



15 February 2011

YELL GROUP PLC (“Yell” or “the Group”)
REPORT FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

Financial headlines⁽¹⁾

- Group revenue of £1,351.4 million was down 11.8%.
 - Digital media revenue was up by 10.4% to £342.2 million and is now 25.3% of total revenue (2009 – 20.0%).
 - Print revenues fell by 18.4% to £936.6 million.
- EBITDA of £386.7 million was down £89.8 million⁽²⁾.
- Profit after tax of £23.4 million was down £24.2 million.
- Free cash flow of £197.1 million.
- Net debt fell by £264.8m to £2,829.8 million.

Mike Pocock, Chief Executive Officer, said:

“Since arriving at Yell, Tony Bates, our new CFO, and I have commenced an in-depth review and we will present a strategy update for Yell this summer.

“Yell’s challenges stem from both economic pressures and, more fundamentally, from the shift to digital media. However, Yell also has clear strengths including its brand, its relationships with 1.4 million SME customers, the quality of its people and its powerful cash flows.

“We expect print to continue to decline steadily. That said, print remains highly cost-effective for our advertisers and it will continue to be so, complementing digital for many years to come. In this reducing print market, we believe that Yell continues to gain market share.

“The digital marketplace is rapidly growing and highly fragmented. It is one where the consumer is a leader and a small market share can mean big business and strong growth. General search is consolidated. Local search is not, and Yell is already the source of many of the local listings produced by general search engines, as well as growing its own Yell destination sites. The foundations of web print are established; Yell’s website creation and management services are developing and growing rapidly; Yell has successfully entered the mobility space, itself still very young, with apps on smartphones and iPads; and it is beginning to explore social networking and recommendation.

“All this can be radically built upon to provide solutions for consumers and to be a solutions provider for the SME, making Yell as relevant in the digital age as Yellow Pages was in the print only age – perhaps more so.

“Doing this will change Yell’s structure, products, systems, culture and prospects. It will open up not only the opportunity for digital revenue streams but also for substantial synergies through group-wide operation of key functions and it will bring with it new strategic partnerships.

“It will take time to change the revenue trajectory and to secure the available synergies but we can see a course for Yell to return to sustainable profitable growth and we believe Yell has the business base and financial strength to achieve this.”

⁽¹⁾ Results are for the nine months, unaudited and compared to the same period in the prior year. All revenue and EBITDA percentage changes in this document are at constant exchange rate unless otherwise noted. Group and print revenue percentage changes also take into account rescheduling and acquisitions.

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

Outlook

EBITDA for the current financial year is now expected to be slightly below the current range of market expectations. We plan to provide earnings guidance for the full year ending March 2012 at our full year results presentation in May.

Group Results

The economic environment remains challenging in all major geographies. Against this backdrop, Yell is rapidly changing its product offering to deliver digital marketing solutions across a range of media, whilst tightly managing the structural decline in its print business. Over 50% of customers take both digital media and print solutions and 73,000 take digital media only.

Website design and lead generation services continue to grow in all countries. The Group's website offer continues to improve with much faster delivery and a broader, stronger product range. We have sold over 200,000 customer websites and are adding approximately 5,000 new sites per week. In recent months, the Group has expanded its digital media offering through Weforia.com, a group buying site, and Chatterhub, a reputation management tool.

The usage of Yell's primary internet sites continues to increase, with 52.2 million unique users⁽¹⁾ in December. Usage is being enhanced through the rapidly improving mobile channels, where the Group's smartphone applications now rank highly in all countries. To date, there have been nearly 5 million downloads of Yell applications across the Group.

Largely as a result of the strength of its new product offerings, the Group's digital media revenue grew 10.4% over the nine months and the quarter.

The Group's print business remains highly cash generative, advertiser retention rates are improving and we believe that Yell continues to gain market share in all markets. Print revenue nevertheless declined by 18.4% in the nine months and 19.7% in the quarter reflecting both the current economic environment and the structural shift to digital media.

The Group has continued to enhance its directory products through changes in format and dedicated call tracking lines which enable our customers to identify leads that come directly from a Yell directory.

Cost reductions have been made across the Group to fund revenue focused investment, particularly in new product development, website fulfilment and sales headcount. The exceptional costs of £19.2 million result from the restructuring charges associated with achieving the cost reductions.

The Group continued to generate significant free cash flow and delivered a further material reduction in net debt.

