



Yell Group

Interim Financial Information for the
3 months ended 30 June 2001



OPERATING AND FINANCIAL REVIEW AND PROSPECTS AT AND FOR THE THREE MONTHS ENDED 30 JUNE 2001

References to “we”, “us”, “our”, “Yell”, and the “Yell Group” are to Yell Finance B.V., a company incorporated with limited liability under the law of the Netherlands, and its consolidated subsidiaries and affiliates, except as otherwise indicated; and with respect to periods prior to 22 June 2001, these terms also refer to Yellow Pages and Yellow Book businesses and companies acquired from British Telecommunications plc (“BT”).

The following information should be read in conjunction with the unaudited financial information for the Yell Group as of and for the three months ended 30 June 2001, including the 8-day period ended 30 June 2001 with respect to the successor and the 83-day period from 1 April 2001 to 22 June 2001 with respect to the predecessor, attached hereto. The attached financial information has been prepared in accordance with generally accepted accounting principles in the United Kingdom (“UK GAAP”). UK GAAP differs in certain important respects from generally accepted accounting principles in the United States.

Introduction

The Yell Group is the leading provider of classified directory advertising and associated products and services in the United Kingdom and a leading provider of classified directory advertising in the United States. The Yell Group has operated as an independent group since 22 June 2001, the date on which a consortium of investors purchased BT’s equity interests in Yellow Book USA Inc. and Yellow Pages Sales Limited, and the net assets and operations of BT’s subsidiary Yell Limited (the “purchase”). Prior to the purchase, the Yell Group operated as a business within BT, rather than as a separate legal entity.

The attached unaudited predecessor combined financial information for the Yell Group for the periods before 22 June 2001 represents an aggregation of the financial information of Yell’s classified directories and related operations in the United Kingdom and in the United States whilst they were still part of BT. The attached unaudited successor consolidated financial information for the Yell Group represents a consolidation of the financial information of Yell Finance B.V. and its subsidiaries and affiliate for the 8 days after the acquisition on 22 June 2001.

For purposes of presenting and analysing our results of operations for the three months ended 30 June 2001 below, unless otherwise noted, we have aggregated the predecessor results through 22 June 2001 and the successor results through 30 June 2001. We have analysed the results on this basis, which is not a UK GAAP presentation, because the purchase did not affect the underlying operating results, before interest, taxation, depreciation and amortisation during the period.

The Purchase

The total cost of acquiring the businesses and companies comprising the Yell Group was £2,007.6 million, giving rise to total goodwill of £1,694.0 million with an estimated life of 20 years. In connection with the purchase, we borrowed £2,099.0 million, comprising £1,450.0 million from financial institutions, £549.0 million from our parent company Yell Group Limited and £100.0 million from the vendor, a BT affiliate. The total cost of acquisition included the repayment of all the predecessor’s long-term borrowings, which were largely owed to BT, including a premium on early repayment of debt, and the satisfaction of certain other liabilities of Yell Group subsidiaries that arose on the change of control.

As the unaudited predecessor combined financial information for the periods before 22 June 2001 does not give effect to the purchase and related financing, our financial statements in the future will vary in important respects from this predecessor financial information. In particular, our increased leverage will lead to a significant increase in interest payable. In addition, the net increase in goodwill of £1,267.6 million resulting from the purchase, subject to a final fair-value adjustment, will lead to a significant increase in the amortisation of goodwill. Taking into account the increased goodwill amortisation and the increased interest charge, including the non-cash accrual of interest payable to the parent company and the vendor, we expect to report net losses in future periods. Similarly, given the short reporting period, the successor financial information for the 8 days ended 30 June 2001 is not representative of future results.

