.4	36.9	132.1
Net interest payable				
Ordinary items		(136.1)	(88.2)	(46.5)
Exceptional items	4	(58.4)	(58.4)	-
		(194.5)	(146.6)	(46.5)
(Loss) profit on ordinary activities before taxation		(44.1)	(109.7)	85.6
Taxation				
On ordinary items	5	(44.2)	(16.7)	(37.7)
On exceptional items	4, 5	37.2	37.2	4.8
		(7.0)	20.5	(32.9)
(Loss) profit for the financial period		(51.1)	(89.2)	52.7
Dividend	6	(62.8)	(20.8)	(29.5)
Retained (loss) profit for the financial period		(113.9)	(110.0)	23.2
Basic and diluted (loss) earnings per share		(in pence)	(in pence)	(in pence)
Basic	7	(8.9)	(20.0)	7.5
Diluted	7	(8.9)	(20.0)	7.4
Pro forma earnings per share before exceptional items and amortisation[1]		(in pence)	(in pence)	(in pence)
Basic	7	25.6	13.3	15.8
Diluted	7	25.3	13.1	15.5

(1) Pro forma earnings per share before exceptional items and goodwill amortisation for the year ended 31 March 2004 and the six months ended 30 September 2003 as though our IPO and debt refinancing had occurred before 1 April 2003.

With the exception of the profit for the financial period detailed above and the currency movements detailed in note 10, there have been no other recognised gains or losses.

See notes to the financial information for additional details

CONSOLIDATED CASH FLOW STATEMENTS

£m		Full year ended 31 March	Six months ended 30 September	
(Unaudited)	Notes	2004	2003	2004
Net cash inflow from operating activities		294.2	133.2	170.3
Returns on investments and servicing of finance				
Interest paid		(120.4)	(78.9)	(38.4)
Redemption premium paid		(19.7)	(19.7)	-
Finance fees paid		(16.4)	(16.1)	-
Net cash outflow for returns on investments and servicing of finance		(156.5)	(114.7)	(38.4)
Taxation		(13.7)	(4.6)	(14.8)
Capital expenditure and financial investment				
Purchase of tangible fixed assets, net of sales proceeds		(24.5)	(10.6)	(8.7)
Net cash outflow for capital expenditure and financial investment		(24.5)	(10.6)	(8.7)
Acquisitions				
Purchase of subsidiary undertakings, net of cash acquired		(108.9)	(3.1)	-
Net cash outflow for acquisitions		(108.9)	(3.1)	-
Dividends paid		(20.9)	-	(41.8)
Net cash (outflow) inflow before financing		(30.3)	0.2	66.6
Financing				
Issue of ordinary share capital	8	433.6	433.6	1.2
Expenses paid in connection with share issue		(23.7)	(22.8)	-
Purchase of own shares		(5.8)	-	-
New loans issued	8	1,036.0	1,031.0	-
Borrowings repaid	8	(1,418.4)	(1,378.4)	(45.0)
Net cash inflow (outflow) from financing		21.7	63.4	(43.8)
(Decrease) increase in net cash in the period		(8.6)	63.6	22.8

See notes to the financial information for additional details

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

£m		Full year ended 31 March	Six months ended 30 September	
(Unaudited)	Notes	2004	2003	2004
Total operating profit		150.4	36.9	132.1
Depreciation		22.9	11.4	11.5
Goodwill amortisation		96.7	49.2	49.6
Exceptional employee costs settled in shares		49.1	49.1	-
Increase in stocks		(19.5)	(21.6)	(27.1)
(Increase) decrease in debtors		(3.8)	20.8	(2.9)
(Decrease) increase in creditors		(3.7)	(12.6)	5.9
Other non-cash expenses		2.1	-	1.2
Net cash inflow from operating activities		294.2	133.2	170.3

Net cash inflow from operating activities	294.2	133.2	170.3
Cash payments for accrued exceptional items	33.8	31.1	9.0
Purchase of tangible fixed assets, net of sales proceeds	(24.5)	(10.6)	(8.7)
Net cash inflow from operating activities before payments of exceptional costs and after capital expenditure	303.5	153.7	170.6

