

# Supplemental Disclosure

## Yellow Pages Income Fund

### Fourth Quarter and Year-End 2005

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This report is also available at <http://www.ypg.com/page.php/en/1/246.html>



**Yellow Pages** Group™

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This Supplemental Disclosure contains forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of YPG. These statements are forward-looking as they are based on our current expectations, as at February 14, 2006, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ 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, there is no assurance that any forward-looking statement will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in Section 8 of our February 14, 2006 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

## 1. FINANCIAL HIGHLIGHTS - YELLOW PAGES INCOME FUND

(in thousands of Canadian dollars)

	For the three-month period ended December 31		For the year ended December 31	
	2005	2004	2005	2004
Revenues	<b>\$276,232</b>	\$166,424	<b>\$922,945</b>	\$637,346
Operating costs	<b>124,698</b>	67,142	<b>382,329</b>	231,724
EBITDA	<b>151,534</b>	99,282	<b>540,616</b>	405,622
Net earnings	<b>\$41,200</b>	\$38,349	<b>\$241,833</b>	\$106,989
Net earnings per unit	<b>\$0.09</b>	\$0.12	<b>\$0.55</b>	\$0.36
Diluted net earnings per unit	<b>\$0.09</b>	\$0.11	<b>\$0.54</b>	\$0.35
Adjusted Revenues	<b>\$282,475</b>	\$170,197	<b>\$952,530</b>	\$667,375
Adjusted EBITDA	<b>161,779</b>	98,689	<b>548,048</b>	388,365
Adjusted EBITDA margin	<b>57.3%</b>	58.0%	<b>57.5%</b>	58.2%
Distributable cash <sup>1</sup>	<b>\$131,175</b>	\$81,589	<b>\$454,199</b>	\$336,505
Distributable cash per unit	<b>\$0.28</b>	\$0.24	<b>\$1.08</b>	\$0.98
Distributions declared <sup>2,3</sup>	<b>\$113,290</b>	\$79,092	<b>\$419,227</b>	\$272,939
Distributions paid and payable per unit	<b>\$0.24</b>	\$0.23	<b>\$0.96</b>	\$0.91
Weighted average number of Units <sup>1</sup>				
Basic	<b>472,034,794</b>	344,127,966	<b>421,086,434</b>	343,628,008
Diluted	<b>475,257,824</b>	348,590,934	<b>440,647,209</b>	348,577,960

For the year ended December 31, 2005, the Fund reported Adjusted Revenues of \$953 million and Adjusted EBITDA of \$548 million, up 42.7% and 41.1%, respectively, compared to the same period last year. This growth reflects the contribution of ADS following the Acquisition on May 25, 2005. Excluding the impact of ADS, Adjusted Revenues grew by 6.1% and Adjusted EBITDA by 6.3%.

<sup>1</sup> Distributable Cash for the full year 2004 assumes the Fund owned 100% of YPG LP as of January 1, 2004 for comparability purposes with 2005. Yellow Pages Income Fund owned 70.28% of YPG LP until June 11, 2004, and 100% thereafter. Weighted average number of units outstanding per GAAP for the year ended December 31, 2004, excluding the impact of the adjustment described above, are: basic 297,206,228 and diluted 301,905,927.

<sup>2</sup> Includes December 2005 distribution of approximately \$37.8 million paid on January 16, 2006.

<sup>3</sup> Full year distributions declared include an amount of \$8.3 million equivalent to one monthly distribution paid to former subscription receipt holders on May 25, 2005.

