



8 November 2011

**Yell Group Plc ("Yell")**

**Interim results for the six months ended 30 September 2011**

**Trading in line with expectations. Strategic progress continues.**  
**Commencement of discussions on covenant amendments.**

**Financial headlines<sup>(1)</sup>**

- Group revenue of £787.2m decreased 12.2%
  - Digital services revenues grew 149.1% to £63.6m
  - Digital directories (Internet Yellow Pages) revenue fell 9.7% to £172.7m
  - Print and other directory (enquiry services) revenues fell 19.3% to £550.9m
- EBITDA of £231.4m was down £26.5m<sup>(2)</sup>
- Profit after tax of £47.9m was up £26.1m
- Free cash flow of £156.6m increased £21.8m and reduced net debt to £2,634.0m

**Operational headlines<sup>(1)</sup>**

- Total digital revenue increased by 9.1%, rising from 25.3% to 30.0% of revenue
  - Total digital customers grew 11.1% to 940,000
  - Average annual total digital revenue per customer was up 3.2% to £523
- Live customer websites increased from 124,000 to 355,000
- Digital directories visitors declined 15.1% to 42.9m
- Mobile directories visitors were 3.2m
- Print advertisers were down 8.1% to 541,000<sup>(3)</sup>
- Print revenue per advertiser was down 7.8% to £902<sup>(3)</sup>

**Mike Pocock, Chief Executive Officer, said:**

"We continue to make significant progress in transforming Yell from a provider of print and digital advertising to small and medium-sized enterprises (SMEs) to a leader in the emerging local eMarketplace. Since announcing our strategy in July, we have succeeded in cementing key strategic relationships in critical areas including eCommerce, mobile, social media and with Microsoft. Before the end of the year, we expect to begin to realise the potential of these partnerships through our expanded range of sophisticated digital solutions. We have made significant progress in improving the Group operating model with the consolidation of legacy platforms well underway, laying the foundations for the build out of a new platform for growth. As well as enabling us to improve customer experience, this will allow us to focus investment in key areas.

Despite the increasingly difficult economic environment, trading is in line with recent trends and expectations, with the continued very strong growth of our digital services partially offsetting the decline in directories. We now have 355,000 customer websites live, demonstrating our ability to bring to market and sell new digital products that prove attractive to our large base of SME customers.

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<sup>(1)</sup> Results are for the six months, unaudited and compared with the same period in the prior year. Revenue and EBITDA changes before page 5 are at constant currency. Revenue percentage changes are also adjusted for rescheduling, changes in bundled revenue allocation in the US and acquisitions.

<sup>(2)</sup> EBITDA is profit for the period before interest, tax, depreciation, amortisation and exceptional items.

<sup>(3)</sup> Excluding White Pages and other directories.

The actions we have taken to improve efficiency across the Group are evident in stable gross margins and the £22.2m decrease in fixed costs. We continue to generate significant cash flow and have now reduced our net debt to £2.6bn resulting in covenant headroom of above ten percent despite the covenants decreasing since March. For this financial year, we continue to expect EBITDA to be within current market expectations.

In order to ensure the Group has an appropriate level of covenant headroom to deliver the new strategy successfully, we have begun speaking to our lenders about amending our Net Debt:EBITDA covenant levels. It is also currently our intention to seek purchases of up to £108m of debt below par, thus creating significant value for the Group.”

## **Strategic update**

Since announcing its strategy in July, Yell has made significant progress in building the eMarketplace. The local eMarketplace comprises an innovative platform and digital portal where consumers and SMEs can connect and transact, allowing Yell to offer a broader range of digital solutions and services.

Strategic partnerships form an important part of this strategy. As a consequence, the Group has rapidly built a strong portfolio of business partners focused on further enhancing its SME and consumer offerings and contributing to the creation of the local eMarketplace platform. In the second quarter, Yell announced the following:

- The acquisition of industry leader in multi-store eCommerce Znode. Znode’s technology underpins the Group’s new digital service offerings
- A global strategic alliance with Microsoft, enabling Yell to deepen and enhance its advertising products and services as well as offer Microsoft Office 365 and the full suite of cloud and software-based productivity and business solutions, which includes Microsoft Dynamics to its growing SME customer base
- A strategic partnership with customer-powered marketing specialist Bazaarvoice, which will bring customer conversations online and help SMEs capitalise on and monetise the benefits of word of mouth endorsement
- An alliance with Netbiscuits, the leading platform for developing, publishing, and monetising sites and apps across all mobile and connected devices. The alliance will enable eMarketplace participants to quickly move their products and services into the mobile environment

Additional agreements that will further strengthen and accelerate the pace of Yell’s transformation will be announced in due course.

Yell is also strengthening its management team with the recruitment of key leaders to head up its digital, consumer, marketing and operations functions. Internally, the Group has taken many steps to build a global rather than geographic organisation and establish a common technology platform. This approach generates synergies by delivering solutions once rather than several times, improves efficiency and enables Yell to focus its considerable resources appropriately. Last month Yell appointed Landor Associates to help build a brand architecture more appropriate for the new digital market.

Yell has begun to launch new products, identified during the strategic review, and has recently begun trials of a local newsletter in the US. Further product launches are expected in the coming months.

## **Covenants and debt buy back**

The Group is currently in full compliance with its covenants and expects to remain so for the remainder of this financial year. In order to ensure that the Group can undertake its new value-creating strategy, Yell has commenced a formal facility amendment process with lenders. The principal amendment Yell is seeking is to the Net Debt:EBITDA covenant levels, to create an

appropriate level of headroom. The amendment requires the approval of two-thirds of lenders by value, and will be voted upon before Christmas.

The existing facilities agreement gives the Group the right to seek to purchase debt, at prices below par, for cancellation. It is currently Yell's intention to seek purchases up to £108m after the amendment process has been concluded. If completed, these would create significant value for the Group by reducing net debt by the net discount achieved.

