

# SUPPLEMENTAL DISCLOSURE

PERIOD ENDED JUNE 30, 2014

As filed on Sedar on August 6, 2014 ([www.sedar.com](http://www.sedar.com)). This report is also available at [www.ypg.com](http://www.ypg.com)

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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 August 6, 2014 Management's Discussion and Analysis. This Supplemental Disclosure should be read in conjunction with the August 6, 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 June 30,		For the six-month periods ended June 30,	
	2014	2013	2014	2013
Revenues	<b>\$220,579</b>	\$243,183	<b>\$443,782</b>	\$496,460
Operating costs	<b>139,318</b>	135,949	<b>267,900</b>	273,748
EBITDA <sup>(1)</sup>	<b>81,261</b>	107,234	<b>175,882</b>	222,712
% Margin	36.8%	44.1%	39.6%	44.9%
Net earnings	<b>27,551</b>	50,326	<b>66,773</b>	103,791
Basic earnings per share attributable to common shareholders	<b>1.01</b>	1.81	<b>2.45</b>	3.71
Diluted earnings per share attributable to common shareholders	<b>0.87</b>	1.55	<b>2.09</b>	3.19
Cash flows from operating activities	<b>\$57,823</b>	<b>\$86,457</b>	<b>\$68,733</b>	\$173,045
Free cash flow <sup>(2)</sup>	<b>\$42,083</b>	<b>\$68,463</b>	<b>\$38,785</b>	\$136,141
Weighted average shares outstanding used in computing earnings per share				
Basic	<b>27,188,087</b>	27,872,822	<b>27,302,919</b>	27,913,722
Diluted	<b>33,666,457</b>	33,601,085	<b>33,684,014</b>	33,601,085

(1) Income from operations before depreciation and amortization and restructuring and special charges.

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

## 2. Operational Key Performance Indicators

### Customer Count

*Number of unique customers advertising through one of our product groups as at the end of the reporting period. Figures exclude 411 Local Search Corp. ("411") and Wall2Wall.*

(in thousands)	Q1	Q2	Q3	Q4
2014	270	265		
2013	300	291	283	276

### Total Digital Visits

*Total digital visits represents the number of visits made across our YP, RedFlagDeals and ShopWise online and mobile properties during the reporting period.*

(in millions)	Q1	Q2	Q3	Q4
2014	94.1	102.4		
2013	93.8	100.1	100.4	102.8

### Digital Revenues

*Digital revenues are presented on a consolidated basis.*

(in millions)	Q1	Q2	Q3	Q4
2014	\$104.0	\$108.4		
2013	\$98.9	\$98.4	\$101.6	\$107.4

### Customer Renewal & Acquisition

*Customer renewal represents the percentage of customers who advertised with YPG in the previous period and have renewed their advertising in the current period. Acquisition represents the number of YPG customers acquired over the last twelve months. Figures exclude Mediative, 411, Wall2Wall and Canpages.*

		Q1	Q2	Q3	Q4
2014	Renewal	85%	85%		
	Acquisition	16,500	18,400		
2013	Renewal	86%	85%	85%	85%
	Acquisition	16,400	15,300	14,800	15,200

### Revenue Generating Units ("RGU") per Customer and Yellow Pages 360° Solution Penetration

*RGU represents the number of product groups selected by YPG customers as at the end of the reporting period. Yellow Pages 360° Solution Penetration represents the percentage of YPG customers purchasing three product categories or more. Figures exclude Mediative, 411 and Wall2Wall.*

		Q1	Q2	Q3	Q4
2014	RGU	1.83	1.85		
	360° Penetration	29.9%	32.9%		
2013	RGU	1.75	1.76	1.78	1.81
	360° Penetration	18.9%	21.1%	24.0%	27.1%

### Average Revenue Per Customer

*Revenue of the last twelve months divided by the average customer base during the last twelve months. Figures exclude 411, Wall2Wall and Canpages.*

	Q1	Q2	Q3	Q4
2014	\$3,244	\$3,239		
2013	\$3,259	\$3,257	\$3,256	\$3,259

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

### Customer Penetration

Figures Exclude Mediative, 411 and Wall2Wall

*Owned and Operated Digital Media: Percentage of YPG customers purchasing at least one Online Priority Placement, Mobile Priority Placement, Virtual Business Profile, HD Video, and/or Legacy product.*

*Digital Services: Percentage of YPG customers purchasing at least one Website, SEO, SEM, Facebook Solution, and/or Smart Digital Display product.*

		Q1	Q2	Q3	Q4
<b>2014</b>	<b>Print</b>	90%	<b>89%</b>		
	<b>Owned and Operated Digital Media <sup>(1)</sup></b>	61%	<b>62%</b>		
	<i>Online Placement</i>	50%	<b>53%</b>		
	<i>Mobile Placement</i>	18%	<b>21%</b>		
	<i>Legacy</i>	10%	<b>7%</b>		
	<b>Digital Services</b>	9%	<b>9%</b>		
<b>2013</b>	<b>Print</b>	94%	93%	92%	91%
	<b>Owned and Operated Digital Media <sup>(1)</sup></b>	61%	60%	61%	61%
	<i>Online Placement</i>	37%	40%	43%	47%
	<i>Mobile Placement</i>	9%	10%	12%	15%
	<i>Legacy</i>	25%	21%	18%	14%
	<b>Digital Services</b>	7%	8%	8%	9%

