

# Q4

SUPPLEMENTAL DISCLOSURE

PERIOD ENDED DECEMBER 31, 2012

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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 5, 2013 Management's Discussion and Analysis. This Supplemental Disclosure shall be read in connection with the February 5, 2013 Management's Discussion and Analysis.

## 1. Financial Highlights - Yellow Media Limited

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

Yellow Media Limited announced in late March 2011 that it had reached a definitive agreement to sell Trader Corporation. On July 28, 2011, Yellow Media Limited closed the sale of Trader Corporation. As a result of this divestiture, the results of the disposed business have been reclassified as discontinued operations. Accordingly, results of operations (except basic and diluted earnings (loss) per share) for the twelve-month period ended December 31, 2011 exclude the results of the disposed business. We also disposed of the assets of LesPAC.com on November 14, 2011. As such, the results of LesPAC.com are included in the 2011 results up to the date of its divestiture.

	For the three-month periods ended December 31,		For the years ended December 31,	
	2012	2011	2012	2011
Revenues	\$264,447	\$313,315	\$1,107,715	\$1,328,866
Operating costs	122,883	166,117	537,115	649,159
EBITDA <sup>(1)</sup>	141,564	147,198	570,600	679,707
% Margin	53.5%	47.0%	51.5%	51.1%
Net earnings (loss) from continuing operations	823,536	48,222	(1,954,005)	(2,708,122)
Basic earnings (loss) per share from continuing operations attributable to common shareholders	29.30	1.53	(70.66)	(97.66)
Basic earnings (loss) per share from continuing operations attributable to common shareholders before impairment and the gain on settlement of debt	0.70	1.53	6.02	8.98
Diluted earnings (loss) per share from continuing operations attributable to common shareholders	28.56	1.53	(70.66)	(97.66)
Diluted earnings (loss) per share from continuing operations attributable to common shareholders before impairment and the gain on settlement of debt	0.69	1.53	6.02	8.98
Cash flow from operating activities from continuing operations	\$61,749	\$92,964	\$238,573	\$336,573
Free cash flow from continuing operations <sup>(2)</sup>	\$47,978	\$78,223	\$198,338	\$275,174
Weighted average number of shares outstanding used in computing earnings (loss) per share <sup>(3)</sup>				
Basic	27,955,077	27,955,077	27,955,077	27,955,077
Diluted	28,691,513	27,955,077	27,955,077	27,955,077

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

(2) Free Cash Flow from continuing operations is defined as cash flow from operating activities from continuing operations less capital expenditures.

(3) Pursuant to the closing of the recapitalization transaction approved by the Quebec Superior Court, the common shares of the Company were exchanged for new common shares of the Company. As a result, the weighted average number of shares outstanding during the period and 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 properties during the reporting period. Figures exclude Canpages.*

(in thousands)	Q1	Q2	Q3	Q4
<b>2012</b>	333	326	319	<b>309</b>
<b>2011</b>	358	354	348	340

### Client Renewal

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

	Q1	Q2	Q3	Q4
<b>2012</b>	87%	87%	86%	<b>86%</b>
<b>2011</b>	88%	88%	87%	87%

### Online Revenues

*Total online revenues exclude the impact of LesPAC.com and Deal of the Day since their divestitures on November 14, 2011 and August 8, 2012, respectively. Penetration represents the percentage of YPG customers choosing to advertise online.*

		Q1	Q2	Q3	Q4
<b>2012</b>	Revenues (in \$M)	\$85.9	\$89.7	\$92.0	<b>\$99.7</b>
	Penetration	63%	62%	61%	<b>61%</b>
<b>2011</b>	Revenues (in \$M)	\$83.2	\$85.9	\$87.3	\$89.9
	Penetration	65%	65%	64%	63%

### Revenue Generating Units ("RGU") per Advertiser

*RGU measures the number of product groups selected by advertisers. (Indicator of advertiser product portfolio). Figures exclude Canpages.*

	Q1	Q2	Q3	Q4
<b>2012</b>	1.69	1.71	1.72	<b>1.74</b>
<b>2011</b>	1.70	1.69	1.68	1.68

### 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.*

	Q1	Q2	Q3	Q4
<b>2012</b>	\$3,367	\$3,311	\$3,273	<b>\$3,260</b>
<b>2011</b>	\$3,444	\$3,445	\$3,441	\$3,429