See notes to the financial information for additional details

CONSOLIDATED BALANCE SHEETS

£m	Notes	At 31 March 2004 (Audited)	At 30 September 2003 (Unaudited)	At 30 September 2004 (Unaudited)
Fixed assets				
Intangible assets		1,725.3	1,740.5	1,686.5
Tangible assets		45.9	42.4	41.8
Investment		1.8	2.3	2.7
Total fixed assets		1,773.0	1,785.2	1,731.0
Current assets				
Stocks		151.9	162.9	180.2
Debtors		460.6	458.1	450.8
Cash at bank and in hand	8	18.7	92.5	42.0
Total current assets		631.2	713.5	673.0
Creditors: amounts falling due within one year				
Loans and other borrowings	8, 9	(85.8)	(81.1)	(85.6)
Other creditors		(273.0)	(237.0)	(269.5)
Total creditors: amounts falling due within one year		(358.8)	(318.1)	(355.1)
Net current assets		272.4	395.4	317.9
Total assets less current liabilities		2,045.4	2,180.6	2,048.9
Creditors: amounts falling due after more than one year				
Loans and other borrowings	8, 9	(1,155.9)	(1,238.4)	(1,125.5)
Net assets		889.5	942.2	923.4
Capital and reserves				
Called up share capital (701,842,615) £0.01 ordinary shares at 30 September 2004; 697,785,649 £0.01 ordinary shares at 31 March 2004 and 694,990,220 £0.01 ordinary shares issued and outstanding at 30 September 2003)	10	7.0	4.4	7.0
Share premium account	10	1,184.7	1,182.6	1,185.9
Profit and loss account deficit	10	(302.2)	(244.8)	(269.5)
Equity shareholders' funds		889.5	942.2	923.4

See notes to the financial information for additional details

1. BASIS OF PREPARATION AND CONSOLIDATION

The principal activity of Yell Group plc and its subsidiaries is publishing classified advertising directories in the United Kingdom and the United States.

The unaudited financial information has been prepared in accordance with generally accepted accounting principles in the UK (UK GAAP) and on the basis of the accounting policies that were set out in the audited consolidated financial information of Yell Group plc for the year ended 31 March 2004.

The information contained herein does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985.

In the opinion of management, the financial information included herein includes all adjustments necessary for a fair presentation of the consolidated results, financial position and cash flows for each period presented.

The preparation of the consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of income and expenditure during the period. Actual results could differ from those estimates. Estimates are used principally when accounting for doubtful debts, depreciation, employee pension costs and taxes.

2. TURNOVER BY SEGMENT

£m	Six months ended 30 September 2003	2004	Change %
UK printed directories	295.2	300.9	1.9%
Other products and services	19.4	24.1	24.2%
Total UK turnover	314.6	325.0	3.3%
US printed directories:			
US printed directories at constant exchange rate(1)	254.0	313.4	23.4%
Exchange impact(1)	-	(33.8)	
Total US turnover	254.0	279.6	10.1%
Group turnover	568.6	604.6	6.3%

(1) Constant exchange rate states current period results at the same exchange rate as that used to translate the results for the same period in the previous year. Exchange impact is the difference between the results reported at a constant exchange rate and the actual results using current period exchange rates.

3. OPERATING PROFIT AND EBITDA BEFORE EXCEPTIONAL ITEMS

£m	Six months ended 30 September 2003	2004	Change %
UK printed directories	128.6	124.8	(3.0%)
Other products and services	0.3	7.4	
Total UK operations	128.9	132.2	2.6%
US operations:			
US printed directories at constant exchange rate(1)	58.7	82.7	40.9%
Exchange impact(1)	-	(8.9)	
Total US operations	58.7	73.8	25.7%
Group EBITDA before exceptional items	187.6	206.0	9.8%

(1) Constant exchange rate states current period results at the same exchange rate as that used to translate the results for the same period in the previous year. Exchange impact is the difference between the results reported at a constant exchange rate and the actual results using current period exchange rates.