At £197.1 million, free cash flow included £386.7 million from EBITDA, net interest payments of £182.8 million and a reduction of £87.1 million in working capital due mainly to lower print revenues. Cash interest fell by £54.9 million due to lower net debt and the unwinding of interest rate hedges.

The Group had £172.1 million of cash at the end of the period after the £150.0 million early repayment of senior debt in December. This repayment addresses future contractual obligations, saves interest costs and leaves only £66 million of the Minimum Reduction Amount to pay by May 2011.

Net debt fell by £264.8 million mainly reflecting free cash flow of £197.1 million and favourable currency movements of £84.1 million. With net debt of £2.8 billion at 31 December 2010, the Group had more than 20% headroom on its debt covenants.

⁽¹⁾ Excluding mobile users.

Key metrics

Nine months ended 31 December

	Yellowbook		Yell UK		Yell Publicidad Europe	
	2010	2009	2010	2009	2010	2009
Digital media						
Revenue (£ millions)	145.6	121.7	134.8	132.4	45.3	38.1
<i>Growth</i>	<i>14.1%</i>		<i>1.8%</i>		<i>23.4%</i>	
Unique live advertisers ⁽¹⁾ at period end (thousands)	345	356	198	211	180	146
Average annualised revenue per advertiser (£)	548	437	893	805	362	394
<i>Growth</i>	<i>21.1%</i>		<i>10.9%</i>		<i>(6.6%)</i>	
Unique visitors for month of period end (millions) ⁽²⁾	38.2	20.3	7.9	7.9	6.1	5.8
Yellow Pages directories						
Revenue (£ millions)	548.8	627.8	231.0	297.4	86.9	119.3
<i>Growth</i> ⁽³⁾	<i>(16.9%)</i>		<i>(22.3%)</i>		<i>(23.3%)</i>	
Unique advertisers (thousands)	381	414	207	247	179	196
Revenue per unique advertiser (£)	1,440	1,516	1,116	1,204	485	609
<i>Growth</i> ⁽³⁾	<i>(9.7%)</i>		<i>(7.3%)</i>		<i>(16.1%)</i>	
Unique advertiser retention rate (%)	72	68	73	71	80	77
Directory editions published	686	683	73	74	51	64

(1) Unique live advertisers is the number of digital media customers at period end. The prior year UK figure has been restated from 208,000 due to a minor definition change.

(2) Yellowbook figures include visitors to the Yellowbook.com network. This figure may be subject to revision by the third party provider.

(3) Growth is at constant exchange rates and does not include the effect of rescheduling or acquisitions.

FINANCIAL INFORMATION FOR YELL GROUP PLC AND SUBSIDIARIES

All of the following financial information is unaudited except the balance sheet information for 31 March 2010, which was presented in Yell's 31 March 2010 Annual Report.

Consolidated income statement

Nine months ended 31 December

£ millions, unless noted otherwise	Notes	2010	2009
Revenue	2	1,351.4	1,522.9
Cost of sales		<u>(575.3)</u>	<u>(661.5)</u>
Gross profit		776.1	861.4
Distribution costs		<u>(52.2)</u>	<u>(57.9)</u>
Administrative expenses		<u>(479.0)</u>	<u>(467.7)</u>
Operating profit	3	244.9	335.8
Finance costs		<u>(207.6)</u>	<u>(261.3)</u>
Finance income		<u>1.3</u>	<u>0.6</u>
Net finance costs		(206.3)	(260.7)
Profit before taxation		38.6	75.1
Taxation	4	<u>(15.2)</u>	<u>(27.5)</u>
Profit for the financial period		23.4	47.6
Basic earnings per share (pence)	5	1.0	4.4
Diluted earnings per share (pence)	5	1.0	4.4

Consolidated statement of comprehensive income

Nine months ended 31 December

£ millions	Notes	2010	2009
Profit for the financial period		23.4	47.6
Exchange loss on translation of foreign operations		<u>(21.5)</u>	<u>(75.2)</u>
Actuarial gain (loss) on defined benefit pension schemes	16	9.2	(85.6)
Gain in fair value of financial instruments used as hedges		70.1	89.3
Tax effect of net gains not recognised in the income statement	4	<u>(25.5)</u>	<u>(1.4)</u>
Comprehensive income (loss) not recognised in the income statement		32.3	(72.9)
Total comprehensive income (loss) for the period		55.7	(25.3)

See notes to the financial information for additional details.