Operating Results

Summary Results

The results for the three months ended 30 June 2000 and 2001 are summarised in the table below:

	Three Months ended 30		
	June		
	2000	2001⁽¹⁾	Change
		Aggregated	(%)
	<i>(£ in millions)</i>		
Group turnover	155.1	193.8	25.0%
Cost of sales	(59.1)	(84.0)	42.1%
Gross profit	96.0	109.8	14.4%
Distribution costs	(5.0)	(6.2)	24.0%
Administrative costs	(53.9)	(65.0)	20.6%
Group operating profit	37.1	38.6	4.0%
<i>Gross profit margin (%)</i>	61.9%	56.7%	
<i>Operating profit margin (%)</i>	23.9%	19.9%	

⁽¹⁾ *Includes the predecessor results through 22 June 2001 and the successor results through 30 June 2001.*

The results for the three months ended 30 June 2001 were in line with our expectations and were characterised by the following features:

- *Group turnover and gross profit.* Group turnover and gross profit during the quarter increased 25% and 14%, respectively, compared to the comparable period during the prior financial year. Almost half of the increase in turnover came from growth in the US business, reflecting the launch of new directories, the first-time publication of acquired directories and a 7% growth in directory-to-directory turnover. Turnover from the UK business also grew, reflecting the earlier delivery of some UK directories that we delivered in the second quarter during the prior financial year as well as a 3% growth in directory-to-directory turnover.
- *Effect of shift in delivery schedules.* We expect that shifts in the timing of UK directory deliveries will continue to affect the comparability of current year-to-date and prior year-to-date results during the next two quarters, with a decrease in the second quarter and an increase in the third quarter. However, based on current production schedules, we do not expect the timing of directory deliveries to affect significantly the analysis of year-on-year performance for the year ending 31 March 2002.
- *US expansion.* During the period, our US operations continued to expand rapidly. Yellow Book USA launched directories in new market areas during the three months ended 30 June 2001. In addition, during the period we published for the first time three directories that we had previously acquired. On 29 June 2001, Yellow Book USA purchased ConSELLtant Group Corporation, which publishes directories in Florida and Louisiana, for cash consideration of \$9.0 million, the effect of which will be reflected in future periods.
- *Profit margin.* Gross profit as a percentage of group turnover has decreased from 62% during the three months ended 30 June 2000 to 57% during the three months ended 30 June 2001, reflecting the changing geographic mix of our operations resulting from the increased contribution of our US business. The gross margin of the US business is less than two-thirds of that of the UK business, as a result of the high start-up costs associated with new US directory launches and other costs associated with our strategy of rapid growth and geographic expansion in the United States, as well as other characteristics of the US directories market generally. This change of geographic mix and the effect of amortising the higher level of goodwill from the date of the purchase have resulted in group operating profit as a percentage of group turnover decreasing from 24% during the three months ended 30 June 2000 to 20% during the three months ended 30 June 2001.

Turnover

Turnover during the three months ended 30 June 2000 and 2001 is summarised in the table below:

	Three Months ended 30		
	2000	June	2001⁽¹⁾
		Aggregated	Change
			(%)
	<i>(£ in millions)</i>		
UK printed directories	107.7	126.2	17.2%
US printed directories	40.0	58.1	45.3%
Other products and services	7.4	9.5	28.4%
Group turnover	155.1	193.8	25.0%
Group's share of joint venture's turnover	2.3	2.8	21.7%
Total turnover	157.4	196.6	24.9%

⁽¹⁾ Includes the predecessor results through 22 June 2001 and the successor results through 30 June 2001.

Total turnover during the three months ended 30 June 2001 increased by £39.2 million, or 25%, compared to the same period last year, reflecting increased turnover during the quarter from both the UK and US printed directories businesses.

UK printed directories. Turnover from UK printed directories during the three months ended 30 June 2001 increased by £18.5 million, or 17%, due to increased turnover generated by the Yellow Pages directories. Of the increased turnover, £15.5 million was attributable to three Yellow Pages directories whose revenue was included in the first-quarter results because we completed delivery of these directories in the last few days of June 2001. In the previous financial year, we delivered these directories in the first week of July and therefore their related revenue was included in the second-quarter results. As described above, while this shift positively affected our first-quarter results relative to the same period in the prior financial year, it will have a corresponding negative impact on the second-quarter results that we report this financial year relative to those of the prior financial year.

Excluding the effect of these three directories, turnover from Yellow Pages directories increased by £3.3 million, or 3%. Our turnover growth on a directory-to-directory basis in the United Kingdom resulted from an increase in the volume of advertisement sales to both new and existing advertisers and from new product offerings.