## Group results

Economic recovery and SME confidence remain low and Yell's market continues to evolve, with consumers and SMEs seeking digital alternatives to print. Revenue trends reflect this with the first six months down 12.2%, as the strong growth in digital services only partly offsets the decline in printed and digital directories. These trends were reflected across the Group's three main geographies. Latin American revenue continues to grow, although the trends Yell is seeing elsewhere are also beginning to become apparent.

Total digital revenue grew 9.1% to £236.3m from 940,000 customers at the half year and now accounts for 30.0% of revenue. The growth is driven entirely by new digital services, as digital directory revenue declined 9.7%, over the six months with the second quarter decline accelerating to 12.3% from 7.1% in quarter 1. Digital directory usage declined 15.1% on the prior year to 42.9m unique users as the Group is purchasing fewer, but higher quality users in the US. This does not include users of Yell's mobile applications and sites, which stood at 3.2m in September.

Digital services revenue contributed £63.6m over the period, up 149.1% on the prior year (with the second quarter slowing slightly to 136.5% from 164.9% in quarter 1). This revenue, primarily from selling websites, of which Yell now has 355,000 live, and online search, demonstrates the Group's ability to sell new and sophisticated digital solutions to its core customer SME base. The opportunity to expand the market through a wider choice of offers and address a larger base of customers are central to Yell's new strategy.

Print and other directory revenue declined 19.3% in the six months with the second quarter down 20.1% compared to 18.5% in the first quarter.

Fixed costs declined £22.2m and gross margin remained broadly flat on the prior year, as cost actions offset the effect of the changing product mix and reduced semi variable costs within direct costs. The cost savings were driven by increased cost management and control and were seen across all major geographies. Despite the impact of the lower fixed costs and the improved margins, the decline in revenue led to a fall in EBITDA of £26.5m. There were £3.9m of exceptional costs in the period, primarily relating to one-off costs associated with implementing the new strategy. Yell expects to incur further exceptional costs associated with implementing the strategy as the year progresses.

Profit after tax increased £26.1m primarily because the decrease in EBITDA was more than offset by £70.4m decrease in interest charges due to the reduced net debt and the unwinding of interest rate hedges which reduced the average interest rate from circa 9% to 6%.

The lower interest charge benefited free cash flow, which was up £21.8m on the prior year to £156.6m, despite the lower EBITDA. This reduced net debt by £131.1m from March, reflecting the strong free cash flow, offset by adverse currency movements of £15.1m and the £10.4m amortisation of deferred financing fees. The Group had £201.0m of cash after the £25.0m of scheduled debt repayments in September, the cash sweep of £27.3m, the final £66.5m repayment of the old A debt and the £41.0m paid to meet the minimum reduction amount all in the first quarter.

## Forward looking statements

This news release contains forward-looking statements regarding Yell's intentions, beliefs or current expectations concerning, among other things, Yell's results of operations, revenue, financial condition, liquidity, prospects, growth, strategies, new products, the level of new directory launches and the markets in which Yell operates. Readers are cautioned that any such forward-looking statement is not a guarantee of future performance and involves risks and uncertainties, and that actual results may differ materially from those in the forward-looking statement as a result of various factors. These factors include any adverse change in regulations, unforeseen operational or technical problems, the nature of the competition that Yell will encounter, wider economic conditions including economic downturns and changes in financial and equity markets. Readers are advised to read pages 16 to 25 in Yell Group plc's annual report for the financial year ended 31 March 2011. Yell undertakes no obligation publicly to update or revise any forward-looking statements, except as may be required by law.

## Notes to Editors

Yell Group is a leading provider of digital services within the emerging local eMarketplace for consumers and SMEs across its operations in the UK, US, Spain and some countries in Latin America.

Building on its strong presence in the local market through its current digital and print portfolio, Yell is developing a broad range of digital services tailored to the converging needs of SMEs and consumers.

These address both the SMEs' need to grow, transact and be efficient in the digital world, and the consumers' need to connect locally to the goods and services they want, in a way which saves them time and money, and moves their lives forward.

In the year ended 31 March 2011, Yell Group had 1.3m SME customers.

## Enquiries:

### Yell – Investors

Rob Hall  
Tel +44 (0)118 358 2838  
Mobile +44 (0)7793 957848

### Yell - Media

Jon Salmon  
Tel +44 (0)118 358 2656  
Mobile +44 (0)7801 977340

### RLM Finsbury

Andrew Dowler or Charles Chichester  
Tel: + 44 (0) 207 251 3801

[www.yellgroup.com](http://www.yellgroup.com)