Consolidated statement of cash flows

Nine months ended 31 December

£ millions	Notes	2010	2009
Net cash inflow from operating activities			
Cash generated from operations		470.0	582.4
Interest paid		(184.1)	(238.3)
Interest received		1.3	0.6
Net income tax paid		(17.8)	(10.6)
Net cash inflow from operating activities		269.4	334.1
Cash flows from investing activities			
Purchase of software, property, plant and equipment	7	(60.5)	(41.0)
Purchase of subsidiary undertakings, net of cash acquired	8	(11.8)	(3.4)
Net cash outflow from investing activities		(72.3)	(44.4)
Free cash flow		197.1	289.7
Cash flows from financing activities			
Net proceeds from share placing		-	634.9
Purchase of own shares		(0.2)	(5.3)
Financing fees paid		(0.4)	(58.4)
Net payments on revolving and other short-term credit facilities		(6.6)	(52.4)
Repayment of borrowings		(183.3)	(712.7)
Net cash outflow from financing activities		(190.5)	(193.9)
Net increase in cash and cash equivalents		6.6	95.8
Cash and cash equivalents at beginning of the period		160.4	51.1
Exchange gains (losses) on cash and cash equivalents		5.1	(5.5)
Cash and cash equivalents at period end		172.1	141.4
Cash generated from operations			
Profit for the period		23.4	47.6
Adjustments for:			
Tax		15.2	27.5
Finance income		(1.3)	(0.6)
Finance costs		207.6	261.3
Depreciation of property, plant and equipment and amortisation of software		45.9	45.6
Amortisation of other acquired intangibles		76.7	95.1
Changes in working capital:			
Inventories and directories in development		(39.9)	(7.3)
Trade and other receivables		96.0	124.9
Trade and other payables		31.0	(22.0)
Share based payments and other		15.4	10.3
Cash generated from operations		470.0	582.4

See notes to the financial information for additional details.

Consolidated balance sheet

At 31 December 2010 and 31 March 2010

£ millions	Notes	December	March
Non-current assets			
Goodwill	9	3,161.6	3,218.3
Other intangible assets	10	1,165.5	1,266.9
Property, plant and equipment	11	103.5	104.6
Deferred tax assets	12	91.8	114.5
Investment and other assets		10.0	7.0
Financial assets – derivative financial instruments		1.2	6.2
Total non-current assets		4,533.6	4,717.5
Current assets			
Inventory		18.1	8.9
Directories in development		267.1	242.4
Trade and other receivables	13	795.0	905.1
Financial assets – derivative financial instruments		-	1.9
Cash and cash equivalents		172.1	160.4
Total current assets		1,252.3	1,318.7
Current liabilities			
Financial liabilities - loans and other borrowings	14	(105.6)	(54.6)
Financial liabilities – derivative financial instruments		(19.2)	(97.8)
UK corporation and foreign income tax		(89.6)	(85.2)
Trade and other payables	15	(548.7)	(534.1)
Total current liabilities		(763.1)	(771.7)
Net current assets		489.2	547.0
Non-current liabilities			
Financial liabilities - loans and other borrowings	14	(2,896.3)	(3,200.4)
Financial liabilities – derivative financial instruments		(16.5)	(7.4)
Deferred tax liabilities	12	(584.3)	(594.2)
Retirement benefit obligations	16	(51.4)	(63.3)
Trade and other payables	15	(17.8)	(13.6)
Total non-current liabilities		(3,566.3)	(3,878.9)
Net assets		1,456.5	1,385.6
Capital and reserves attributable to equity shareholders			
Share capital		1,850.2	1,848.8
Other reserves		200.8	154.7
Accumulated deficit		(594.5)	(617.9)
Total equity		1,456.5	1,385.6

See notes to the financial information for additional details.

Consolidated statement of changes in equity

Nine months ended 31 December 2010

£ millions	Attributable to equity shareholders			Total
	Share capital	Other reserves	Accumulated deficit ⁽¹⁾	
Balance at 31 March 2010	1,848.8	154.7	(617.9)	1,385.6
Profit on ordinary activities after taxation	-	-	23.4	23.4
Comprehensive income not recognised in the income statement	-	32.3	-	32.3
Total recognised gain for the nine months	-	32.3	23.4	55.7
Own shares purchased by ESOP trust	(0.2)	-	-	(0.2)
Treasury shares sold by employee benefit trusts	1.6	(1.6)	-	-
Value of services provided in return for share based payments	-	15.4	-	15.4
	<u>1.4</u>	<u>46.1</u>	<u>23.4</u>	<u>70.9</u>
Balance at 31 December 2010	<u>1,850.2</u>	<u>200.8</u>	<u>(594.5)</u>	<u>1,456.5</u>