Price was not a contributing factor, as UK government regulation limits our ability to increase our prices in the United Kingdom. During the period, our current regulatory cap on prices, which restricts us from increasing Yellow Pages advertising rates by more than the annual increase in the UK Retail Price Index (“RPI”) less 2%, resulted in prices that were between approximately 0.5% to 1% lower during the period as compared to the same period in the prior financial year. The price cap applied to approximately 63% and 60% of our group turnover in the three months ended 30 June 2000 and 2001, respectively. From January 2002, we will be required to abide by a new price cap of RPI minus 6% for an expected period of four years, which will further impact our pricing.

US printed directories. Turnover from US printed directories during the three months ended 30 June 2001 was £18.1 million, or 45%, higher than during the same period in the prior financial year. The launch of three new directories accounted for approximately £9 million of the increase. Turnover from directories published in both the current quarter and the comparable period from the prior financial year grew by 7%. The balance of the increased turnover came primarily from a further three directories that we published for the first time since we acquired them.

Other products and services. Turnover from other products and services during the first quarter of the 2002 financial year increased by £2.1 million, or 28%, compared to the first quarter of the 2001 financial year. This reflects growth in our on-line services.

Cost of Sales

Our cost of sales comprises salaries and related expenses of our sales force, paper, printing and pre-press production costs and bad-debt expense. The principal components of advertising sales costs, which represent a majority of our cost of sales, are employee costs of the sales force, including salaries, benefits and commissions, and associated direct costs. In general, we recognise the cost of sales for each directory on completion of delivery of that directory. Cost of sales during the three months ended 30 June 2000 and 2001 are summarised in the table below:

	<u>Three Months ended 30</u>		<u>Change</u>
	<u>2000</u>	<u>2001⁽¹⁾</u>	<u>(%)</u>
		Aggregated	
	<i>(£ in millions)</i>		
UK printed directories	37.0	45.4	22.7%
US printed directories	20.1	35.0	74.1%
Other products and services	2.0	3.6	80.0%
Total cost of sales	59.1	84.0	42.1%

⁽¹⁾ *Includes the predecessor results through 22 June 2001 and the successor results through 30 June 2001.*

Total cost of sales during the three months ended 30 June 2001 increased by £24.9 million, or 42%, compared to the three months ended 30 June 2000, primarily reflecting the changing geographic mix of operations.

The £8.4 million, or 23%, increase in cost of sales for UK printed directories reflected the growth in turnover and higher employee costs, which form the largest component of cost of sales, mainly due to a 2% increase in employer pension contributions.

The £14.9 million, or 74%, increase in cost of sales for US printed directories reflected growth in the US business, as well as the significant additional costs associated with the launch of new directories, an increase in our pre-press costs as a result of using two suppliers on a parallel basis whilst the work is transitioned to a new supplier, and increased prototype directory costs.

Cost of sales for other products and services during the first quarter of the current financial year was £1.6 million higher than during the same period in the prior year.

Distribution Costs and Administrative Expenses

We incurred distribution costs of £6.2 million during the three months ended 30 June 2001 compared to £5.0 million during the three months ended 30 June 2000. Most of this arose from higher delivery costs in the United States, due to the greater number of directories circulated. A small portion of the increase is due to a shift in timing of directory deliveries.

Administrative expenses increased by £11.1 million, or 21%, from £53.9 million in the three months ended 30 June 2000 to £65.0 million in the three months ended 30 June 2001, reflecting our larger operations. A 33% increase in US administrative expenses accounted for 60% of this increase, primarily from increased advertising and promotion costs, employee costs and depreciation. Our UK operations experienced a 12% increase, resulting primarily from the purchase and separation, including the amortisation of the additional goodwill referred to above, costs incurred during the period in connection with the implementation of our SAP system, and increased costs of employing permanent and temporary personnel in the UK to operate on a stand-alone basis.

Interest Payable

Interest payable of £5.8 million incurred during the 83 days before the purchase and £5.2 million incurred during the three months ended 30 June 2000 relates to debt owed to BT which was repaid at the time of purchase. During the 8 days ended 30 June 2001, the successor Yell Group incurred interest payable of £4.4 million.

Tax on Profit on Ordinary Activities

Taxation of £13.2 million incurred during the 83 days before the purchase compares to £12.1 million incurred during the three months ended 30 June 2000. Taxation during all the periods presented primarily arose as UK corporation tax on the results of our UK operations. Taxation of £1.0 million during the 8 days ended 30 June 2001 includes the effect of treating goodwill amortisation as a non-allowable charge for purposes of determining UK corporation tax. Our future taxation charge will depend on our taxable income in the United Kingdom and United States.