## Key operational metrics for Yell Group plc

Six months ended 30 September

	US		UK		Spain		Latin America	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Digital media</b>								
Digital Directories revenue (£m)	<b>62.8</b>	78.7	<b>71.2</b>	82.1	<b>28.1</b>	27.9	<b>10.6</b>	10.7
<i>Growth (%)<sup>(1)</sup></i>	<i>(14.7)</i>		<i>(13.2)</i>		<i>(3.6)</i>		<i>4.1</i>	
Digital Services revenue (£m)	<b>33.9</b>	17.7	<b>25.6</b>	7.8	<b>3.3</b>	1.3	<b>0.8</b>	-
<i>Growth (%)<sup>(1)</sup></i>	<i>102.9</i>		<i>226.8</i>		<i>143.4</i>		<i>n/a</i>	
Unique live advertisers <sup>(2)</sup> at period end (thousands)	<b>409</b>	338	<b>205</b>	195	<b>177</b>	174	<b>149</b>	139
Average annualised digital media revenue per advertiser (£) <sup>(3)</sup>	<b>523</b>	513	<b>927</b>	881	<b>354</b>	368	<b>159</b>	142
<i>Growth (%)<sup>(1)</sup></i>	<i>4.7</i>		<i>5.2</i>		<i>(3.8)</i>		<i>14.4</i>	
Unique visitors for month of period end (millions) <sup>(4)</sup>	<b>23.5</b>	30.6	<b>8.0</b>	9.0	<b>6.6</b>	6.4	<b>4.8</b>	4.5
Unique mobile visitors for month of period end (millions) <sup>(5)</sup>	<b>1.0</b>		<b>1.7</b>		<b>0.5</b>			
Websites <sup>(6)</sup> , live at period end (thousands)	<b>264</b>	110	<b>32</b>	2	<b>37</b>	6	<b>22</b>	6
<b>Print, excluding White Pages and other directories</b>								
Revenue (£m)	<b>307.5</b>	366.4	<b>122.7</b>	163.2	<b>41.1</b>	53.0	<b>16.4</b>	16.6
<i>Growth (%)<sup>(1)</sup></i>	<i>(10.7)</i>		<i>(24.8)</i>		<i>(24.9)</i>		<i>4.6</i>	
Unique advertisers (thousands)	<b>249</b>	265	<b>128</b>	145	<b>100</b>	116	<b>64</b>	63
Print revenue per unique advertiser (£)	<b>1,237</b>	1,383	<b>959</b>	1,126	<b>412</b>	457	<b>254</b>	263
<i>Growth (%)<sup>(1)</sup></i>	<i>(4.9)</i>		<i>(14.8)</i>		<i>(12.5)</i>		<i>2.6</i>	
Unique advertiser retention rate (%)	<b>73</b>	71	<b>72</b>	72	<b>78</b>	80	<b>72</b>	68
Directory editions published	<b>451</b>	449	<b>56</b>	54	<b>37</b>	33	<b>36</b>	34
<b>White Pages, other directories (including enquiry services)</b>								
Revenue (£m)	-	0.1	<b>13.5</b>	10.5	<b>37.7</b>	47.9	<b>12.0</b>	11.8
<i>Growth (%)<sup>(1)</sup></i>	-		<i>28.6</i>		<i>(25.0)</i>		<i>8.8</i>	

(1) All growth rates are at constant currency, but are not adjusted for rescheduling, changes in bundle allocation or acquisitions.

(2) Unique live advertisers is the number of digital media customers at period end. The prior six months UK figure has been restated from 193,000 due to a minor definition change.

(3) Average annualised digital media revenue per advertiser in the UK has been restated from £890 for the prior year in line with the unique live advertiser definition change.

(4) US figures include visitors to the Yellowbook.com network.

(5) Mobile visitors are not available for prior year or Latin America

(6) Excluding landing pages.

## FINANCIAL INFORMATION FOR YELL GROUP PLC AND SUBSIDIARIES

*All of the following financial information is unaudited except the comparative information for 31 March 2011 which was presented in Yell's 31 March 2011 Annual Report.*

### Group income statement

#### Six months ended 30 September

<b>£m, unless noted otherwise</b>	Notes	2011	2010
<b>Revenue</b>	2	<b>787.2</b>	895.7
Cost of sales		<u>(332.6)</u>	<u>(379.6)</u>
<b>Gross profit</b>		<b>454.6</b>	516.1
Distribution costs		<b>(30.6)</b>	(33.6)
Administrative expenses		<u>(275.7)</u>	<u>(299.8)</u>
<b>Operating profit</b>	3	<b>148.3</b>	182.7
Finance costs		<b>(80.4)</b>	(150.3)
Finance income		<b>1.3</b>	0.8
<b>Net finance costs</b>		<u>(79.1)</u>	<u>(149.5)</u>
<b>Profit before taxation</b>		<b>69.2</b>	33.2
Taxation	4	<u>(21.3)</u>	<u>(11.4)</u>
<b>Profit for the six months</b>		<u><b>47.9</b></u>	<u>21.8</u>
Basic earnings per share (pence)	5	<b>2.1</b>	0.9
Diluted earnings per share (pence)	5	<b>2.0</b>	0.9

### Group statement of comprehensive income

#### Six months ended 30 September

<b>£m</b>	Notes	2011	2010
<b>Profit for the six months</b>		<u><b>47.9</b></u>	<u>21.8</u>
Exchange gain (loss) on translation of foreign operations		<b>7.4</b>	(32.8)
Actuarial loss on defined benefit pension schemes	16	<b>(15.1)</b>	(6.2)
Gain in fair value of financial instruments used as hedges		<b>4.1</b>	52.9
Tax effect of net losses (gains) not recognised in the income statement	4	<u><b>2.8</b></u>	<u>(16.0)</u>
Comprehensive loss not recognised in the income statement		<u><b>(0.8)</b></u>	<u>(2.1)</u>
<b>Total comprehensive income for the six months</b>		<u><b>47.1</b></u>	<u>19.7</u>

See notes to the financial information for additional details.

## Group statement of cash flows

Six months ended 30 September

£m	Notes	2011	2010
<b>Net cash generated from operating activities</b>			
Cash generated from operations		273.3	335.2
Interest paid		(69.5)	(132.6)
Interest received		1.3	0.8
Net income tax paid		(7.9)	(13.8)
<b>Net cash generated from operating activities</b>		<b>197.2</b>	<b>189.6</b>
<b>Cash flows from investing activities</b>			
Purchase of software, property, plant and equipment	7	(28.3)	(43.4)
Purchase of subsidiary undertakings, net of cash acquired	8	(12.3)	(11.4)
<b>Net cash used in investing activities</b>		<b>(40.6)</b>	<b>(54.8)</b>
<b>Free cash flow</b>		<b>156.6</b>	<b>134.8</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares		-	(0.2)
Financing fees paid		-	(0.4)
Net payments on revolving and other short-term credit facilities		-	(3.8)
Repayment of borrowings		(159.8)	(33.3)
<b>Net cash used in financing activities</b>		<b>(159.8)</b>	<b>(37.7)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(3.2)</b>	<b>97.1</b>
Cash and cash equivalents at beginning of the period		200.5	160.4
Exchange gains on cash and cash equivalents		3.7	3.1
<b>Cash and cash equivalents at period end</b>		<b>201.0</b>	<b>260.6</b>
<b>Cash generated from operations</b>			
Profit for the six months		47.9	21.8
Adjustments for:			
Tax		21.3	11.4
Finance income		(1.3)	(0.8)
Finance costs		80.4	150.3
Depreciation of property, plant and equipment and amortisation of software		33.6	29.1
Amortisation of other acquired intangibles		45.6	51.4
Changes in working capital:			
Inventories and directories in development		(4.9)	(28.9)
Trade and other receivables		103.5	53.2
Trade and other payables		(62.4)	37.0
Share based payments and other		9.6	10.7
<b>Cash generated from operations</b>		<b>273.3</b>	<b>335.2</b>

See notes to the financial information for additional details.