Nine months ended 31 December 2009

£ millions	Attributable to equity shareholders			Total
	Share capital	Other reserves	Accumulated deficit ⁽¹⁾	
Balance at 31 March 2009	1,226.5	128.9	(664.4)	691.0
Profit on ordinary activities after taxation	-	-	47.6	47.6
Comprehensive loss not recognised in the income statement	-	(72.9)	-	(72.9)
Total recognised (loss) income for the nine months	-	(72.9)	47.6	(25.3)
Value of services provided in return for share based payments	-	10.3	-	10.3
Share placing	634.9	-	-	634.9
Own shares purchased by ESOP trust	(5.3)	-	-	(5.3)
Treasury shares sold by employee benefit trusts	1.2	(1.2)	-	-
	<u>630.8</u>	<u>(63.8)</u>	<u>47.6</u>	<u>614.6</u>
Balance at 31 December 2009	<u>1,857.3</u>	<u>65.1</u>	<u>(616.8)</u>	<u>1,305.6</u>

⁽¹⁾ Cumulative foreign currency gains attributable to equity shareholders at 31 December 2010 are £331.6 million (31 December 2009 - £292.1 million gain; 31 March 2010 - £353.1 million gain).

See notes to the financial information for additional details.

Notes to the financial information

1. Basis of preparation and consolidation

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 in the UK, US, Spain and some countries in Latin America through an integrated portfolio of simple-to-use, cost effective advertising. Yell's products are available through printed, online, telephone and mobile based media.

This unaudited condensed set of financial statements for the nine months ended 31 December 2010 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") as set out in Yell's annual report for the year ended 31 March 2010 and in accordance with the Listing Rules of the Financial Services Authority. It does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

The financial covenants are disclosed in note 14 on page 17 of this financial information. A discussion of the risks associated with the debt covenants, which remain current, are presented on page 22 of Yell's annual report for the financial year ended 31 March 2010, a copy of which is available on Yell's website at <http://www.yellgroup.com>.

These risks and uncertainties include strategic risks faced by Yell's industry; operational risks faced by the Group'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 extent to which new management may have a positive influence on these uncertainties is not yet known. As a consequence of these uncertainties 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.

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 31 December 2011 interest payments will be fully met, with further cash generated to repay debt.

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 and the Directors do not currently expect that there will be a financial covenant breach during the twelve months from 31 December 2010. The Group is cash generative and profitable. For these reasons the directors have adopted the going concern basis in preparing these financial statements.

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 and taxation.

Taxes on income in interim periods are determined by accruing tax based on the expected tax rate that would be applicable to total annual earnings and combining any separately recognised adjustments for prior year settlements.

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 nine months ended 31 December 2010 were \$1.54 : £1.00 and €1.18 : £1.00 as compared to \$1.61 : £1.00 and €1.13 : £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.

2. Revenue

Nine months ended 31 December

£ millions, unless noted otherwise	2010	2009	Change	
			Reporting currency	Constant currency
			%	%
Yellowbook	694.4	750.1	(7.4)	(11.9)
Yell UK	382.9	446.6	(14.3)	(14.3)
Yell Publicidad Europe	204.6	243.6	(16.0)	(12.3)
Yell Publicidad Latin America	69.5	82.6	(15.9)	(18.8)
Group revenue	<u>1,351.4</u>	<u>1,522.9</u>	(11.3)	(13.0)
Printed directories	936.6	1,137.9	(17.7)	(19.7)
Digital media products and services	342.2	304.8	12.3	10.4
Other products and services	72.6	80.2	(9.5)	(6.4)
Group revenue	<u>1,351.4</u>	<u>1,522.9</u>	(11.3)	(13.0)

The percentage changes in the table above are not on a like for like basis as they do not take into account acquisitions or rescheduling, primarily the £25 million of revenue from Chilean directories delayed until the fourth quarter.

