

Q4.

Supplemental Disclosure /

Period ended December 31, 2013



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This Supplemental Disclosure contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of Yellow Media Limited. These statements are considered “forward-looking” because they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason.

Risks that could cause our actual results to differ materially from our current expectations are discussed in section 6 of our February 13, 2014 Management's Discussion and Analysis. This Supplemental Disclosure should be read in conjunction with the February 13, 2014 Management's Discussion and Analysis.

1. Financial Highlights

(in thousands of Canadian dollars - except share and per share information)

	For the three-month periods ended December 31,		For the years ended December 31,	
	2013	2012	2013	2012
Revenues	\$237,951	\$264,447	\$971,761	\$1,107,715
Operating costs	146,698	122,770	555,649	538,335
EBITDA ⁽¹⁾	91,253	141,677	416,112	569,380
% Margin	38.3%	53.6%	42.8%	51.4%
Net earnings (loss)	30,964	821,850	176,530	(1,962,054)
Net earnings before impairment charges and gain on settlement of debt ⁽²⁾⁽³⁾	30,964	27,608	176,530	182,374
Basic earnings (loss) per share attributable to common shareholders	1.11	29.24	6.34	(70.95)
Basic earnings per share attributable to common shareholders before impairment charges and gain on settlement of debt ⁽²⁾⁽³⁾	1.11	0.83	6.34	5.76
Diluted earnings (loss) per share attributable to common shareholders	0.97	28.50	5.46	(70.95)
Diluted earnings per share attributable to common shareholders before impairment charges and gain on settlement of debt ⁽²⁾⁽³⁾	0.97	0.82	5.46	5.73
Cash flow from operating activities	\$88,444	\$61,749	\$340,680	\$238,573
Free cash flow ⁽⁴⁾	\$74,150	\$47,978	\$274,551	\$198,338
Weighted average number of shares outstanding used in computing earnings (loss) per share ⁽⁵⁾				
Basic	27,619,358	27,955,077	27,797,170	27,955,077
Diluted	33,657,821	28,691,513	33,615,709	27,955,077

(1) Income from operations before depreciation and amortization, impairment of goodwill, intangible assets and property, plant and equipment, and restructuring and special charges.

(2) During Q1 2012 the company incurred a goodwill impairment charge, net of taxes, of \$2.9 billion.

(3) During Q4 2012 the company incurred an impairment charge related to certain of its intangible assets and property, plant and equipment, net of taxes, of \$221.3 million. The Company also recorded a gain on settlement of debt, net of taxes, of \$1.0 billion.

(4) Free cash flow is defined as cash flow from operating activities less capital expenditures, net of lease inducements.

(5) Pursuant to the closing of the recapitalization transaction on December 20, 2012, the common shares of Yellow Media Inc. were exchanged for new common shares of Yellow Media Limited. As a result, the weighted average number of common shares outstanding for prior periods has been adjusted to reflect the recapitalization transaction.

2. Operational Key Performance Indicators

Advertiser Count

Advertiser Count is the number of unique customers advertising through one of our product groups during the reporting period. Figures exclude Canpages and Wall2Wall.

(in thousands)	Q1	Q2	Q3	Q4
2013	300	291	283	276
2012	333	326	319	309

Client Renewal

Customers who advertised with YPG in the previous period and have renewed their advertising in the current period. Figures exclude Mediative, Canpages and Wall2Wall.

	Q1	Q2	Q3	Q4
2013	86%	85%	85%	85%
2012	87%	87%	86%	86%

Digital Revenues

Total digital revenues exclude the impact of Deal of the Day since its divestiture on August 8, 2012. Penetration represents the percentage of YPG customers choosing to advertise digitally.

		Q1	Q2	Q3	Q4
2013	Revenues (in \$M)	\$98.9	\$98.4	\$101.6	\$107.4
	Penetration	61%	61%	61%	62%
2012	Revenues (in \$M)	\$85.9	\$89.7	\$92.0	\$99.7
	Penetration	63%	62%	61%	61%

Revenue Generating Units ("RGU") per Advertiser

RGU measures the number of product groups selected by YPG advertisers. (Indicator of advertiser product portfolio). Figures exclude Mediative, Canpages and Wall2Wall.