3. OPERATING PROFIT AND EBITDA BEFORE EXCEPTIONAL ITEMS (Continued)

Reconciliation of Group operating profit to EBITDA before exceptional items

£m	Six months ended 30 September 2003	Six months ended 30 September 2004	Change %
UK operations			
Operating profit, including exceptional items	58.8	97.1	
Depreciation and amortisation	34.8	35.1	
UK operations EBITDA	93.6	132.2	
Exceptional items	35.3	-	
UK operations EBITDA before exceptional items	128.9	132.2	2.6%
UK operations EBITDA margin before exceptional items	41.0%	40.7%	
US operations			
Operating (loss) profit, including exceptional items	(21.9)	35.0	
Depreciation and amortisation	25.8	26.0	
US operations EBITDA	3.9	61.0	
Exceptional items	54.8	12.8	
Exchange impact(1)	-	8.9	
US operations EBITDA before exceptional items at constant exchange rate(1)	58.7	82.7	40.9%
Exchange impact(1)	-	(8.9)	
US operations EBITDA before exceptional items	58.7	73.8	25.7%
US operations EBITDA margin before exceptional items(2)	23.1%	26.4%	
Group			
Operating profit, including exceptional items	36.9	132.1	
Depreciation and amortisation	60.6	61.1	
Group EBITDA	97.5	193.2	98.2%
Exceptional items	90.1	12.8	
Exchange impact(1)	-	8.9	
Group EBITDA before exceptional items at constant exchange rate(1)	187.6	214.9	14.6%
Exchange impact(1)	-	(8.9)	
Group EBITDA before exceptional items	187.6	206.0	9.8%
Group EBITDA margin before exceptional items	33.0%	34.1%	

(1) Constant exchange rate states current period results at the same exchange rate as that used to translate the results for the same period in the previous year. Exchange impact is the difference between the results reported at a constant exchange rate and the actual results using current period exchange rates.

(2) US operations EBITDA margin including exceptional items is 21.8% in 2004.

4. RESULTS BEFORE AND AFTER EXCEPTIONAL ITEMS

An analysis of our results for the six months ended 30 September 2003 and 2004 separating out exceptional items is as follows:

	Six months ended 30 September 2003			Six months ended 30 September 2004		
£m	Ordinary items	Exceptional items	Total	Ordinary items	Exceptional items	Total
Gross profit	317.5	-	317.5	333.0	-	333.0
Distribution costs	(17.2)	-	(17.2)	(17.7)	-	(17.7)
Administrative costs	(173.3)	(90.1)	(263.4)	(170.4)	(12.8)	(183.2)
Operating profit (loss)	127.0	(90.1)	36.9	144.9	(12.8)	132.1
Net interest payable	(88.2)	(58.4)	(146.6)	(46.5)	-	(46.5)
(Loss) profit before taxation	38.8	(148.5)	(109.7)	98.4	(12.8)	85.6
Taxation	(16.7)	37.2	20.5	(37.7)	4.8	(32.9)
(Loss) profit for the period	22.1	(111.3)	(89.2)	60.7	(8.0)	52.7

Exceptional administrative costs in the six months ended 30 September 2004 are the estimated total costs relating to litigation brought against our US operations, (see note 12). Exceptional administrative costs in the six months ended 30 September 2003 relate to costs incurred in connection with our IPO.

5. TAXATION

The effective tax rate for the period is different from the standard rate of corporation tax in the United Kingdom (30%) as explained below:

	Six months ended 30 September	
£m	2003	2004
Profit on ordinary activities before exceptional items and taxation multiplied by the standard rate of corporation tax in the United Kingdom (30%)	11.6	29.5
Effects of:		
Non-allowable goodwill amortisation	10.5	11.1
US tax losses	(3.7)	(2.9)
Other permanent differences	(1.7)	-
Tax charge on on-going activities	16.7	37.7
Exceptional items multiplied by the standard rate of corporation tax in the United Kingdom (30%)	(44.6)	(3.8)
Effects of:		
Higher rate for overseas tax	-	(1.0)
Items not allowed for tax purposes	7.4	-
Taxation credit on exceptional items	(37.2)	(4.8)
Total tax (credit)/charge	(20.5)	32.9

6. INTERIM DIVIDEND PER SHARE

The interim dividend of 4.2 pence per share (2003 – 3.0 pence per share) is payable on 17 December 2004 to shareholders registered at the close of business on 19 November 2004 and will amount to £29.5 million (2003 – £20.8 million).