## **2. YPIF RESULTS: COMBINED ENTITY VS. YPG STAND-ALONE**

(in thousands of Canadian dollars)

	<b>For the three-month period ended December 31, 2005</b>				<b>For the year ended December 31, 2005</b>			
	<b>Combined</b>	<b>YPG Stand-alone</b>	<b>% Growth YPG Stand-alone</b>	<b>ADS Contribution</b>	<b>Combined</b>	<b>YPG Stand-alone</b>	<b>% Growth YPG Stand-alone</b>	<b>ADS Contribution Period from May 25 to Dec. 31, 2005</b>
<b>Adjusted Revenues</b>	282,475	182,297	7.1%	100,178	952,530	708,019	6.1%	244,511
<b>Adjusted EBITDA</b>	161,779	105,128	6.5%	56,651	548,048	412,677	6.3%	135,371
<b>Adjusted EBITDA Margin</b>	57.3%	57.7%		56.6%	57.5%	58.3%		55.4%

### **Results of ADS on a stand-alone basis**

	<b>Q1 2005</b>	<b>Q2 2005</b>	<b>Q3 2005</b>	<b>Q4 2005</b>	<b>Full Year 2005</b>
<b>Adjusted Revenues</b>	102,851	106,926	100,856	100,178	410,811
<b>Adjusted EBITDA</b>	50,867	51,754	55,725	56,651	214,997
<b>Adjusted EBITDA Margin</b>	49.5%	48.4%	55.3%	56.6%	52.3%

### **3. ONLINE METRICS**

#### **Revenues - YPG Stand-alone**

(in millions of Canadian dollars)

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Full Year</b>
<b>2005 Revenues</b>	7.9	8.2	9.8	10.8	36.7
<b>2004 Revenues</b>	4.3	4.9	5.6	6.5	21.3
<b>Growth \$</b>	<b>\$3.5</b>	<b>\$3.3</b>	<b>\$4.3</b>	<b>\$4.4</b>	<b>\$15.4</b>
<b>Growth %</b>	<b>82%</b>	<b>67%</b>	<b>76%</b>	<b>67%</b>	<b>72%</b>

#### **Operating Metrics**

(in millions)

<b>2005</b>	<b>Mar-05</b>	<b>Jun-05</b>	<b>Sep-05</b>	<b>Dec-05</b>
<b>Unduplicated Unique Visitors</b>	4.3	6.5	6.6	7.0
<b>Online Reach %</b>	22%	34%	34%	35%

#### **4. RECONCILIATION OF ADJUSTED REVENUES AND ADJUSTED EBITDA**

(in thousands of Canadian dollars)

	<b><u>For the three-month period ended December 31, 2005</u></b>				<b><u>For the year ended December 31, 2005</u></b>			
	<b>Reported</b>	<b>Purchase accounting<sup>1</sup></b>	<b>Transition expenses / Other<sup>2</sup></b>	<b>Adjusted</b>	<b>Reported</b>	<b>Purchase accounting<sup>1</sup></b>	<b>Transition expenses / Other<sup>2</sup></b>	<b>Adjusted</b>
Revenues	276,232	6,243	-	282,475	922,945	29,585	-	952,530
Operating costs	124,698	7,580	(11,582)	120,696	382,329	34,751	(12,598)	404,482
<b>EBITDA</b>	<b>\$ 151,534</b>	<b>\$( 1,337)</b>	<b>\$ 11,582</b>	<b>\$ 161,779</b>	<b>\$ 540,616</b>	<b>\$( 5,166)</b>	<b>\$ 12,598</b>	<b>\$ 548,048</b>
	<b><u>For the three-month period ended December 31, 2004</u></b>				<b><u>For the year ended December 31, 2004</u></b>			
	<b>Reported</b>	<b>Purchase accounting<sup>1</sup></b>	<b>Transition expenses / Other<sup>2</sup></b>	<b>Adjusted</b>	<b>Reported</b>	<b>Purchase accounting<sup>1</sup></b>	<b>Transition expenses / Other<sup>2</sup></b>	<b>Adjusted</b>
Revenues	166,424	3,773	-	170,197	637,346	30,029	-	667,375
Operating costs	67,142	9,339	(4,973)	71,508	231,724	54,896	(7,610)	279,010
<b>EBITDA</b>	<b>\$ 99,282</b>	<b>\$( 5,566)</b>	<b>\$ 4,973</b>	<b>\$ 98,689</b>	<b>\$ 405,622</b>	<b>\$( 24,867)</b>	<b>\$ 7,610</b>	<b>\$ 388,365</b>

<sup>1</sup> Elimination of the impact of purchase accounting that prevents the Fund from recognizing deferred revenues and expenses associated with directories that were published prior to the acquisition by YPG LP of the directories business from Bell Canada, the step-acquisitions of YPG LP by the Fund and the acquisition of ADS.