## Group balance sheet

At 30 September and 31 March 2011		30 September	31 March
£m	Notes	2011	2011
<b>Non-current assets</b>			
Goodwill	9	3,168.2	3,123.9
Other intangible assets	10	1,091.9	1,157.0
Property, plant and equipment	11	93.3	100.5
Deferred tax assets	12	65.8	69.3
Retirement benefit surplus	16	31.3	37.3
Investment and other assets		10.0	9.9
Financial assets – derivative financial instruments		-	1.1
<b>Total non-current assets</b>		<b>4,460.5</b>	<b>4,499.0</b>
<b>Current assets</b>			
Inventory		11.0	10.4
Directories in development		232.0	223.7
Trade and other receivables	13	659.0	763.1
Financial assets – derivative financial instruments		0.1	0.6
Cash and cash equivalents	14	201.0	200.5
<b>Total current assets</b>		<b>1,103.1</b>	<b>1,198.3</b>
<b>Current liabilities</b>			
Financial liabilities - loans and other borrowings	14	(31.8)	(125.3)
Financial liabilities – derivative financial instruments		(11.4)	(13.1)
UK corporation and foreign income tax		(76.4)	(73.4)
Trade and other payables	15	(466.9)	(521.8)
<b>Total current liabilities</b>		<b>(586.5)</b>	<b>(733.6)</b>
<b>Net current assets</b>		<b>516.6</b>	<b>464.7</b>
<b>Non-current liabilities</b>			
Financial liabilities - loans and other borrowings	14	(2,803.2)	(2,840.3)
Financial liabilities – derivative financial instruments		-	(2.1)
Deferred tax liabilities	12	(588.2)	(592.0)
Trade and other payables	15	(15.5)	(15.8)
<b>Total non-current liabilities</b>		<b>(3,406.9)</b>	<b>(3,450.2)</b>
<b>Net assets</b>		<b>1,570.2</b>	<b>1,513.5</b>
<b>Capital and reserves attributable to owners</b>			
Share capital		1,858.2	1,858.2
Other reserves		237.9	229.1
Accumulated deficit		(525.9)	(573.8)
<b>Total equity</b>		<b>1,570.2</b>	<b>1,513.5</b>

See notes to the financial information for additional details.

## Group statement of changes in equity

### Six months ended 30 September 2011

£m	Attributable to owners			Total
	Share capital	Other reserves <sup>(1)</sup>	Accumulated deficit	
Balance at 31 March 2011	1,858.2	229.1	(573.8)	1,513.5
Profit on ordinary activities after taxation	-	-	47.9	47.9
Comprehensive loss not recognised in the income statement	-	(0.8)	-	(0.8)
Total comprehensive (loss) income for the six months	-	(0.8)	47.9	47.1
Value of services provided in return for share based payments	-	9.6	-	9.6
	-	8.8	47.9	56.7
<b>Balance at 30 September 2011</b>	<b>1,858.2</b>	<b>237.9</b>	<b>(525.9)</b>	<b>1,570.2</b>

### Six months ended 30 September 2010

£m	Attributable to owners			Total
	Share capital	Other reserves <sup>(1)</sup>	Accumulated deficit	
Balance at 31 March 2010	1,848.8	154.7	(617.9)	1,385.6
Profit on ordinary activities after taxation	-	-	21.8	21.8
Comprehensive loss not recognised in the income statement	-	(2.1)	-	(2.1)
Total comprehensive (loss) income for the six months	-	(2.1)	21.8	19.7
Value of services provided in return for share based payments	-	10.7	-	10.7
Own shares purchased by ESOP trust	(0.2)	-	-	(0.2)
Treasury shares sold by employee benefit trusts	1.0	(1.0)	-	-
	0.8	7.6	21.8	30.2
<b>Balance at 30 September 2010</b>	<b>1,849.6</b>	<b>162.3</b>	<b>(596.1)</b>	<b>1,415.8</b>

<sup>(1)</sup> Cumulative foreign currency gains attributable to owners at 30 September 2011 are £320.1m (31 March 2011 – £312.7m gain).

See notes to the financial information for additional details.

## Notes to the financial information

### 1. Statutory disclosures

#### Basis of preparation and consolidation

Yell Group is a leading provider of digital services within the emerging local eMarketplace for consumers and SMEs across its operations in the UK, US, Spain and some countries in Latin America. The principal activity of Yell Group plc and its subsidiaries is the sale of quality business leads and marketing solutions to small and medium sized enterprises through an integrated portfolio of simple-to-use, cost effective advertising.

This unaudited condensed set of financial statements for the six months ended 30 September 2011 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union.

The unaudited financial information contained herein does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The audit opinion on the statutory accounts for the year ended 31 March 2011 was unqualified and unmodified, and included an emphasis of matter in respect of the uncertainty relating to the carrying value of goodwill. The financial information herein should be read in conjunction with Yell's 2011 annual report published in June 2011, which was prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006.