3. EBITDA and operating profit

Nine months ended 31 December

£ millions, unless noted otherwise	2010	2009	Change	
			Reporting currency	Constant currency
			%	%
Yellowbook	176.5	200.3	(11.9)	(16.2)
Yell UK	124.3	174.8	(28.9)	(28.9)
Yell Publicidad Europe	68.1	74.8	(9.0)	(4.5)
Yell Publicidad Latin America	17.8	26.6	(33.1)	(32.0)
Group EBITDA	<u>386.7</u>	<u>476.5</u>	(18.8)	(19.9)

Reconciliation of operating profit to EBITDA

Nine months ended 31 December

£ millions, unless noted otherwise	2010	2009
Yellowbook operating profit	139.1	159.6
Depreciation and amortisation	<u>37.4</u>	<u>40.7</u>
Yellowbook EBITDA	176.5	200.3
<i>Yellowbook EBITDA margin</i>	<i>25.4%</i>	<i>26.7%</i>
Exchange impact	<u>(8.7)</u>	-
Yellowbook EBITDA at constant exchange rate	167.8	200.3
Yell UK operating profit	89.8	158.7
Depreciation and amortisation	<u>16.9</u>	<u>16.1</u>
Exceptional items	<u>17.6</u>	-
Yell UK EBITDA	124.3	174.8
<i>Yell UK EBITDA margin</i>	<i>32.5%</i>	<i>39.1%</i>
Yell Publicidad Europe operating profit	9.2	1.1
Depreciation and amortisation	<u>58.0</u>	<u>73.7</u>
Exceptional items	<u>0.9</u>	-
Yell Publicidad Europe EBITDA	68.1	74.8
<i>Yell Publicidad Europe EBITDA margin</i>	<i>33.3%</i>	<i>30.7%</i>
Exchange impact	<u>3.3</u>	-
Yell Publicidad Europe EBITDA at constant exchange rate	71.4	74.8
Yell Publicidad Latin America operating profit	6.8	16.4
Depreciation and amortisation	<u>10.3</u>	<u>10.2</u>
Exceptional items	<u>0.7</u>	-
Yell Publicidad Latin America EBITDA	17.8	26.6
<i>Yell Publicidad Latin America EBITDA margin</i>	<i>25.6%</i>	<i>32.2%</i>
Exchange impact	<u>0.3</u>	-
Yell Publicidad Latin America EBITDA at constant exchange rate	18.1	26.6
Group operating profit	244.9	335.8
Depreciation and amortisation	<u>122.6</u>	<u>140.7</u>
Exceptional items	<u>19.2</u>	-
Group EBITDA	386.7	476.5
<i>Group EBITDA margin</i>	<i>28.6%</i>	<i>31.3%</i>
Exchange impact	<u>(5.1)</u>	-
Group EBITDA at constant exchange rates	381.6	476.5

4. Taxation

The tax charge for the period is different from the standard rate of corporation tax in the United Kingdom of 28% (2009 – 28%). The differences are explained below:

Nine months ended 31 December		
£ millions	2010	2009
Profit before tax multiplied by the standard rate of corporation tax in the United Kingdom	10.8	21.0
Effects of:		
Differing tax rates on foreign earnings	5.2	6.1
Deferred tax assets (recognised) not recognised	(3.1)	5.2
Adjustments in respect of prior years	(2.5)	(7.4)
Exceptional deferred tax effect of tax rate changes	0.2	-
Other	4.6	2.6
Tax charge on profit before tax	15.2	27.5
Effective tax rate on profit before tax	39.4%	36.6%

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

Nine months ended 31 December		
£ millions	2010	2009
Current tax:		
Current year corporation tax ⁽¹⁾	17.6	39.6
Adjustments in respect of prior years	(2.5)	(4.9)
	15.1	34.7
Deferred tax:		
Current year deferred tax charge (credit) ⁽¹⁾	0.1	(4.7)
Adjustments in respect of prior years	-	(2.5)
Tax charge on profit before tax	15.2	27.5

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

Nine months ended 31 December		
£ millions	2010	2009
Current tax on actuarial losses ⁽¹⁾	1.2	4.5
Deferred tax on actuarial (gains) losses ⁽¹⁾	(3.8)	19.5
Deferred tax on fair valuations of financial instruments used as hedges	(23.0)	(25.4)
Other	0.1	-
Total taxation recorded in equity	(25.5)	(1.4)

⁽¹⁾ Tax credits on actuarial losses have been reclassified for the prior year between current and deferred tax in both the Income Statement and the Consolidated Statement of Comprehensive Income to be consistent with the current year.

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.