7. EARNINGS (LOSS) PER SHARE

	Actual	Pro forma interest adjustments net of tax(1)	Exceptional costs net of tax(2)	Amortisation(3)	Adjusted
Six months ended 30 September 2004					
Group profit for the financial period (£m)	52.7	-	8.0	49.6	110.3
Weighted average number of outstanding ordinary shares (m)	699.8	-			699.8
Basic earnings per share (pence)	7.5				15.8
Effect of share options (pence)	(0.1)				(0.3)
Diluted earnings per share (pence)	7.4				15.5
Six months ended 30 September 2003					
Group (loss) profit for the financial period (£m)	(89.2)	21.1	111.3	49.2	92.4
Weighted average number of outstanding ordinary shares (m)(4)	446.9	247.9			694.8
Basic (loss) earnings per share (pence)	(20.0)				13.3
Effect of share options (pence)	-				(0.2)
Diluted (loss) earnings per share (pence)	(20.0)				13.1

(1) Group losses for the six months ended 30 September 2003 have been adjusted to exclude interest charges on the long-term debt we repaid as a result of the IPO. Interest has been added back by referring to the effective interest rates applied to the borrowings repaid from the proceeds of the IPO over the period. All interest adjustments have been tax effected at the UK corporation tax rate of 30%. The weighted average number of shares for the six months ended 30 September 2003 has been adjusted as though the IPO happened before 1 April 2003.

(2) Exceptional items are explained in note 4.

(3) Amortisation charges presented are not adjusted for tax. The adjustment would have been £45.1 million, as opposed to £49.6 million, and £43.5 million, as opposed to £49.2 million, in 2004 and 2003, respectively, if the tax effect from tax allowable amortisation in the United States had been taken into account. Accordingly, the diluted earnings per share would have been 14.9 pence, as opposed to 15.5 pence, in the six months ended 30 September 2004 and 12.3 pence, as opposed to 13.1 pence in the six months ended 30 September 2003.

(4) The calculation of the basic and diluted earnings (loss) per ordinary share has been based on the profit (loss) for the relevant financial period and on 694.8 million shares for the six months ended 30 September 2003, being the weighted average share capital prior to the IPO after taking into account the restructuring of the existing share capital on the IPO. For the six months ended 30 September 2004, the calculation was based on 699.8 million shares, the weighted average share capital during the period.

8.NET DEBT

Analysis of net debt

£m	At 31 March 2004	At 30 September 2004
Long-term loans and other borrowings falling due after more than one year	1,155.9	1,125.5
Short-term borrowings and long-term loans and other borrowings falling due within one year	85.8	85.6
Total debt	1,241.7	1,211.1
Cash at bank and in hand	(18.7)	(42.0)
Net debt at end of period	1,223.0	1,169.1

Reconciliation of movement in net debt

£m	Total cash less bank overdraft	Debt due within one year excluding bank overdraft	Debt due after one year	Net debt
At 31 March 2004	18.7	(85.8)	(1,155.9)	(1,223.0)
Cash inflow before financing and dividends paid	108.4	-	-	108.4
Dividends paid	(41.8)	-	-	(41.8)
Long-term debt becoming due within one year	-	(45.0)	45.0	-
Borrowings repaid	(45.0)	45.0	-	-
Issue of Ordinary Share Capital	1.2	-	-	1.2
Non-cash charges	-	0.2	(7.3)	(7.1)
Currency movements	0.5	-	(7.3)	(6.8)
At 30 September 2004	42.0	(85.6)	(1,125.5)	(1,169.1)

9. LOANS AND OTHER BORROWINGS

£m	At 31 March 2004[1]	At 30 September 2004[1]
Amounts falling due within one year		
Senior credit facilities	80.0	85.0
Revolver loan[2]	5.0	-
Net obligations under finance leases	0.8	0.6
Total amounts falling due within one year	85.8	85.6
Amounts falling due after more than one year		
Senior credit facilities	856.6	817.9
Senior notes:		
Senior sterling notes	158.1	158.5
Senior dollar notes	68.1	69.5
Senior discount dollar notes	73.1	79.6
Total amounts falling due after more than one year	1,155.9	1,125.5
Net loans and other borrowings	1,241.7	1,211.1

(1) Balances are shown net of deferred financing fees of £18.1 million at 30 September 2004 and £20.1 million at 31 March 2004.