Liquidity and Capital Resources

Prior to the purchase, our principal source of liquidity was cash flow generated from our operations and from loans from BT to fund acquisitions. Going forward, we will continue to fund our business largely from cash flows generated from our operations. In addition, we have access to a £100.0 million revolving credit facility as part of the senior credit facilities.

Cash Flows

The cash flows of the combined predecessor Yell Group during the three months ended 30 June 2000 and 83 days ended 22 June 2001 and the cash flows of the consolidated successor Yell Group for the 8 days ended 30 June 2001 are summarised in the table below.

	<u>Combined (Predecessor)</u>		<u>Consolidated (Successor)</u>
	91 days ended 30 June 2000	83 days ended 22 June 2001	8 days ended 30 June 2001
	<i>(£ in millions)</i>		
Net cash inflow from operating activities	43.1	41.6	3.1
Net cash outflow from returns on investments and servicing of finance	(4.5)	(5.5)	-
Net cash outflow from investing activities	(44.0)	(17.5)	(1,928.5)
Net cash inflow (outflow) before financing	(5.4)	18.6	(1,925.4)
Net cash inflow from financing	2.1	5.7	1,994.3
Net increase (decrease) in cash	(3.3)	24.3	68.9

Net cash inflow from operating activities for the three months ended 30 June 2001 was £44.7 million, compared with £43.1 million for the three months ended 30 June 2000.

Net cash outflow from returns on investments and servicing of finance comprises interest paid net of dividends received from our joint venture. No interest was paid by the successor Yell Group in the 8 days ended 30 June 2001.

Net cash outflow from investing activities comprises capital expenditure on fixed assets and purchases of subsidiary undertakings, net of cash acquired. Capital expenditure in the 83 days ended 22 June 2001 was £5.8 million compared to £4.9 million in the three months ended 30 June 2000. We also paid BT £11.7 million during the 83 days ended 22 June 2001 for the transfer of a car fleet to one of our subsidiaries in March 2001. The successor Yell Group did not purchase fixed assets in the 8-day period ended 30 June 2001.

The predecessor Yell Group purchased subsidiaries in the United States during the three months ended 30 June 2000 for a total of £39.1 million. On 22 June 2001, the successor Yell Group purchased the predecessor Yell Group from BT. The cash amounts paid on that date totalled £1,922.0 million. We purchased another subsidiary in the United States for £6.5 million in a separate transaction on 29 June 2001.

Prior to the purchase, our financing activities were limited to transactions with BT. On 22 June 2001, we received net cash of £1,994.3 million from borrowings of £2,039.0 million and the issue of £1.0 million in share capital to fund the purchase. The amounts borrowed on 22 June 2001 and cash paid to BT on that date, include £40.0 million we drew from the £100.0 million revolving credit facility for the funding of a reserve for an adjustment based on a post-closing determination of net working capital. We agreed the actual amount of this adjustment and refund in July 2001 and we repaid all the drawings under the revolving credit facility at that time.

Capital Resources

At 30 June 2001, we had cash of £68.9 million. Of this balance, £34.3 million was committed to pay accrued financing and acquisition-related costs.

We expect that any significant acquisitions or other significant expenditures, including those related to the development of our on-line services, would in the future be financed through any one or more of operating cash flow, credit facilities and the issue of new debt and equity securities.

We had net debt of £2,022.0 million at 30 June 2001. We are required to satisfy interest and principal payments on our borrowings as they become due. To the extent we are not able to fund any principal payment at maturity or any interest payment when due from cash flow from operations, we would be required to refinance this indebtedness pursuant to credit facilities and/or the issue of new debt and equity securities into the capital markets. Any failure to raise additional funds necessary to achieve this would result in default under our debt covenants. Neither our parent, Yell Group Limited, nor the sponsors has guaranteed our obligations under the notes or has any obligation to provide additional equity financing to us. The first principal repayments we are required to make on the senior credit facilities are on 30 September 2002 in the amounts of £25.5 million and \$1.3 million.