The financial information contained herein has been prepared on a going concern basis. The Group is in full compliance with the financial covenants and undertakings contained in all its borrowing agreements. The Group is also cash generative and profitable. The Board, in considering going concern, looked at various factors including Yell's ability to meet debt repayments and satisfy debt covenants. The Board concluded that adoption of the going concern basis in preparing these financial statements is appropriate.

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, retirement benefits, acquisitions, impairment testing and taxation.

Where change at constant currency is stated in this document it states the change in the current period compared with the previous period as if the current period results were translated at the same exchange rates as those used to translate the results for the previous period. Figures reported at constant exchange rates are stated at the same exchange rates as those used to translate the comparative figures for the previous period. Exchange impact is the difference between the results reported at constant exchange rates and the results reported using current period exchange rates. The average effective exchange rates for the six months ended 30 September 2011 were \$1.62: £1.00 and €1.14: £1.00 as compared to \$1.52: £1.00 and €1.18: £1.00 for the same period last year.

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 financial statements for the year ending 31 March 2012 are not expected to be materially affected by implementation of new standards, amendments to standards, or interpretations.

## Risk Statement

Yell's risks and uncertainties include strategic and operational risks faced by Yell's businesses; debt and financing risks faced in funding Group operations and the financial reporting and related risks faced in reporting Yell's results. The Group net assets of £1,570.2m include goodwill of £3,168.2m which is supported by the Group's new strategic plans. It is clear that the Group faces challenges and material uncertainties which may affect the carrying value of goodwill. The new strategic direction for the Group may also have a positive influence on the other uncertainties reported in the annual report. However, there is a risk that in the future the Group would need to reset its financial covenants with, or obtain a waiver from, its lenders, either of which would require a two-thirds majority vote.

The financial covenants are disclosed in note 14 on page 18 of this financial information. A discussion of the risks associated with the debt covenants is presented on pages 19 to 21 of Yell's annual report for the financial year ended 31 March 2011, a copy of which is available on Yell's website at <http://www.yellgroup.com>.

If the Group were required but not able to reset its financial covenants with, or obtain a waiver from, its lenders such that undertakings to the Group's lenders were breached, the lenders' facility agent may, and must if directed by two-thirds of lenders (by reference to debt held) demand immediate repayment of all amounts due to them. Whilst this eventuality would, if it arose, cast doubt on the future capital funding of the Group, the Group's cash flow forecasts show that in the twelve months ending 30 September 2012 interest payments will be fully met, with further cash generated to repay debt. Yell is currently seeking acceptance from lenders to revise the debt cover covenant to allow management to focus on the new strategy. The existing covenants are described in Note 14.

The Group is in full compliance with the financial covenants and undertakings contained in all its borrowing agreements.

## Related Parties

There are no related party transactions in the six months ended 30 September 2011 except compensation for key management. Key management compensation for the financial year ended 31 March 2011 is detailed in note 25 on page 114 of Yell Group plc's 2011 Annual Report. A copy of Yell Group plc's Annual Report is available on Yell's website at <http://www.yellgroup.com>.

## 2. Revenue

### Six months ended 30 September

£m, unless noted otherwise	2011	2010	Change	
			Reporting currency	Constant currency
			%	%
US	404.2	462.8	(12.7)	(7.0)
UK	233.0	263.6	(11.6)	(11.6)
Spain	110.2	130.1	(15.3)	(18.6)
Latin America	39.8	39.2	1.5	7.9
<b>Group revenue</b>	<b>787.2</b>	<b>895.7</b>	<b>(12.1)</b>	<b>(9.4)</b>
Print and other directory services	550.9	669.5	(17.7)	(15.0)
Digital directories	172.7	199.4	(13.4)	(11.5)
Other digital services	63.6	26.8	137.3	145.5
<b>Group revenue</b>	<b>787.2</b>	<b>895.7</b>	<b>(12.1)</b>	<b>(9.4)</b>

### 3. EBITDA and operating profit

Six months ended 30 September

£m, unless noted otherwise	2011	2010	Change	
			Reporting currency	Constant currency
			%	%
US	111.6	118.0	(5.4)	1.4
UK	76.1	96.0	(20.7)	(20.7)
Spain	37.2	44.7	(16.8)	(20.1)
Latin America	6.5	6.7	(3.0)	11.9
<b>Group EBITDA</b>	<b>231.4</b>	<b>265.4</b>	<b>(12.8)</b>	<b>(10.0)</b>

#### Reconciliation of operating profit to EBITDA

Six months ended 30 September

£m, unless noted otherwise	2011	2010
<b>US operating profit</b>	<b>89.1</b>	92.5
Depreciation and amortisation	22.5	25.5
<b>US EBITDA</b>	<b>111.6</b>	118.0
<i>US EBITDA margin</i>	27.6%	25.5%
Exchange impact	8.0	-
<b>US EBITDA at constant exchange rate</b>	<b>119.6</b>	118.0
<b>UK operating profit</b>	<b>59.2</b>	83.1
Depreciation and amortisation	12.3	10.7
Exceptional items	4.6	2.2
<b>UK EBITDA</b>	<b>76.1</b>	96.0
<i>UK EBITDA margin</i>	32.7%	36.4%
<b>Spain operating profit</b>	<b>0.4</b>	6.6
Depreciation and amortisation	37.5	38.1
Exceptional items	(0.7)	-
<b>Spain EBITDA</b>	<b>37.2</b>	44.7
<i>Spain EBITDA margin</i>	33.8%	34.4%
Exchange impact	(1.5)	-
<b>Spain EBITDA at constant exchange rate</b>	<b>35.7</b>	44.7
<b>Latin America operating (loss) profit</b>	<b>(0.4)</b>	0.5
Depreciation and amortisation	6.9	6.2
<b>Latin America EBITDA</b>	<b>6.5</b>	6.7
<i>Latin America EBITDA margin</i>	16.3%	17.1%
Exchange impact	1.0	-
<b>Latin America EBITDA at constant exchange rate</b>	<b>7.5</b>	6.7
<b>Group operating profit</b>	<b>148.3</b>	182.7
Depreciation and amortisation	79.2	80.5
Exceptional items	3.9	2.2
<b>Group EBITDA</b>	<b>231.4</b>	265.4
<i>Group EBITDA margin</i>	29.4%	29.6%
Exchange impact	7.5	-
<b>Group EBITDA at constant exchange rates</b>	<b>238.9</b>	265.4