	Q1	Q2	Q3	Q4
2013	1.75	1.76	1.78	1.81
2012	1.69	1.71	1.72	1.74

Average Revenue Per Advertiser

Total revenue of the last twelve months divided by the average advertiser base during the last twelve months. Figures exclude Canpages and Wall2Wall.

	Q1	Q2	Q3	Q4
2013	\$3,259	\$3,257	\$3,256	\$3,259
2012	\$3,367	\$3,311	\$3,273	\$3,260

Online Operational Metrics

Source: comScore Media Metrix Canada

		Q1	Q2	Q3	Q4
2013	UUV (in M)	8.5	8.7	8.4	7.3
	Reach %	31%	31%	30%	26%
2012	UUV (in M)	8.4	8.8	9.1	9.0
	Reach %	33%	32%	33%	32%

2. Operational Key Performance Indicators (Cont'd)

Advertiser Penetration

Figures Exclude Mediative, Canpages, and Wall2Wall

Owned and Operated Digital Media: Percentage of YPG advertisers purchasing at least one online placement, mobile placement, legacy, content, and/or video product

Digital Services: Percentage of YPG advertisers purchasing at least one website, search engine marketing, and/or search engine optimization product

	Q1	Q2	Q3	Q4
2013				
Print	94%	93%	92%	91%
Owned and Operated Digital Media ⁽¹⁾	61%	60%	61%	61%
<i>Online Placement</i>	37%	40%	43%	47%
<i>Mobile Placement</i>	9%	10%	12%	15%
Digital Services	7%	8%	8%	9%
2012				
Print	96%	95%	94%	94%
Owned and Operated Digital Media ⁽¹⁾	62%	61%	61%	61%
<i>Online Placement</i>	24%	28%	32%	35%
<i>Mobile Placement</i>	3%	5%	7%	8%
Digital Services	5%	5%	6%	6%

(1) Advertiser penetration within Owned and Operated Digital Media impacted by the loss of advertisers purchasing online products as we migrate these advertisers from Directory Plus legacy products to other digital products.

Spending Dynamics Amongst Renewing Advertisers

Figures Exclude Mediative, Canpages, and Wall2Wall

Increase in Spending: Renewing YPG advertisers experiencing an increase in spending of over 5%, on a year over year basis

Stable Spending: Renewing YPG advertisers experiencing an increase in spending between 0% and 5%, on a year over year basis

Decrease in Spending: Renewing YPG advertisers experiencing a decrease in spending, on a year over year basis

	Q1	Q2	Q3	Q4
2013				
Increase in Spending				
Advertiser Distribution	43%	36%	30%	26%
% of Revenues	37%	32%	30%	29%
Stable Spending				
Advertiser Distribution	38%	45%	51%	55%
% of Revenues	20%	23%	25%	27%
Decrease in Spending				
Advertiser Distribution	19%	19%	19%	19%
% of Revenues	43%	45%	45%	44%
2012				
Increase in Spending				
Advertiser Distribution	45%	47%	49%	51%
% of Revenues	39%	39%	40%	40%
Stable Spending				
Advertiser Distribution	37%	35%	33%	31%
% of Revenues	15%	15%	16%	16%
Decrease in Spending				
Advertiser Distribution	18%	18%	18%	18%
% of Revenues	46%	46%	44%	44%

3. Operating Cost and Capital Expenditure Details

(in thousands of Canadian dollars)

	For the three-month periods ended December 31,				For the years ended December 31,			
	2013		2012		2013		2012	
Revenues	\$237,951		\$264,447		\$971,761		\$1,107,715	
Expenses								
Cost of Sales	80,907	34.0%	84,581	32.0%	318,628	32.8%	338,817	30.6%
General and Administrative	65,791	27.6%	38,189	14.4%	237,021	24.4%	199,518	18.0%
EBITDA	\$91,253		\$141,677		\$416,112		\$569,380	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements								
Sustaining Capital Expenditures ⁽¹⁾	3,379		7,328		21,688		20,437	
Growth Capital Expenditures ⁽²⁾	9,646		9,177		38,847		22,022	
Total	\$13,025		\$16,505		\$60,535		\$42,459	
Adjustment to Reflect Expenditures on a Cash Basis	1,269		(2,734)		4,907		(2,224)	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements	\$14,294		\$13,771		\$65,442		\$40,235	

(1) Sustaining capital expenditures are related to ongoing operations to maintain the integrity of the infrastructure.