### Online Operational Metrics

*Unduplicated Unique Visitors (UUV) and Reach data exclude the contribution of LesPAC.com*

*Source: comScore Media Metrix Canada*

		Q1	Q2	Q3	Q4
<b>2012</b>	UUV (in M)	8.4	8.8	9.1	<b>9.0</b>
	Reach %	33%	32%	33%	<b>32%</b>
<b>2011</b>	UUV (in M)	8.7	8.3	8.6	9.0
	Reach %	35%	33%	34%	36%

## 2. Operational Key Performance Indicators (Cont'd)

### Advertiser Penetration

Figures Exclude Mediative, Canpages and Wall2Wall

*Owned and Operated Media: Percentage of YPG advertisers subscribing to online placement, mobile placement, legacy, content, and/or video products*

*Digital Services: Percentage of YPG advertisers subscribing to websites, search engine marketing, and/or search engine optimization products*

		Q1	Q2	Q3	Q4
<b>2012</b>	<b>Print</b>	96%	95%	94%	<b>94%</b>
	<b>Owned and Operated Media<sup>(1)</sup></b>	62%	61%	61%	<b>61%</b>
	<i>Online Placement</i>	24%	28%	32%	<b>35%</b>
	<i>Mobile Placement</i>	3%	5%	7%	<b>8%</b>
	<b>Digital Services</b>	5%	5%	6%	<b>6%</b>
<b>2011</b>	<b>Print</b>	98%	97%	97%	96%
	<b>Owned and Operated Media<sup>(1)</sup></b>	65%	65%	64%	63%
	<i>Online Placement</i>	7%	11%	15%	19%
	<i>Mobile Placement</i>	0%	0%	0%	1%
	<b>Digital Services</b>	2%	3%	3%	4%

(1) Decline in advertiser penetration within Owned and Operated Media due primarily to the discontinuation of the Directory Plus legacy product, as these clients cancelled their online spend

### 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
<b>2012</b>	<b>Increase in Spending</b>				
	Advertiser Distribution	45%	47%	49%	<b>51%</b>
	% of Revenues	39%	39%	40%	<b>40%</b>
	<b>Stable Spending</b>				
	Advertiser Distribution	37%	35%	33%	<b>31%</b>
	% of Revenues	15%	15%	16%	<b>16%</b>
	<b>Decrease in Spending</b>				
	Advertiser Distribution	18%	18%	18%	<b>18%</b>
	% of Revenues	46%	46%	44%	<b>44%</b>
<b>2011</b>	<b>Increase in Spending</b>				
	Advertiser Distribution	32%	36%	40%	42%
	% of Revenues	36%	38%	39%	40%
	<b>Stable Spending</b>				
	Advertiser Distribution	51%	47%	42%	40%
	% of Revenues	22%	19%	17%	15%
	<b>Decrease in Spending</b>				
	Advertiser Distribution	17%	17%	18%	18%
	% of Revenues	42%	43%	44%	45%

### 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,			
	2012		2011		2012		2011	
Revenues	<b>\$264,447</b>		\$313,315		<b>\$1,107,715</b>		\$1,328,866	
Expenses								
Cost of Sales	<b>84,617</b>	32.0%	104,397	33.3%	<b>338,774</b>	30.6%	393,010	29.6%
General and Administrative	<b>38,266</b>	14.5%	61,720	19.7%	<b>198,341</b>	17.9%	256,149	19.3%
EBITDA	<b>\$141,564</b>		\$147,198		<b>\$570,600</b>		\$679,707	
<b>Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements</b>								
Sustaining Capital Expenditures <sup>(1)</sup>	<b>7,328</b>		7,117		<b>20,437</b>		29,619	
Transition Capital Expenditures <sup>(2)</sup>	-		933		-		5,004	
Growth Capital Expenditures <sup>(3)</sup>	<b>9,177</b>		9,401		<b>22,022</b>		34,260	
<b>Total</b>	<b>\$16,505</b>		\$17,451		<b>\$42,459</b>		\$68,883	
Adjustment to Reflect Expenditures on a Cash Basis	<b>(2,734)</b>		(2,710)		<b>(2,224)</b>		(7,484)	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements	<b>\$13,771</b>		\$14,741		<b>\$40,235</b>		\$61,399	

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

<sup>(2)</sup> Transition capital expenditures represent funds set aside as pre-funded capital for purposes of integrating acquired businesses.