Other Matters

Market-related Risks

Interest is payable on most of our debt at a variable rate. We could, therefore, be adversely affected if interest rates were to rise significantly. Under the senior credit facilities, we are required to hedge at least 50% of the variable-rate indebtedness under the senior credit facilities for two years. We have currently hedged nearly all of the indebtedness under the senior credit facilities for 27 months using interest rate swaps and forward rate agreements, with a review of this strategy on a quarterly basis.

All significant cash inflows and outflows associated with our operations in the United Kingdom are denominated in pounds sterling, and all significant cash inflows and outflows associated with our operations in the United States are denominated in dollars. However, our financial statements are presented in pounds sterling, and changes in the exchange rate between the dollar and the pound sterling will affect the translation of the results of our Yellow Book operations in the United States into pounds sterling.

Changes in exchange rates can also result in translation and transaction gains or losses relating to our dollar-denominated indebtedness and related interest payments. We do not currently hedge any foreign exchange rate risk relating to dollar-denominated notes, although we will continue to review this practice. At 6 August 2001, following the issue of our high-yield notes, we had \$607.5 million of borrowings denominated in US dollars.

Taking into account our current debt structure and hedging arrangements, we expect quarterly interest charges of approximately £50 million. Taking into account the hedging arrangements, if variable interest rates were to move by 1% with no change in exchange rates, our interest charge would vary by approximately £250,000 per quarter. Further, taking into account our US dollar-denominated liabilities, if the average dollar/pound sterling exchange rate during a quarter were to be \$1.55 to £1.00, for example, instead of \$1.41 to £1.00, the approximate rate effective on 30 June 2001, then our quarterly interest charge would be approximately £1 million lower.

New UK Accounting Standards

In November 2000, the Accounting Standards Board (“ASB”) issued Financial Reporting Standard (“FRS”) 17 “Retirement Benefits”. We are required to phase in the adoption of the disclosure requirements over the two financial years ended 31 March 2002 and 2003. Full adoption of the standard is required from 1 April 2003. FRS 17 requires changes in the actuarial methods and assumptions and the method of accounting for scheme surpluses or deficits. Upon full adoption of FRS 17 the results of prior periods will also be restated to reflect its requirements. Our management does not believe that the adoption of FRS 17 will have a material effect on our results.

In December 2000, the ASB issued FRS 19 “Deferred Tax”, which requires full provision to be made for deferred tax assets and liabilities, and which we adopted from 1 April 2001.

YELL GROUP
PROFIT AND LOSS ACCOUNTS

(Unaudited)	Notes	Combined (Predecessor)		Consolidated (Successor)
		91 days ended 30 June 2000	83 days ended 22 June 2001	8 days ended 30 June 2001(note 1)
		<i>(£ in millions)</i>		
Total turnover				
Ongoing activities		156.9	171.9	24.7
Acquisition		0.5	-	-
Total turnover	2	157.4	171.9	24.7
Group's share of joint venture's turnover		(2.3)	(2.8)	-
Group turnover				
Ongoing activities		153.5	169.1	24.7
Acquisition		1.6	-	-
Group turnover	2	155.1	169.1	24.7
Cost of sales		(59.1)	(71.1)	(12.9)
Gross profit	3	96.0	98.0	11.8
Distribution costs		(5.0)	(5.5)	(0.7)
Administrative expenses		(53.9)	(60.5)	(4.5)
Group operating profit (loss)				
Ongoing activities		37.5	32.0	6.6
Acquisition		(0.4)	-	-
		37.1	32.0	6.6
Group's share of joint venture's operating profit		0.7	0.9	-
Total operating profit (loss)				
Ongoing activities		38.2	32.9	6.6
Acquisition		(0.4)	-	-
		37.8	32.9	6.6
Interest payable		(5.2)	(5.8)	(4.4)
Profit on ordinary activities before taxation		32.6	27.1	2.2
Tax on profit on ordinary activities		(12.1)	(13.2)	(1.0)
Profit for the period	7	20.5	13.9	1.2

All of the Yell Group's results arose from continuing operations.

Currency movements arising on combination of non-UK subsidiaries and the joint venture during the 91 days ended 30 June 2000 totalled a gain of £ 10.8 million; during the 83 days ended 22 June 2001 totalled a gain of £0.8 million and during the 8 days ended 30 June 2001 totalled a gain of £2.3 million. Other than the profits for the financial periods presented and these currency movements, there have been no other recognised gains or losses during these periods and accordingly no statements of total recognised gains and losses are presented.