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

### Spending Dynamics Amongst Renewing Customers

Figures Exclude Mediative, 411, Wall2Wall and Canpages

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

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

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

		Q1	Q2	Q3	Q4
<b>2014</b>	<b>Increase in Spending</b>				
	Customer Distribution	26%	<b>26%</b>		
	% of Revenues	29%	<b>29%</b>		
	<b>Stable Spending</b>				
	Customer Distribution	55%	<b>55%</b>		
	% of Revenues	27%	<b>27%</b>		
	<b>Decrease in Spending</b>				
	Customer Distribution	19%	<b>19%</b>		
	% of Revenues	44%	<b>44%</b>		
<b>2013</b>	<b>Increase in Spending</b>				
	Customer Distribution	43%	36%	30%	26%
	% of Revenues	37%	32%	30%	29%
	<b>Stable Spending</b>				
	Customer Distribution	38%	45%	51%	55%
	% of Revenues	20%	23%	25%	27%
	<b>Decrease in Spending</b>				
	Customer Distribution	19%	19%	19%	19%
	% of Revenues	43%	45%	45%	44%

### 3. Operating Cost and Capital Expenditure Details

(in thousands of Canadian dollars)

	For the three-month periods ended June 30,				For the six-month periods ended June 30,			
	2014		2013		2014		2013	
Revenues	<b>\$220,579</b>		\$243,183		<b>\$443,782</b>		\$496,460	
Expenses								
Cost of Sales	<b>74,737</b>	33.9%	79,564	32.7%	<b>148,874</b>	33.5%	158,222	31.9%
General and Administrative	<b>64,581</b>	29.3%	56,385	23.2%	<b>119,026</b>	26.8%	115,526	23.3%
EBITDA	<b>\$81,261</b>		\$107,234		<b>\$175,882</b>		\$222,712	
<b>Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements</b>								
Sustaining Capital Expenditures <sup>(1)</sup>	<b>4,219</b>		6,004		<b>6,126</b>		13,480	
Growth Capital Expenditures <sup>(2)</sup>	<b>15,771</b>		9,647		<b>26,315</b>		19,581	
<b>Total</b>	<b>\$19,990</b>		\$15,651		<b>\$32,441</b>		\$33,061	
Adjustment to Reflect Expenditures on a Cash Basis	<b>(4,250)</b>		2,343		<b>(2,493)</b>		3,058	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements	<b>\$15,740</b>		\$17,994		<b>\$29,948</b>		\$36,119	

(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	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Senior Secured Notes <sup>(1)</sup>	\$573	\$647	\$647	\$766	\$774
Obligations Under Finance Leases	1	1	1	1	1
Exchangeable Debentures <sup>(1)</sup>	88	88	88	88	87
<b>Total Debt</b>	<b>\$662</b>	<b>\$736</b>	<b>\$735</b>	<b>\$855</b>	<b>\$862</b>
Cash and Cash Equivalents	146	194	202	254	198
<b>Total Net Debt</b>	<b>\$516</b>	<b>\$541</b>	<b>\$533</b>	<b>\$601</b>	<b>\$664</b>
Equity Attributable to the Shareholders	582	566	544	505	442
<b>Total Capitalization</b>	<b>\$1,097</b>	<b>\$1,107</b>	<b>\$1,078</b>	<b>\$1,106</b>	<b>\$1,107</b>
Average Interest Rate on Debt at Period End	9.1%	9.1%	9.1%	9.1%	9.1%
EBITDA / Annualized Interest Charges <sup>(2)</sup>	6.1x	5.9x	6.3x	6.1x	6.4x
Net Debt / EBITDA <sup>(2)</sup>	1.4x	1.4x	1.3x	1.3x	1.3x

(1) Refer to Cash Interest Expense Obligations schedule.

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

## 5. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

Debt Components	June 30, 2014		Interest	Maturity Date
	Reported Basis	Notional Balances		
Senior Secured Notes <sup>(1)</sup>	\$573,062	\$573,062	9.25%	November 30, 2018
Exchangeable Debentures <sup>(2)</sup>	88,259	107,089	8.00%	November 30, 2022
Cash and Cash Equivalents	(146,225)	(146,225)	Bankers' acceptance	n.a.
Obligations Under Finance Leases	607	607		n.a.
<b>Net Debt</b>	<b>\$515,703</b>	<b>\$534,533</b>		

(1) Please refer to note 5 of the Interim Condensed Consolidated Financial Statements for the three-month period ended June 30, 2014. 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.

(2) Please refer to note 6 of the Interim Condensed Consolidated Financial Statements for the three-month period ended June 30, 2014. 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.



## 6. Taxes - Outlook

(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 and Tax Assessments	\$100	\$20

*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 - Outlook

(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
<b>Total Cash Funding</b>	<b>\$40</b>	<b>\$53</b>

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.

## 8. Capital Expenditures - Outlook

(in millions of Canadian dollars)

The following table presents key capital expenditure assumptions applicable to Yellow Media Limited

	2014E	2015E
<b>Capital Expenditures</b>	<b>\$85 - \$90</b>	<b>\$70 - \$75</b>

Note: The information presented above is considered forward-looking because it is based on current expectations about our business and on various estimates and assumptions. 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.