<sup>2</sup> Transition expenses are related to the acquisitions of directories businesses, such as costs incurred to become a stand-alone entity and non-recurring items when applicable.

## 5. OPERATING COST AND CAPITAL EXPENDITURE DETAILS

(in thousands of Canadian dollars)

	For the three-month period ended December 31				For the year ended December 31			
	2005		2004		2005		2004	
Adjusted Revenues	\$282,475		\$170,197		\$952,530		\$667,375	
Expenses								
Cost of Sales <sup>1</sup>	63,803	22.6%	42,332	24.9%	226,475	23.8%	171,506	25.7%
General and Administrative <sup>2,3</sup>	56,893	20.1%	29,176	17.1%	178,007	18.7%	107,504	16.1%
Adjusted EBITDA	\$161,779		\$98,689		\$548,048		\$388,365	
Adjusted EBITDA margin	57.3%		58.0%		57.5%		58.2%	
<u>Capital Expenditures</u> <sup>4</sup>								
Transition Capital	\$5,437		\$3,019		\$10,407		\$9,557	
Maintenance	4,513		5,094		14,513		7,949	
New initiatives	3,598		48		13,028		4,092	
Leasehold improvements (net of lease inducements)	274		(725)		3,410		808	
<b>Total</b>	<u>\$13,822</u>		<u>\$7,436</u>		<u>\$41,358</u>		<u>\$22,406</u>	
Adjustment to reflect Expenditures on a Cash Basis	283		693		(5,933)		(3,036)	
Acquisition of Capital Assets, Net of Lease Inducements	<u>\$14,105</u>		<u>\$ 8,129</u>		<u>\$35,425</u>		<u>\$19,370</u>	

<sup>1</sup> The acquired business accounts for \$52.9 million of the increase for the year. Cost of sales of YPG on a stand-alone basis remained relatively stable as a result of our cost containment initiatives and increased sales efficiencies.

<sup>2</sup> Includes pension and post-employment expenses.

<sup>3</sup> The impact of ADS accounts for \$56.2 million of the increase for the year while the remaining portion of the variance is mainly attributable to employee-related expenses.

<sup>4</sup> Pursuant to the acquisition of the directories business from affiliates of Bell Canada and the initial public offering, \$10 million was set aside as pre-funded capital for the purpose of the Company's transition to a stand-alone company. This transition ended in the fourth quarter of 2004. Pursuant to the ADS Acquisition, approximately \$15 million has also been set aside as pre-funded capital for purposes of integrating the ADS operations into those of YPG. Capital spending associated with the integration of the ADS Acquisition amounted to \$10.4 million during the year 2005. Maintenance capital expenditures are for ongoing operations to maintain the integrity of the infrastructure. In our efforts to optimize processes and reduce costs, we invest in selected new initiatives. We expect maintenance capital expenditures to be approximately \$15 million per year. Renovations to our Toronto office in the form of leasehold improvements began in 2004 and were completed in the third quarter of 2005. A substantial portion of these leasehold improvements were reimbursed to us through tenants inducements.