YELL GROUP
CASHFLOW STATEMENTS

(Unaudited)	Notes	Combined (Predecessor)		Consolidated (Successor)
		91 days ended 30 June 2000	83 days ended 22 June 2001	8 days ended 30 June 2001(note 1)
			<i>(£ in million)</i>	
Net cash inflow from operating activities		43.1	41.6	3.1
Returns on investments and servicing of finance				
Interest paid		(4.5)	(5.5)	-
Taxation		-	-	-
Investing activities				
Purchase of tangible fixed assets		(4.9)	(5.8)	-
Payment for assets transferred from BT		-	(11.7)	-
Purchase of subsidiary undertakings and other investments (net of cash acquired)		(39.1)	-	(1,928.5)
Net cash outflow from investing activities		(44.0)	(17.5)	(1,928.5)
Net cash inflow (outflow) before financing		(5.4)	18.6	(1,925.4)
Financing				
Ordinary shares allotted	7	-	-	1.0
Net cash contributions from BT		2.1	5.7	-
Funds received from new debt		-	-	1,993.3
Net cash inflow from financing		2.1	5.7	1,994.3
Net increase (decrease) in cash		(3.3)	24.3	68.9
Cash at beginning of period		4.7	24.8	-
Cash at end of period		1.4	49.1	68.9
Decrease (increase) in net debt through cash flow	4	(41.7)	20.3	(1,932.7)
Group operating profit		37.1	32.0	6.6
Depreciation		2.0	4.4	0.5
Goodwill amortisation		5.0	5.4	1.7
Decrease (increase) in stocks		(10.3)	(12.1)	3.2
Decrease (increase) in debtors		9.6	3.1	(8.9)
Increase (decrease) in creditors		(0.3)	8.8	-
Net cash inflow from operating activities		43.1	41.6	3.1

YELL GROUP
BALANCE SHEETS

(Unaudited)	Notes	Combined (Predecessor)		Consolidated (Successor)
		At 30 June 2000	At 31 March 2001 <i>(£ in millions)</i>	At 30 June 2001
Fixed Assets				
Intangible assets	5	419.9	429.3	1,701.5
Tangible assets		21.8	42.7	42.2
Investments		1.7	1.9	2.1
Total fixed assets		443.4	473.9	1,745.8
Current assets				
Stock		90.0	87.5	96.7
Debtors	6	206.2	278.1	329.1
Cash at bank and in hand		1.7	24.8	68.9
Total current assets		297.9	390.4	494.7
Creditors: amounts falling due within one year				
Loans and other borrowings	4	(62.2)	(97.2)	(40.7)
Other creditors		(90.7)	(133.0)	(145.1)
Total creditors: amounts falling due within one year		(152.9)	(230.2)	(185.8)
Net current assets		145.0	160.2	308.9
Total assets less current liabilities		588.4	634.1	2,054.7
Creditors: amounts falling due after one year				
Loans and other borrowings	4	(211.6)	(221.8)	(2,050.2)
Other creditors		(8.5)	(18.0)	-
Total creditors: amounts falling due after one year		(220.1)	(239.8)	(2,050.2)
Net assets		368.3	394.3	4.5
Ordinary shareholders' equity				
Ordinary shares		-	-	0.1
Additional paid in capital		-	-	0.9
Profit and loss account		-	-	3.5
BT's net investment in Yell Group		368.3	394.3	-
Total ordinary shareholders' equity	7	368.3	394.3	4.5

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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation, combination and consolidation.

The Yell Group has operated as a separate group since 22 June 2001, the date on which a consortium of investors purchased BT's equity interests in Yellow Book USA Inc ("Yellow Book") and Yellow Pages Sales Limited and the net assets and operations of BT's subsidiary, Yell Limited ("the purchase"). Prior to the purchase, the Yell Group operated as business units within BT, rather than as a separate legal entity.