£ millions unless noted otherwise	Statutory	Exceptional items⁽¹⁾	Other items⁽²⁾	Adjusted
Nine months ended 31 December 2010				
Operating profit	244.9	19.2	-	264.1
Amortisation of acquired intangibles	-	-	76.7	76.7
Net finance costs	(206.3)	-	4.9	(201.4)
Group profit before tax	38.6	19.2	81.6	139.4
Taxation	(15.2)	(4.6)	(26.6)	(46.4)
Group profit after tax	23.4	14.6	55.0	93.0
Weighted average number of issued ordinary shares (millions)	2,303.5			2,303.5
Basic earnings per share (pence)	1.0			4.0
Effect of share options (pence)	-			-
Diluted earnings per share (pence)	1.0			4.0

£ millions unless noted otherwise	Statutory	Exceptional items⁽¹⁾	Other items⁽²⁾	Adjusted
Nine months ended 31 December 2009				
Operating profit	335.8	-	-	335.8
Amortisation of acquired intangibles	-	-	95.1	95.1
Net finance costs	(260.7)	17.2	-	(243.5)
Group profit before tax	75.1	17.2	95.1	187.4
Taxation	(27.5)	(5.7)	(30.8)	(64.0)
Group profit after tax	47.6	11.5	64.3	123.4
Weighted average number of issued ordinary shares (millions) ⁽³⁾	1,080.9			1,080.9
Basic earnings per share (pence) ⁽³⁾	4.4			11.4
Effect of share options (pence)	-			(0.1)
Diluted earnings per share (pence) ⁽³⁾	4.4			11.3

⁽¹⁾ Details of exceptional items are set out in note 6.

⁽²⁾ 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.

⁽³⁾ The basic and diluted earnings per share reflect the firm placing of 785.9 million shares and the placing and open offer of 785.9 million shares on 30 November 2009.

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:

Nine months ended 31 December		
£ millions	2010	2009
Yell UK restructuring charges	17.6	-
Yell Publicidad restructuring charges	1.6	-
Costs of breaking interest rate hedge contracts to avoid over hedged position after refinancing	-	17.2
Net exceptional expenses in Group profit before tax	19.2	17.2
Net tax credit on item above	(4.8)	(5.7)
Deferred tax impact of tax rate changes	0.2	-
Net exceptional expenses in Group profit after tax	14.6	11.5

7. Capital expenditure

Nine months ended 31 December

£ millions	2010	2009
Capital expenditure on software, property, plant and equipment	55.5	38.4
Decrease in accrued capital expenditure	5.0	2.6
Cash paid for capital expenditure	60.5	41.0

Proceeds on the sale of property, plant and equipment were £nil in the nine months ended 31 December 2010 and 2009. Capital expenditure committed at 31 December 2010 was £13.7 million (2009 - £14.3 million).

8. Acquisitions and disposals

Nine months ended 31 December 2010

In the nine months to 31 December 2010, the Yell Group paid £1.2 million for a digital media company in the UK with recorded net assets of £0.3 million, £0.4 million for the net assets of a pre-press operation in the Philippines with recorded net assets of £0.4 million, and £10.2 million for in-fill acquisitions in the US. Total costs were allocated to the acquired assets and liabilities as follows:

£ millions	Acquiree's value	Provisional adjustments	Provisional fair value
Non current assets			
Other intangible assets	0.3	3.7	4.0
Property, plant and equipment	0.3	-	0.3
Total non current assets	0.6	3.7	4.3
Current assets			
Trade and other receivables	3.2	(0.3)	2.9
Total current assets	3.2	(0.3)	2.9
Current liabilities			
Trade and other payables	(1.3)	-	(1.3)
Total current liabilities	(1.3)	-	(1.3)
Identifiable net assets	2.5	3.4	5.9
Goodwill ⁽¹⁾			5.9
Total cost			11.8

⁽¹⁾ Goodwill of £5.9 million was attributable to the expected future synergies, the workforces acquired and the expected future growth of the businesses.