## **6. CONSOLIDATED CAPITALIZATION - YPIF**

(in millions of Canadian dollars)

	December 31, 2004	December 31, 2005
Medium Term Notes	\$1,000	\$1,800
Bank Term Facilities	\$0	\$0
Commercial Paper	\$184	\$208
Obligations Under Capital Leases	\$8	\$6
<b>Total Third-Party Debt</b>	<b>\$1,192</b>	<b>\$2,014</b>
Cash and cash equivalents	\$187	\$49
<b>Net Debt</b>	<b>\$1,005</b>	<b>\$1,965</b>
Unitholders' Equity	\$3,512	\$4,996
<b>Total Capitalization</b>	<b>\$4,516</b>	<b>\$6,961</b>
LTM Adjusted EBITDA <sup>1</sup>	388	628
Annualized Cash Interest Expense <sup>2</sup>	42	104
Average Interest Rate on Debt at Year End	4.8%	5.2%
EBITDA / Annualized Interest	9.2	6.0
EBITDA / (Annualized Interest + Maint. CAPEX)	7.7	5.3
Net Debt / EBITDA	2.6	3.1
Net Debt / (EBITDA - Maint. CAPEX)	2.7	3.2
FCF / Net Debt <sup>3</sup>	33%	26%
Net Debt / Unitholders' Equity	0.3	0.4
Net Debt / Enterprise Value <sup>4</sup>	18%	20%

<sup>1</sup> For 2005, YPG LTM EBITDA plus ADS EBITDA for the first half of 2005 (\$102.6M) annualized for the period prior to May 25, 2005.

<sup>2</sup> Annualized interest expense for 2005 reflects the annualized impact of the capital structure as of December 31, 2005, including the \$800 million Medium Term Notes financing of November 2005.

<sup>3</sup> FCF is assumed to be equal to Distributable Cash before non-controlling interest.

<sup>4</sup> Based on market value of units at close on December 31, 2004 of \$13.49 and on December 31, 2005 at \$16.30.

## **7. CASH INTEREST EXPENSE COMPONENTS**

(in thousands of Canadian dollars)

<b>Debt Component</b>	<b>Year End 2005</b>	<b>Interest Basis</b>	<b>Observations</b>
<b>Medium Term Notes (MTN)</b>		Fixed Rates	
5-year Notes maturing 2009	450,000	4.57%	
10-year Notes maturing 2014	300,000	5.71%	
15-year Notes maturing 2019	250,000	5.85%	
10-year Notes maturing 2016	550,000	5.25%	
30-year Notes maturing 2036	250,000	6.25%	
<b>Commercial Paper facility</b> (Authorized limit of \$500M)	208,000	Banker's Acceptance plus +/- 0.14%	CP drawings fluctuate intra-quarter
<b>Cash and ST Investments</b>	(49,420)	Overnight/Banker's Acceptance	Cash levels fluctuate intra-quarter
<b>Swaps and Derivatives</b>		For current swap and derivatives portfolio, please refer to note 21 of the Financial Statements	
<b>Capital Leases</b>	6,454		
<b>Standby and other financial charges</b>	-	-	Standby and agency fees on bank facilities and other
<b>Net Debt</b>	<b>\$ 1,965,034</b>		

## **8. DISTRIBUTABLE CASH - YPIF**

(in thousands of Canadian dollars)

	<u>Year Ended</u>	<u>For the Quarter Ended</u>	<u>Year Ended</u>
	December 31, 2004 <sup>1</sup>	December 31, 2005	December 31, 2005
<b>Adjusted EBITDA</b>	<b>\$388,365</b>	<b>\$161,779</b>	<b>\$548,048</b>
Less:			
Maintenance capital expenditures	7,949	4,513	14,513
Interest	42,432	24,185	74,111
Other	1,479	1,906	5,225
<b>Distributable Cash</b>	<b>\$336,505</b>	<b>\$131,175</b>	<b>\$454,199</b>
<b>Distributable Cash per unit</b>	<b>\$0.98</b>	<b>\$0.28</b>	<b>\$1.08</b>
Weighted Average number of Units outstanding (million)	343.6	472.0	421.1

<sup>1</sup> Distributable Cash for the full year 2004 assumes the Fund owned 100% of YPG LP as of January 1, 2004 for comparability purposes with 2005. Yellow Pages Income Fund owned 70.28% of YPG LP until June 11, 2004, and 100% thereafter.