The unaudited predecessor combined financial information of the Yell Group for the periods before 22 June 2001, represents an aggregation of the financial information of Yell's classified directories and related operations in the United Kingdom and in the United States while they were still within BT. The inception date of Yell Finance B.V. was 19 June 2001. The unaudited successor consolidated financial information of the Yell Group represents a consolidation of the financial information of Yell Finance B.V. and its subsidiaries and affiliate for the 11 days ended 30 June 2001; but only includes operations of the Yell Group for the 8 day period from 23 June to 30 June 2001.

The unaudited condensed pro forma financial information for the Yell Group, as if the purchase took place on 1 April 2000, for the three months ended 30 June 2000 and 2001 is as follows:

	Quarter ended 30 June 2000	Quarter ended 30 June 2001
	<i>(£ in millions)</i>	
Group turnover	155.1	193.8
Loss for the period	(40.4)	(36.6)

In management's opinion, the unaudited condensed pro forma financial information is not necessarily indicative of what the actual aggregated results might have been if the acquisition had been effective on 1 April 2000.

The unaudited interim 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 set out in the audited combined financial statements of the Yell Group for the year ended 31 March 2001 contained in the Form F-4 filed with the US Securities and Exchange Commission on 31 August 2001, with the exception of deferred taxation, which is now stated on a full liability basis in accordance with FRS 19 "Deferred tax" in place of the partial provisioning basis formerly adopted. The comparative figures in the profit and loss account and balance sheet have not been restated because the implementation of FRS 19 would have had no material effect on prior year comparative figures.

In the opinion of management, the financial information included herein includes all adjustments necessary for a fair presentation of the combined or consolidated results, financial position and cash flows for each period presented. The combined or consolidated results for interim periods are not necessarily indicative of results for the full year. This financial information should be read in conjunction with Yell Finance B.V.'s Form F-4 filed with the US Securities and Exchange Commission on 31 August 2001, including Yell Group's audited combined financial statements for the year ended 31 March 2001.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

	Combined (Predecessor)		Consolidated (Successor)
	91 days ended 30 June 2000	83 days ended 22 June 2001	8 days ended 30 June 2001
	<i>(£ in millions)</i>		
UK printed directories	107.7	118.5	7.7
Other	7.4	8.3	1.2
Total UK	115.1	126.8	8.9
US directories	40.0	42.3	15.8
Group turnover	155.1	169.1	24.7
Group's share of joint venture's turnover ^(a)	2.3	2.8	-
Total turnover	157.4	171.9	24.7

(a) The Group's share of joint venture turnover originated entirely from the Americas.

3. Gross profit

	Combined (Predecessor)		Consolidated (Successor)
	91 days ended 30 June 2000	83 days ended 22 June 2001	8 days ended 30 June 2001
	<i>(£ in millions)</i>		
UK printed directories	70.7	75.2	5.6
Other	5.4	5.1	0.8
Total UK	76.1	80.3	6.4
US directories	19.9	17.7	5.4
Total gross profit	96.0	98.0	11.8

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NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Net debt

Analysis of net debt

	Combined (Predecessor)		Consolidated (Successor)
	At 30 June 2000	At 31 March 2001	At 30 June 2001
	<i>(£ in millions)</i>		
Long-term loans and other borrowings falling due after more than one year	211.6	221.8	2,050.2
Short-term borrowings and long-term loans and other borrowings falling due within one year	62.2	97.2	40.7
Total debt	273.8	319.0	2,090.9
Cash at bank	(1.7)	(24.8)	(68.9)
Net debt at end of period	<u>272.1</u>	<u>294.2</u>	<u>2,022.0</u>