Nine months ended 31 December 2009

In the nine months ended 31 December 2009, the Yell Group acquired an in-fill acquisition in the US for £3.0 million. Total costs were allocated to the acquired assets and liabilities as follows:

£ millions	Acquiree's value	Fair value adjustments	Fair value
Non current assets			
Other intangible assets	-	2.0	2.0
Total non current assets	-	2.0	2.0
Current assets			
Directories in development	0.7	0.9	1.6
Trade and other receivables	0.6	(0.2)	0.4
Total current assets	1.3	0.7	2.0
Current liabilities			
Trade and other payables	(2.5)	-	(2.5)
Total current liabilities	(2.5)	-	(2.5)
Identifiable net (liabilities) assets	(1.2)	2.7	1.5
Goodwill ⁽¹⁾			1.5
Total cost			3.0

⁽¹⁾ Goodwill of £1.5 million 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 period acquisitions, to the cash flow on page 5 is as follows:

Nine months ended 31 December

£ millions	2010	2009
Cost of acquisitions in the period	11.8	3.0
Payments in period for amounts deferred on prior period acquisitions	-	0.4
Net cash outflow in period	11.8	3.4

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

9. Goodwill

At 31 December 2010 and 31 March 2010

£ millions	December	March
Opening net book value at 1 April 2010 and 2009	3,218.3	3,329.2
Acquisitions (note 8)	5.9	1.5
Currency movements	(62.6)	(112.4)
Net book value at period end	3,161.6	3,218.3

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. A sensitivity analysis on changes in assumptions is provided on page 79 of the annual report for the financial year ended 31 March 2010, a copy of which is available on Yell's website at <http://www.yellgroup.com>.

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

10. Other non-current intangible assets

At 31 December 2010 and 31 March 2010

£ millions	December	March
Opening net book value at 1 April 2010 and 2009	1,266.9	1,423.5
Acquisitions (note 8)	4.0	2.0
Additions	31.5	45.3
Disposals and transfers	(0.4)	-
Amortisation	(99.8)	(157.9)
Currency movements	(36.7)	(46.0)
Net book value at period end	1,165.5	1,266.9

11. Property, plant and equipment

At 31 December 2010 and 31 March 2010

£ millions	December	March
Opening net book value at 1 April 2010 and 2009	104.6	119.8
Additions	24.0	22.0
Acquisitions (note 8)	0.3	-
Disposals and transfers	(0.3)	(0.6)
Depreciation	(22.8)	(32.3)
Currency movements	(2.3)	(4.3)
Net book value at period end	103.5	104.6

12. Deferred tax assets and liabilities

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

At 31 December 2010 and 31 March 2010

£ millions	December	March
Tax effect of timing differences due to:		
Bad debt provisions	31.2	34.8
Defined benefit pension scheme	13.8	17.7
Other allowances and accrued expenses	12.1	12.3
Financial instruments	11.6	35.4
Depreciation	8.0	7.8
Share based payments	1.5	2.2
Other	13.6	4.3
Recognised deferred tax assets	91.8	114.5

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

At 31 December 2010 and 31 March 2010

£ millions	December	March
Tax effect of timing differences due to:		
Intangible assets	508.4	522.4
Deferred directory costs	44.8	45.5
Unremitted earnings	10.1	10.0
Other	21.0	16.3
Recognised deferred tax liabilities	584.3	594.2

During the period, legislation to change corporation tax rates were enacted in the UK and Chile. The effect of these changes has been to reduce deferred tax assets by £1.1 million, deferred tax liabilities by £0.2 million, profit after tax by £0.2 million in the period and other comprehensive income not recognised in the income statement by £0.7 million.

13. Trade and other receivables

At 31 December 2010 and 31 March 2010

£ millions	December	March
Net trade receivables ⁽¹⁾	718.7	817.7
Net accrued income ⁽¹⁾	19.2	36.7
Other receivables	22.8	25.0
Prepayments	20.6	20.0
Prepaid corporation tax	13.7	5.7
Total trade and other receivables	795.0	905.1

⁽¹⁾ The Group's trade receivables and accrued income are stated after deducting a provision of £196.1 million (March - £216.8 million) for bad and doubtful debts.

14. Loans and other borrowings, net debt

At 31 December 2010 and 31 March 2010

£ millions	December	March
Amounts falling due within one year		
Term loans under senior credit facilities ⁽¹⁾	103.3	45.5
Net obligations under finance leases and other short term borrowings	2.3	9.1
Total amounts falling due within one year	105.6	54.6
Amounts falling due after more than one year		
Term loans under senior credit facilities ⁽¹⁾	2,896.3	3,200.4
Net loans and other borrowings	3,001.9	3,255.0
Cash and cash equivalents	(172.1)	(160.4)
Net debt at end of period	2,829.8	3,094.6

⁽¹⁾ Balances are shown net of deferred financing fees of £69.1 million (March - £86.8 million).