## 9. SELECTED HISTORICAL FINANCIAL NUMBERS - YPIF

(in thousands of Canadian dollars except for Units Outstanding)

For the three-month period ended

	March 31, 2004	June 30, 2004	September 30, 2004	December 31, 2004	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Adjusted Revenues	\$164,323	\$165,888	\$166,967	\$170,197	\$172,531	\$218,590	\$278,934	\$282,475
YOY growth					5.0%	31.8%	67.1%	66.0%
Adjusted EBITDA	\$95,466	\$96,155	\$98,055	\$98,689	\$99,918	\$125,735	\$160,616	\$161,779
YOY growth					4.7%	30.8%	63.8%	63.9%
EBITDA margin	58.1%	58.0%	58.7%	58.0%	57.9%	57.5%	57.6%	57.3%
Maintenance capital expenditures <sup>1</sup>	(337)	(512)	(2,006)	(5,094)	(2,900)	(2,578)	(4,522)	(4,513)
Interest	(9,493)	(10,507)	(10,811)	(11,621)	(12,094)	(15,880)	(21,952)	(24,185)
Other	(130)	(117)	(847)	(385)	(486)	(962)	(1,871)	(1,906)
Distributable Cash	\$85,506	\$85,019	\$84,391	\$81,589	\$84,438	\$106,315	\$132,271	\$131,175
Distributable Cash per unit	\$0.25	\$0.25	\$0.25	\$0.24	\$0.25	\$0.27	\$0.28	\$0.28
Weighted Average number of units outstanding (million) <sup>2</sup>	342.9	343.4	344.1	344.1	344.2	395.9	471.6	472.0

<sup>1</sup> Prior to Q3 2004, amounts restated to reflect capital expenditures incurred during the period. Previous methodology reflected capital expenditures on a cash basis.

<sup>2</sup> Weighted average number of units outstanding restated for 2004 to assume the Fund owned 100% of YPG LP for comparability purposes with 2005.

## **10. CONSENSUS ESTIMATES**

(in millions of Canadian dollars except for Distributable Cash per Unit)

<b>Consensus Estimates <sup>1</sup></b>								
	<b>FY 2004</b>	<b>Low</b>	<b>FY 2005 Average</b>	<b>High</b>	<b>% Var Avg. 05 / Act. 04</b>	<b>Low</b>	<b>FY 2006 <sup>2</sup> Average</b>	<b>High</b>
Adjusted Revenues	\$667.4	\$940.0	\$948.6	\$954.1	42.1%	\$1,120.9	\$1,261.8	\$1,308.7
Adjusted EBITDA	\$388.8	\$541.8	\$547.2	\$550.0	40.7%	\$696.0	\$712.7	\$729.6
Distributable Cash per Unit	\$0.98	\$1.04	\$1.07	\$1.09	9.1%	\$1.15	\$1.19	\$1.22

<sup>1</sup>Excludes analysts who provided insufficient information, dated information or full year Pro Forma information for ADS.

<sup>2</sup>Includes TMC full year on a Pro Forma Basis.

## **11. ADS INDEPENDENT OPERATIONS**

(in millions of Canadian dollars)

	<b>Q1 2005</b>	<b>Q2 2005</b>	<b>Q3 2005</b>	<b>Q4 2005</b>	<b>Full Year 2005</b>	<b>Period from May 25 to Dec. 31, 2005</b>
Adjusted Revenues Incl. Independent Operations	102,851	106,926	100,856	100,178	<b>410,811</b>	<b>244,511</b>
Independent Operations	10,477	7,981	3,305	1,170	<b>22,933</b>	<b>7,806</b>
<b>Adjusted Revenues Excl. Independent Operations</b>	<b>92,374</b>	<b>98,945</b>	<b>97,551</b>	<b>99,008</b>	<b>387,878</b>	<b>236,705</b>