#### 4. Taxation

The tax charge for the six months is different from the standard rate of corporation tax in the United Kingdom of 26% (2010 – 28%). The differences are explained below:

##### Six months ended 30 September

<b>£m</b>	<b>2011</b>	<b>2010</b>
Profit before tax multiplied by the standard rate of corporation tax in the United Kingdom	<b>18.0</b>	9.3
Effects of:		
Differing tax rates on foreign earnings	<b>1.5</b>	3.4
Deferred tax assets not recognised (recognised)	<b>0.3</b>	(3.0)
Adjustments in respect of prior years	-	(1.8)
Exceptional deferred tax effect of tax rate changes	<b>0.4</b>	0.1
Other	<b>1.1</b>	3.4
<b>Tax charge on profit before tax</b>	<b>21.3</b>	11.4
<b>Effective tax rate on profit before tax</b>	<b>30.8%</b>	34.3%

The tax on the Group's profit before tax is analysed as follows:

##### Six months ended 30 September

<b>£m</b>	<b>2011</b>	<b>2010</b>
Current tax:		
Current year corporation tax charge	<b>19.6</b>	13.6
Adjustments in respect of prior years	-	(1.8)
	<b>19.6</b>	11.8
Deferred tax:		
Current year deferred tax charge (credit)	<b>1.7</b>	(0.4)
<b>Tax charge on profit before tax</b>	<b>21.3</b>	11.4

Taxation credited (charged) directly to equity is as follows:

##### Six months ended 30 September

<b>£m</b>	<b>2011</b>	<b>2010</b>
Current tax on actuarial losses	<b>1.8</b>	1.1
Deferred tax on actuarial losses (gains)	<b>2.4</b>	(0.5)
Deferred tax on fair valuations of financial instruments used as hedges	<b>(1.4)</b>	(16.7)
Other	-	0.1
<b>Total taxation recorded in equity</b>	<b>2.8</b>	(16.0)

## 5. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the relevant financial period and on the weighted average share capital during the period.

<b>£m unless noted otherwise</b>	<b>Statutory</b>	<b>Exceptional items<sup>(1)</sup></b>	<b>Other items<sup>(2)</sup></b>	<b>Adjusted</b>
<b>Six months ended 30 September 2011</b>				
Operating profit	148.3	3.9	-	152.2
Amortisation of acquired intangibles	-	-	45.6	45.6
Net finance costs	(79.1)	-	1.0	(78.1)
Group profit before tax	69.2	3.9	46.6	119.7
Taxation	(21.3)	(0.6)	(15.0)	(36.9)
Group profit after tax	47.9	3.3	31.6	82.8
Weighted average number of issued ordinary shares (millions)	2,316.3			2,316.3
<b>Basic earnings per share (pence)</b>	<b>2.1</b>			<b>3.6</b>
Effect of share options (pence)	(0.1)			(0.1)
<b>Diluted earnings per share (pence)</b>	<b>2.0</b>			<b>3.5</b>

<b>£m unless noted otherwise</b>	<b>Statutory</b>	<b>Exceptional items<sup>(1)</sup></b>	<b>Other items<sup>(2)</sup></b>	<b>Adjusted</b>
<b>Six months ended 30 September 2010</b>				
Operating profit	182.7	2.2	-	184.9
Amortisation of acquired intangibles	-	-	51.4	51.4
Net finance costs	(149.5)	-	5.4	(144.1)
Group profit before tax	33.2	2.2	56.8	92.2
Taxation	(11.4)	(0.5)	(18.5)	(30.4)
Group profit after tax	21.8	1.7	38.3	61.8
Weighted average number of issued ordinary shares (millions)	2,303.5			2,303.5
<b>Basic earnings per share (pence)</b>	<b>0.9</b>			<b>2.7</b>
Effect of share options (pence)	-			-
<b>Diluted earnings per share (pence)</b>	<b>0.9</b>			<b>2.7</b>

<sup>(1)</sup> Details of exceptional items are set out in note 6.

<sup>(2)</sup> Other items include amortisation of acquired intangibles and the fair valuation charge for the time value of interest rate caps taken directly to the Income Statement.

## 6. Exceptional items

Exceptional items are transactions which, by virtue of their incidence, size or a combination of both, are disclosed separately. Exceptional items comprise the following:

<b>Six months ended 30 September</b>		
<b>£m</b>	<b>2011</b>	<b>2010</b>
Costs of implementing new strategy	3.9	-
UK restructuring charges	-	2.2
<b>Net exceptional expenses in Group profit before tax</b>	<b>3.9</b>	<b>2.2</b>
Net tax credit on items above	(1.0)	(0.6)
Deferred tax impact of tax rate changes	0.4	0.1
<b>Net exceptional expenses in Group profit after tax</b>	<b>3.3</b>	<b>1.7</b>

## 7. Capital expenditure

### Six months ended 30 September

<u>£m</u>	<u>2011</u>	<u>2010</u>
Capital expenditure on software, other intangible assets, property, plant and equipment	<b>24.6</b>	38.1
Decrease in accrued capital expenditure	<b>3.7</b>	5.3
<b>Cash paid for capital expenditure</b>	<b>28.3</b>	<b>43.4</b>

Proceeds on the sale of property, plant and equipment were £nil in the six months ended 30 September 2011 and 2010. Capital expenditure committed at 30 September 2011 was £7.1m (2010 - £14.3m).