The movement in net debt for the nine months ended 31 December 2010 arose as follows:

Nine months ended 31 December 2010

£ millions	2010
At 31 March 2010	3,094.6
Currency movements	(84.1)
Free cash flow	(197.1)
Amortisation of financing fees	16.2
Purchase of own shares	0.2
At 31 December 2010	2,829.8

The extended bank facilities became effective on 30 November 2009 and are committed until May 2014. Amounts outstanding under the old and extended debt facilities at 31 December 2010 were as follows:

At 31 December	A tranches		B tranches		Other	Total
	Old facilities	Extended facilities	Old facilities	Extended facilities		
£ millions						
Pounds sterling	21.8	870.0	-	-	-	891.8
US dollars ⁽¹⁾	29.3	619.4	28.6	745.2	2.2	1,424.7
Euro ⁽¹⁾	23.0	402.1	38.8	290.5	0.1	754.5
Total principal	74.1	1,891.5	67.4	1,035.7	2.3	3,071.0
Deferred financing fees						(69.1)
Cash and cash equivalents						(172.1)
Net debt						2,829.8

⁽¹⁾ The closing rate for the US dollar at 31 December 2010 was \$1.566 to £1.00 and for the Euro was €1.167 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. The threshold ratios at 31 December 2010 and for each test date until 30 June 2014 are as follows:

Test date	Cash interest cover ratio	Debt cover ratio
31 December 2010	1.69 : 1	7.18 : 1
31 March 2011	1.66 : 1	7.50 : 1
30 June 2011	1.69 : 1	7.62 : 1
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 twelve month period ended 31 December 2010 of 22% on the cash interest cover ratio and 23% on the debt cover ratio. A discussion of the risks associated with the future tightening of debt covenants is presented on page 22 of Yell's annual report for the financial year ended 31 March 2010, a copy of which is available on Yell's website at <http://www.yellgroup.com>.

15. Trade and other payables

At 31 December 2010 and 31 March 2010

£ millions	December	March
Amounts falling due within one year		
Trade payables	57.1	51.5
Other taxation and social security	16.7	16.6
Accruals and other payables	177.2	213.7
Deferred income	297.7	252.3
Trade and other payables falling due within one year	548.7	534.1
Amounts falling due after more than one year		
Trade payables	9.1	10.1
Accruals and other payables	8.7	3.5
Trade and other payables falling due after more than one year	17.8	13.6
Total trade and other payables	566.5	547.7

16. Retirement benefits

At 31 December 2010 and 31 March 2010

£ millions	December	March
Net retirement benefits obligation at 1 April 2010 and 2009	<u>(63.3)</u>	<u>(21.9)</u>
Net actuarial gain (loss) on defined benefit pension schemes	9.2	(58.8)
Contributions in excess of charges	<u>2.7</u>	<u>17.4</u>
Net movement in retirement benefits obligation	<u>11.9</u>	<u>(41.4)</u>
Net retirement benefits obligation at period end	<u>(51.4)</u>	<u>(63.3)</u>

17. Financial commitments, litigation and contingent liabilities

At 31 December 2010, Yell has no material unrecorded litigation settlement obligations. Previous accruals for class action suits in the US have now been settled.

Yell has £21.5 million of restructuring provisions expensed but not yet paid at 31 December 2010 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.

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This news release contains forward-looking statements. These statements appear in a number of places in this news release and include 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 statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward-looking statements 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 18 through 29 in Yell Group plc's annual report for the financial year ended 31 March 2010. 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

Yell offers quality business leads and marketing solutions to small and medium sized enterprises in the UK, US, Spain and some countries in Latin America through an integrated portfolio of simple-to-use, cost effective advertising. Yell's products are available through printed, online, telephone and mobile based media.

In the year ended 31 March 2010, Yell published 105 directories in the United Kingdom, 1,002 in the United States, and 86 Paginas Amarillas directories in Spain. In the United Kingdom, where it is a leading provider in the classified advertising market, it served 335,000 unique advertisers. In the United States, where it is the largest independent classified directory publisher, it served 546,000 unique advertisers. In Spain, the Paginas Amarillas directories served 253,000 unique advertisers. The Latin American operations served over two hundred thousand unique advertisers.

Yell's principal brands include: in the United Kingdom - Yellow Pages, Yell.com and 118 24 7; in the United States - Yellowbook and Yellowbook.com; and in Spain - Paginas Amarillas and PaginasAmarillas.es.