<sup>(3)</sup> Growth capital expenditures are related to new initiatives.

## 4. Consolidated Capitalization

(in millions of Canadian dollars)

Reported Basis	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Senior Secured Notes <sup>(1)</sup>	800	-	-	-	-
Medium Term Notes	-	1,404	1,404	1,404	1,404
Credit Facility	-	369	394	419	205
Obligations Under Finance Leases	2	2	3	4	4
Exchangeable Debentures <sup>(1)</sup>	87	-	-	-	-
Convertible Debentures	-	185	185	185	184
<b>Total Third-Party Debt</b>	<b>\$888</b>	<b>\$1,961</b>	<b>\$1,986</b>	<b>\$2,011</b>	<b>\$1,797</b>
Cash	107	381	376	310	84
<b>Total Net Third-Party Debt</b>	<b>\$782</b>	<b>\$1,580</b>	<b>\$1,611</b>	<b>\$1,701</b>	<b>\$1,713</b>
Preferred Shares, Series 1 and 2	-	400	400	399	399
Equity (Deficiency) Attributable to the Shareholders	286	(739)	(742)	(785)	2,084
Non-Controlling Interests <sup>(2)</sup>	0	1	1	1	1
<b>Total Capitalization</b>	<b>\$1,068</b>	<b>\$1,242</b>	<b>\$1,270</b>	<b>\$1,316</b>	<b>\$4,197</b>
Average Interest Rate on Debt at Period End	9.1%	6.2%	6.2%	6.2%	6.2%
EBITDA / Annualized Interest Charges <sup>(3)</sup>	7.0x	4.8x	4.9x	5.1x	5.8x
Net Debt / EBITDA <sup>(3)</sup>	1.4x	2.7x	2.7x	2.7x	2.5x

(1) Refer to Cash Interest Expense Obligations schedule.

(2) Represents non-controlling interest relating to Mediative LP.

(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, acquisition-related costs and restructuring and special charges, giving effect to the divestitures.

## 5. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

Debt Components	December 31, 2012		Interest	Maturity Date
	Reported Basis	Notional Balances		
Senior Secured Notes <sup>(1)</sup>	\$800,000	\$800,000	9.25%	November 30, 2018
Senior Subordinated Unsecured Exchangeable Debentures <sup>(2)</sup>	86,667	107,500	8.00%	November 30, 2022
Cash	(106,807)	(106,807)	Overnight	n.a.
Obligations Under Finance Leases	1,831	1,831		n.a.
<b>Net Debt</b>	<b>\$ 781,691</b>	<b>\$ 802,524</b>		

<sup>(1)</sup> Please refer to notes 13 and 24 of the Consolidated Financial Statements for the year ended December 31, 2012. Interest on the senior secured notes will be payable in cash quarterly in arrears in equal instalments at 9.25% per annum on the last day of February, May, August and November of each year. The initial interest payment will be payable on February 28, 2013, and will represent interest accrued from and including December 20, 2012.

<sup>(2)</sup> Please refer to notes 14 and 24 of the Consolidated Financial Statements for the year ended December 31, 2012. 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 instalments on the last day of May and November of each year. The initial interest payment will be payable on May 31, 2013, and will represent 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**

	2013E	2014E
Cash Outflows Expected from Income Taxes (including sales tax assessments)	\$60	\$80
Effective Tax Rate Assumptions		~ 26%

Note: Yellow Media Limited is subject to taxation in numerous jurisdictions. Significant judgement is 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. Depreciation and Amortization

(in millions of Canadian dollars)

**Depreciation and amortization expenses are expected to be as follows:**

	2013E	2014E
Depreciation	\$7	\$4
Amortization	\$48	\$49
<b>Depreciation and Amortization</b>	<b>\$55</b>	<b>\$53</b>

## 8. Consensus Estimates

(in millions of Canadian dollars)

	2011 Actual	2012 Actual	% Var Act. '12 / Act. '11	Consensus Estimates		
				2013		
				Low	Average	High
Revenues	\$1,328.9	\$1,107.7	(16.6%)	\$907.5	\$950.0	\$976.0
EBITDA	\$679.7	\$570.6	(16.1%)	\$415.8	\$435.1	\$459.0

Source: Third party sell side financial analysts.