## 8. Acquisitions and disposals

In the six months to 30 September 2011, the Yell Group paid \$19.4m (£12.1m) for an eCommerce business in the US with recorded net assets of £0.6m. Total costs were allocated to the acquired assets and liabilities as follows:

<u>£m</u>	<u>Provisional fair value</u>
<b>Non current assets</b>	
Other intangible assets	6.3
Property, plant and equipment	<b>0.1</b>
<b>Total non current assets</b>	<b>6.4</b>
<b>Current assets</b>	
Trade and other receivables	0.2
Cash and cash equivalents	<b>0.2</b>
<b>Total current assets</b>	<b>0.4</b>
<b>Current liabilities</b>	
Trade and other payables	<b>(0.9)</b>
<b>Total current liabilities</b>	<b>(0.9)</b>
<b>Identifiable net assets</b>	<b>5.9</b>
Goodwill <sup>(1)</sup>	<b>6.2</b>
<b>Total cost</b>	<b>12.1</b>

<sup>(1)</sup> Goodwill of £6.2m was attributable to the expected future synergies, the workforces acquired and the expected future growth of the businesses.

### Six months ended 30 September 2010

In the six months ended 30 September 2010, the Yell Group paid £1.2m for a new media company in the UK with recorded net assets of £0.3m and £10.2m for in-fill acquisitions in the US. Goodwill of £5.9m was attributable to the expected future synergies, the workforces acquired and the expected future growth of the businesses.

### Cash flow

A reconciliation of cash paid on acquisitions, including deferred payments for prior year acquisitions, to the cash flow on page 7 is as follows:

### Six months ended 30 September

<u>£m</u>	<u>2011</u>	<u>2010</u>
Cost of acquisitions in the six months, net of cash acquired	<b>11.9</b>	11.4
Payments in period for amounts deferred on prior period acquisitions	<b>0.4</b>	-
<b>Net cash outflow in period</b>	<b>12.3</b>	<b>11.4</b>

The Yell Group did not make any disposals in any of the periods presented in this financial information.

## 9. Goodwill

### At 30 September and 31 March 2011

£m	September	March
Opening net book value at 1 April 2011 and 2010	3,123.9	3,218.3
Acquisitions (note 8)	6.2	5.9
Currency movements	38.1	(100.3)
<b>Net book value at period end</b>	<b>3,168.2</b>	<b>3,123.9</b>

Goodwill is not amortised but is tested, at least annually, for impairment. The impairment analysis is based on certain assumptions, including future revenue and profit growth, that can change the conclusion on whether goodwill is impaired.

No impairment charges have been required in the periods presented in this financial information.

## 10. Other intangible assets

### At 30 September and 31 March 2011

£m	September	March
Opening net book value at 1 April 2011 and 2010	1,157.0	1,266.9
Acquisitions (note 8)	6.3	4.0
Additions	18.3	42.7
Disposals and writeoffs	-	(1.1)
Amortisation	(65.5)	(138.9)
Currency movements	(24.2)	(16.6)
<b>Net book value at period end</b>	<b>1,091.9</b>	<b>1,157.0</b>

## 11. Property, plant and equipment

### At 30 September and 31 March 2011

£m	September	March
Opening net book value at 1 April 2011 and 2010	100.5	104.6
Additions	6.3	29.5
Acquisitions (note 8)	0.1	0.3
Disposals and writeoffs	-	(1.1)
Depreciation	(13.7)	(30.7)
Currency movements	0.1	(2.1)
<b>Net book value at period end</b>	<b>93.3</b>	<b>100.5</b>

## 12. Deferred tax assets and liabilities

The elements of deferred tax assets recognised in the financial statements were as follows:

### At 30 September and 31 March 2011

£m	September	March
Tax effect of timing differences due to:		
Bad debt provisions	30.7	30.3
Other allowances and accrued expenses	12.7	13.4
Depreciation	8.2	7.9
Financial instruments	3.8	5.2
Share based payments	0.9	0.9
Other	9.5	11.6
<b>Recognised deferred tax assets</b>	<b>65.8</b>	<b>69.3</b>

The elements of deferred tax liabilities recognised in the financial statements were as follows:

**At 30 September and 31 March 2011**

£m	September	March
Tax effect of timing differences due to:		
Intangible assets	511.9	510.2
Deferred directory costs	42.9	42.9
Unremitted earnings	10.5	12.0
Defined benefit pension scheme	7.9	9.8
Other	15.0	17.1
<b>Recognised deferred tax liabilities</b>	<b>588.2</b>	<b>592.0</b>

**13. Trade and other receivables**

**At 30 September and 31 March 2011**

£m	September	March
Net trade receivables <sup>(1)</sup>	567.4	677.5
Net accrued income <sup>(1)</sup>	37.2	29.9
Other receivables	22.1	17.8
Prepayments	19.4	19.5
Corporate income tax recoverable	12.9	18.4
<b>Total trade and other receivables</b>	<b>659.0</b>	<b>763.1</b>

<sup>(1)</sup> The Group's trade receivables and accrued income are stated after deducting a provision of £157.4m (March 2011 - £178.4m) for bad and doubtful debts.

**14. Loans and other borrowings, net debt**

**At 30 September and 31 March 2011**

£m	September	March
<b>Amounts falling due within one year</b>		
Term loans under senior credit facilities <sup>(1)</sup>	29.2	122.6
Net obligations under finance leases and other short term borrowings	2.6	2.7
<b>Total amounts falling due within one year</b>	<b>31.8</b>	<b>125.3</b>
<b>Amounts falling due after more than one year</b>		
Term loans under senior credit facilities <sup>(1)</sup>	2,803.2	2,840.3
<b>Net loans and other borrowings</b>	<b>2,835.0</b>	<b>2,965.6</b>
Cash and cash equivalents	(201.0)	(200.5)
<b>Net debt at period end</b>	<b>2,634.0</b>	<b>2,765.1</b>

<sup>(1)</sup> Balances are shown net of deferred financing fees of £53.7m (March 2011 - £64.1m).