(2) Yell made payments of £40.0 million in the six months ended 30 September 2004 on amounts owed under the senior facility as required by the senior facility agreement and also repaid £5 million that had been drawn down against the senior revolving credit facility at 31 March 2004.

10. CHANGES IN EQUITY SHAREHOLDERS' FUNDS

£m	Share capital	Share premium	Profit and loss account[1]	Total
Balance at 31 March 2004	7.0	1,184.7	(302.2)	889.5
Profit on ordinary activities after taxation	-	-	52.7	52.7
Interim dividend	-	-	(29.5)	(29.5)
Ordinary share issue	-	1.2	-	1.2
Capital Accumulation Plan[2]	-	-	1.2	1.2
Currency movements[3]	-	-	8.3	8.3
Balance at 30 September 2004	7.0	1,185.9	(269.5)	923.4

(1) The company Yell Group plc has retained earnings and other reserves of £795.4 million at 30 September 2004 (£875.0 at 30 September 2003).

(2) Amortisation of the costs incurred in buying shares held in an ESOP trust for employees.

(3) The cumulative foreign currency translation adjustment was a £94.4 million loss at 30 September 2004 (31 March 2004 - £102.7 million loss).

11. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Our consolidated financial information is prepared in accordance with accounting principles generally accepted in the United Kingdom which differ in certain respects from those applicable in the United States (US GAAP).

Differences result primarily from acquisition accounting, which affects the accounting for directories in progress, goodwill and other intangibles and taxation. Timing differences also arise when recognising certain costs associated with directories in progress, interest that is fixed by derivative financial instruments, and deferred tax assets associated with net operating losses in the United States. Differences in accounting for pensions arise from the requirements to use different actuarial methods and assumptions. Differences in accounting for our share options arise from the adoption of option pricing models to value options under US GAAP in circumstances where the options are valued at £nil value under UK GAAP.

Dividends are recorded, under UK GAAP, in the period in respect of which they are proposed by the board of directors to the shareholders. Under US GAAP, dividends are recorded in the period in which they are declared.

The following information summarises estimated adjustments, gross of their tax effect, which reconcile net (loss) profit and shareholders' funds from that reported under UK GAAP to that which would have been recorded had US GAAP been applied.

11. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (continued)

Net (loss) profit

£m	Six months ended 30 September 2003	2004
(Loss) profit on ordinary activities after taxation under UK GAAP	(89.2)	52.7
Adjustment for:		
Directories in progress		
Deferred costs	(21.0)	(11.5)
Acquisition accounting[1]	-	(4.0)
Pensions	(4.3)	(6.9)
Goodwill	49.2	49.6
Other intangible assets	(48.3)	(36.4)
Derivative financial instruments	12.7	3.4
Employee incentive plans	-	(1.5)
Amortisation of deferred financing costs	2.4	(0.3)
Deferred taxation	(4.6)	18.7
Other	(1.5)	0.2
Net (loss) profit as adjusted for US GAAP	(104.6)	64.0

(1) Represents certain adjustments that arose as a result of acquisitions.

Equity shareholders' funds

£m	At 31 March 2004	At 30 September 2004
Equity shareholders' funds under UK GAAP	889.5	923.4
Adjustment for:		
Directories in progress	(103.2)	(119.8)
Pensions	(0.3)	(7.2)
Additional minimum pension liability	(37.9)	(37.9)
Goodwill	(562.3)	(514.7)
Other intangible assets	746.6	713.5
Derivative financial instruments	(3.2)	0.2
Deferred taxation	(182.9)	(165.1)
Dividends proposed	41.9	29.5
Other	2.3	1.7
Equity shareholders' funds as adjusted for US GAAP	790.5	823.6

12. LITIGATION

On 22 January 2004, Verizon filed suit in New York alleging that sales and marketing communications published by Yellow Book USA were misleading and caused Verizon to lose revenue. On 7 October 2004, the court delivered its final judgment in which it approved the terms of a settlement agreement reached between the parties.