Movement in net debt

	Total cash less bank overdraft	Debt due within one year excluding bank overdraft	Debt due after one year	Net debt
	<i>(£ in millions)</i>			
At 31 March 2000 (Predecessor)	4.7	(21.8)	(201.3)	(218.4)
Cash flow	(3.3)	(38.9)	0.5	(41.7)
Currency movements	-	(1.2)	(10.8)	(12.0)
At 30 June 2000 (Predecessor)	<u>1.4</u>	<u>(61.9)</u>	<u>(211.6)</u>	<u>(272.1)</u>
At 31 March 2001 (Predecessor)	24.8	(97.2)	(221.8)	(294.2)
Cash flow	24.3	(0.2)	(3.8)	20.3
Currency movements	-	(0.5)	(1.2)	(1.7)
At 22 June 2001 (Predecessor)	<u>49.1</u>	<u>(97.9)</u>	<u>(226.8)</u>	<u>(275.6)</u>
At 19 June 2001 (Successor)	-	-	-	-
Net cash inflow from operations	3.1	-	-	3.1
Cash inflow from financing	1,994.3	(40.0) (a)	(1,953.3)	1.0
Cash outflows on acquisitions	(1,936.8)	-	-	(1,936.8)
Balances acquired	8.3	(0.7)	(0.4)	7.2
Vendor loan note (deferred consideration)	-	-	(100.0)	(100.0)
Financing fees accrued not paid	-	-	6.2	6.2
Accrued interest	-	-	(1.8)	(1.8)
Currency movements	-	-	(0.9)	(0.9)
At 30 June 2001	<u>68.9</u>	<u>(40.7)</u>	<u>(2,050.2)</u>	<u>(2,022.0)</u>

(a) Amount drawn from £100 million revolving credit facility on 22 June 2001. The amount was subsequently repaid on 16 July 2001.

The terms of the senior credit facilities require Yell Group Limited and its consolidated subsidiaries to maintain specified consolidated financial ratios for senior debt to EBITDA (earnings before interest, tax, depreciation and amortisation as defined in the senior credit facilities), cash flow to total debt service, EBITDA to net cash interest payable and total net debt to EBITDA, and to observe capital expenditure limits for each financial year. Certain of these financial ratios have to be prepared for the preceding twelve month period and reported to the providers of the senior credit facilities on a quarterly basis. The first report was for the twelve months ended 30 June 2001. The Yell Group reported in August 2001 that it had maintained the financial ratios for the period ended 30 June 2001 in compliance with these debt covenants.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Intangible assets

Intangible assets at 30 June 2000 and 31 March 2001 comprise goodwill that arose on BT's purchase of Yellow Book and subsequent acquisitions by Yellow Book as adjusted for amortisation and movements in foreign exchange rates.

On 22 June 2001 the successor Yell Group acquired the predecessor Yell Group. The total cost of acquisition was £2,007.6 million, giving rise to goodwill of £1,694.0 million with an estimated life of 20 years. The successor Yell Group purchased another subsidiary in a separate transaction on 29 June 2001 that gave rise to £6.5 million of goodwill. The amount of goodwill at 30 June 2001 reflects management's preliminary determination of the fair value adjustments to be recorded on the date of each acquisition. The results of an extensive evaluation of fair values may require us to adjust the amount of goodwill in future periods.

6. Debtors

	Combined (Predecessor)		Consolidated (Successor)
	At 30 June 2000	At 31 March 2001	At 30 June 2001
	<i>(£ in millions)</i>		
Trade debtors	141.0	229.4	236.3
Accrued income	58.3	43.9	41.9
Receivable from BT ^(a)	-	-	44.7
Other	2.7	-	0.1
Prepayments	4.2	4.8	6.1
Total debt	206.2	278.1	329.1

(a) This amount was paid to BT on 22 June 2001 in connection with the purchase of the predecessor Yell Group and was repaid by BT in July 2001 following agreement of the final purchase price.

7. Retained earnings and additional capital

	BT's net investment	Share capital	Profit and loss account	Total
	<i>(£ in millions)</i>			
Balance at 1 April 2000 (Predecessor)	365.0	-	-	365.0
Profit for the year to 31 March 2001	102.7	-	-	102.7
Net investment (distributions) from (to) BT	(150.7)	-	-	(150.7)
Taxation settled by BT on behalf of Yell group	54.6	-	-	54.6
Allotment of Ordinary Shares	22.7	-	-	22.7
Balance at 31 March 2001 (Predecessor)	394.3	-	-	394.3
Profit for the 83 days to 22 June 2001	13.9	-	-	13.9
Currency movements	0.8	-	-	0.8
Balance at 22 June 2001 (Predecessor)	409.0	-	-	409.0
Balance at 23 June 2001 (Successor)	-	-	-	-
Issuance of share capital	-	1.0	-	1.0
Profit for the 8 days to 30 June 2001	-	-	1.2	1.2
Currency movements	-	-	2.3	2.3
Balance at 30 June 2001 (Successor)	-	1.0	3.5	4.5