The movement in net debt for the six months ended 30 September 2011 and 2010 arose as follows:

**Six months ended 30 September**

£m	2011	2010
<b>At 31 March 2011 and 2010</b>	<b>2,765.1</b>	<b>3,094.6</b>
Free cash flow	(156.6)	(134.8)
Currency movements	15.1	(83.6)
Amortisation of financing fees	10.4	10.8
Purchase of own shares	-	0.2
<b>At period end</b>	<b>2,634.0</b>	<b>2,887.2</b>

The extended bank facilities became effective on 30 November 2009 and are committed until July 2014. Amounts outstanding under the old and extended debt facilities at 30 September 2011 were as follows:

At 30 September	A tranches		B tranches		Other	Total
	Old facilities	Extended facilities	Old facilities	Extended facilities		
<b>£m</b>						
Pounds sterling	-	826.7	-	-		<b>826.7</b>
US dollars <sup>(1)</sup>	-	591.4	28.8	731.2	2.5	<b>1,353.9</b>
Euro <sup>(1)</sup>	-	384.1	38.9	285.0	0.1	<b>708.1</b>
<b>Total principal</b>	-	<b>1,802.2</b>	<b>67.7</b>	<b>1,016.2</b>	<b>2.6</b>	<b>2,888.7</b>
Deferred financing fees						<b>(53.7)</b>
Cash and cash equivalents						<b>(201.0)</b>
<b>Net debt at period end</b>						<b>2,634.0</b>

<sup>(1)</sup> The closing rate for the US dollar at 30 September 2011 was \$1.56 to £1.00 and for the Euro was €1.16 to £1.00.

The extended facilities contain covenants over net cash interest cover and debt cover. The net cash interest cover covenant requires that the ratio of EBITDA (adjusted for exceptional items and acquisitions during the period) for the latest twelve month period to net cash interest payable for the latest twelve month period does not fall below specific threshold ratios at specific test dates. The debt cover covenant requires that the ratio of net debt, excluding deferred financing fees and restated at the calculated average exchange rate for the relevant EBITDA, at the testing date to EBITDA for the latest twelve month period should not exceed specific threshold ratios at specific test dates. Yell is currently seeking acceptance from the lenders to revise this latter covenant. The existing threshold ratios at 30 September 2011 and for each test date until 30 June 2014 are as follows:

Test date	Cash interest cover ratio	Debt cover ratio
30 September 2011	2.06 : 1	6.23 : 1
31 December 2011	2.14 : 1	5.99 : 1
31 March 2012	2.25 : 1	5.72 : 1
30 June 2012	2.27 : 1	5.37 : 1
30 September 2012	2.32 : 1	5.08 : 1
31 December 2012	2.40 : 1	4.85 : 1
31 March 2013	2.49 : 1	4.60 : 1
30 June 2013	2.55 : 1	4.32 : 1
30 September 2013	2.63 : 1	4.10 : 1
31 December 2013	2.73 : 1	3.98 : 1
31 March 2014	2.84 : 1	3.77 : 1
30 June 2014	2.91 : 1	3.66 : 1

Yell operated within its debt covenants for all periods presented in this financial information with headroom for the six month period ended 30 September 2011 of 27% on the cash interest cover ratio and 11% on the debt cover ratio. A discussion of the risks associated with the future tightening of debt covenants is presented on page 19 of Yell's annual report for the financial year ended 31 March 2011, a copy of which is available on Yell's website at <http://www.yellgroup.com>.

## 15. Trade and other payables

At 30 September and 31 March 2011

£m	September	March
<b>Amounts falling due within one year</b>		
Trade payables	57.1	56.9
Other taxation and social security	8.9	15.0
Accruals and other payables	184.9	219.2
Deferred income	216.0	230.7
<b>Trade and other payables falling due within one year</b>	<b>466.9</b>	<b>521.8</b>
<b>Amounts falling due after more than one year</b>		
Accruals and other payables	15.5	15.8
<b>Trade and other payables falling due after more than one year</b>	<b>15.5</b>	<b>15.8</b>
<b>Total trade and other payables</b>	<b>482.4</b>	<b>537.6</b>

## 16. Retirement benefits

At 30 September and 31 March 2011

£m	September	March
Net retirement benefits surplus (obligation) at 1 April 2011 and 2010	37.3	(63.3)
Net actuarial (loss) gain on defined benefit pension schemes	(15.1)	55.3
Curtailment benefit	-	35.6
Contributions in excess of charges	9.1	9.7
Net movement in retirement benefits (obligation) surplus	(6.0)	100.6
<b>Net retirement benefits surplus at period end</b>	<b>31.3</b>	<b>37.3</b>

The reasons for the net actuarial loss in the six months ended 30 September 2011 were a 10 basis point decrease in real interest rates, thus increasing estimated liabilities, and a decrease in the value of assets held.

## 17. Financial commitments, litigation and contingent liabilities

At 30 September 2011, Yell has no material unrecorded litigation settlement obligations.

Yell has £27.0m of restructuring provisions expensed but not yet paid at 30 September 2011 as the best estimate of the remaining amounts to be settled.

There are no contingent liabilities or guarantees other than those referred to above and those arising in the ordinary course of the Group's business. No material losses are anticipated on liabilities arising in the ordinary course of business.

## Statement of Directors' Responsibilities

The directors confirm that to the best of their knowledge the condensed consolidated financial statements in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union, and that the interim results herein include a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules, namely:

- an indication of important events that have occurred during the first six months of the financial year and their effect on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last annual report.

The directors of Yell Group plc are listed on pages 26 through 29 of Yell Group plc's annual report for the financial year ended 31 March 2011. There have been no changes to the directors since that report.

By order of the Board

Mike Pocock  
Chief Executive Officer

Tony Bates  
Chief Financial Officer