(2) Growth capital expenditures are related to new initiatives.

4. Consolidated Capitalization

(in millions of Canadian dollars)

Reported Basis	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Senior Secured Notes ⁽¹⁾	\$647	766	774	800	800
Obligations Under Finance Leases	\$1	1	1	2	2
Exchangeable Debentures ⁽¹⁾	\$88	88	87	87	87
Total Debt	\$735	\$855	\$862	\$889	\$888
Cash and Cash Equivalents	\$202	\$254	198	165	107
Total Net Debt	\$533	\$601	\$664	\$724	\$782
Equity Attributable to the Shareholders	\$544	\$505	442	378	286
Non-Controlling Interests ⁽²⁾	0	0	0	1	0
Total Capitalization	\$1,078	\$1,106	\$1,107	\$1,102	\$1,068
Average Interest Rate on Debt at Period End	9.1%	9.1%	9.1%	9.1%	9.1%
EBITDA / Annualized Interest Charges ⁽³⁾	6.3x	6.1x	6.4x	6.7x	7.0x
Net Debt / EBITDA ⁽³⁾	1.3x	1.3x	1.3x	1.3x	1.4x

(1) Refer to Cash Interest Expense Obligations schedule.

(2) Represents non-controlling interest related to Mediative L.P.

(3) Latest Twelve Month EBITDA represents latest twelve month income from operations before depreciation and amortization, impairment of goodwill, intangible assets and property, plant and equipment, and restructuring and special charges.

5. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

Debt Components	December 31, 2013		Interest	Maturity Date
	Reported Basis	Notional Balances		
Senior Secured Notes ⁽¹⁾	\$646,577	\$646,577	9.25%	November 30, 2018
Exchangeable Debentures ⁽²⁾	87,934	107,500	8.00%	November 30, 2022
Cash and Cash Equivalents	(202,287)	(202,287)	Overnight, bankers' acceptance and treasury bills	n.a.
Obligations Under Finance Leases	891	891		n.a.
Net Debt	\$ 533,115	\$ 552,681		

⁽¹⁾ Please refer to note 11 and 21 of the Consolidated Financial Statements for the year ended December 31, 2013. Interest on the Senior Secured Notes is payable in cash quarterly in arrears in equal installments at 9.25% per annum on the last day of February, May, August and November of each year. The initial interest payment was paid on February 28, 2013, and represented interest accrued from and including December 20, 2012.

⁽²⁾ Please refer to note 12 and 21 of the Consolidated Financial Statements for the year ended December 31, 2013. Interest on the Senior Subordinated Unsecured Exchangeable Debentures is payable in cash at 8% or in additional debentures at 12% in the event that YPG Financing Inc. makes a Payment in Kind election to pay any interest in additional senior subordinated unsecured exchangeable debentures. Interest on the Senior Subordinated Unsecured Exchangeable Debentures will be payable semi-annually in arrears in equal installments on the last day of May and November of each year. The initial interest payment was paid on May 31, 2013, and represented interest accrued from and including December 20, 2012.

6. Taxes

(in millions of Canadian dollars)

The following table presents key income tax assumptions applicable to Yellow Media Limited

	2014E	2015E
Cash Outflows Expected from Income Taxes (including sales tax assessments)	\$100	\$30

Combined Statutory Provincial and Federal Tax Rate Assumption: ~26%

Note: Yellow Media Limited is subject to taxation in numerous jurisdictions. Various estimates are required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Media Limited maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Yellow Media Limited reviews the adequacy of these provisions at each statement of financial position date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

7. Pension

(in millions of Canadian dollars)

The following table presents key pension funding assumptions applicable to Yellow Media Limited

	2014E	2015E
Cash Funding of the Solvency Deficit	\$22	\$33
Total Cash Funding	\$40	\$53

Note: The information presented above is considered forward-looking because it is based on current expectations about our business and on various estimates, assumptions and regulations. Our actual results could be materially different from our expectations as known or unknown risks affect our business or if estimates and assumptions turn out to be inaccurate. As a result, we cannot guarantee that the information above will materialize.