OPERATIONAL HIGHLIGHTS

The following table sets out selected unaudited operational data for Yell Group.

	Full year ended 31 March	Six months ended 30 September	
	2004	2003	2004
UK printed directories			
Unique advertisers[1]	480,000	251,000	254,000
Directory editions published	99	50	55
Turnover per unique advertiser (£)	1,237	1,178	1,183
Unique advertiser retention rate (%)[2]	77	78	75
US printed directories			
Unique advertisers[1][3]	386,000	210,00	238,000
Directory editions published	536	250	259
Turnover per unique advertiser ($)	2,434	1,960	2,133
Unique advertiser retention rate (%)[3]	70	70	72
Other UK products and services			
Yell.com page impressions for the month of period end	67m	51m	70m
Yell.com searchable advertisers as at period end[4]	103,000	86,500	120,700

(1) Number of unique advertisers in printed directories that were recognised for turnover purposes and have been billed. Unique advertisers are counted once only, regardless of the number of advertisements they purchase or the number of directories in which they advertise.

(2) The proportion of unique advertisers that have renewed their advertising from the preceding publication. As a result of improvements to our systems, we are now able to include national and key accounts in our measurement of retention. If we had continued to exclude these accounts, the retention rate for 2004 would have been 74%. We have not adjusted previously reported 2003 figures. These improvements to our systems have not affected the reporting of our financial results.

(3) As a result of the progress in the United States towards integrating our customer databases, we have been able to make improvements in the ways in which we capture, record and analyse customer information. This has led to a significant overall elimination of duplicate records of unique advertisers. We have not adjusted the previously reported 2003 figure for any duplicated records in 2003. There remains some overlap in reporting unique advertisers between Yellow Book and the former McLeod that we expect to be removed. These improvements to our systems have not affected the reporting of our financial results. Retention in the US is based on unique directory advertisers.

(4) Unique customers with a live contract at month end. These figures refer to searchable advertisers only, i.e. advertisers for whom users can search on Yell.com. It excludes advertisers who purchase products such as banners and domain names.

GLOSSARY

FY04 – The financial year ended 31 March 2004

FY05 – The financial year ending 31 March 2005

H1 04 – The six months ended 30 September 2003

H1 05 – The six months ended 30 September 2004

Constant exchange rate – Constant exchange rate states current year results at the same exchange rate as that used to translate the previous year's results for the corresponding year

EBITDA – Earnings before interest, tax, depreciation and amortisation

Adjusted EBITDA – Earnings before interest, tax, depreciation, amortisation and exceptional costs in FY04 and FY05

Operating cash flow – Cash flow from operations before exceptional costs, less capital expenditure

Cash conversion – Operating cash flow as a percentage of adjusted EBITDA

IPO – The global offer of ordinary shares of the Company on 15 July 2003, and the subsequent admission of ordinary shares of the Company to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities

Yell Group plc is registered in the UK and is listed on the London Stock Exchange. A subsidiary Yell Finance BV has US dollar denominated bonds and therefore prepares an Interim Report on Form 6-K which is furnished to the US Securities and Exchange Commission. Copies of this Interim Report and Form 6-K, together with last year's Annual Report and 20-F can be obtained from the Company's website – www.yellgroup.com.

KEY DATES

Record date	19 November 2004
Interim Dividend payment date	17 December 2004
Announcement of 3rd quarter results	15 February 2005
Preliminary announcement of results for the year ended 31 March 2005	17 May 2005
Annual General Meeting	12 July 2005
Final dividend record date	22 July 2005
Final dividend payment date	19 August 2005

CONTACT DETAILS

Share registrar

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The Causeway
Worthing
West Sussex
BN99 6DA

Website for online information about your holding

Website: www.shareview.co.uk

Lloyds TSB Registrar's telephone line for shareholders

08706 094537

Lloyds TSB Registrar's telephone line for employee shareholders

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