



Yellow Pages Group™



Supplemental Disclosure

**Yellow Pages Income Fund
For the Quarter and Year Ended December 31, 2003**

As filed on Sedar on February 17, 2004 (www.sedar.com)
This report is also available at <http://www.ypg.com/page.php/en/1/53.html>

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The Supplemental Disclosure may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Neither the Fund nor YPG LP nor Yellow Pages Group assume responsibility for the accuracy and completeness of the forward-looking statements and do not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

1. INTRODUCTION

Yellow Pages Income Fund commenced operations on August 1, 2003 upon completion of its initial public offering. Accordingly, no comparatives for periods prior to August 1 are provided.

The Fund, as at December 31, 2003, had a 67% ownership interest in YPG LP, a limited partnership which indirectly owns 100% of Yellow Pages Group Co. ("YPG"), the operating company. Given that the Fund's results are entirely dependent on the performance of YPG, management also provides disclosure for YPG LP. More recently, on February 9, 2004, one of the Limited Partners in YPG exchanged its 11,111,100 units and common shares of YPG for an equivalent number of units of the Fund. As a result, the Fund holds a 70.25% equity interest in YPG.

YPG LP was created on November 29, 2002 upon completion of the acquisition of the directories business from Bell Canada ("the Acquisition"). Comparable quarterly information for periods prior to the Acquisition is not available. The Acquisition was accounted for using the purchase method of accounting, which resulted in the elimination of deferred revenues and deferred publication costs related to directories that were published prior to the Acquisition. These deferred amounts would have been recognized in 2003 had the Acquisition not occurred. As a result, reported revenues and expenses are not representative of what would have otherwise been reported and are not representative of revenues and expenses that will be reported in subsequent periods.

In order to provide a better understanding of the results, YPG uses the term **EBITDA** (earnings before interest, taxes, depreciation and amortization). Management defines EBITDA as revenues less operating costs which represents loss from operations before depreciation, amortization, restructuring and special charges. YPG also uses the terms **Adjusted Revenues** and **Adjusted EBITDA** (revenues and EBITDA adjusted for purchase accounting and transition expenses in order to reflect ongoing operations). These terms do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. Management believes EBITDA, Adjusted Revenues and Adjusted EBITDA to be important measures as they allow management to assess the operating performance of the ongoing business.

2. FINANCIAL HIGHLIGHTS - YPG LP

(in thousands of Canadian dollars)

YPG LP For the three-month period ended December 31, 2003	
Revenues	\$162,056
Operating costs	62,607
Loss from operations	57,435
Adjusted revenue	\$163,257
Adjusted EBITDA	96,181
<i>Adjusted EBITDA margin</i>	<i>58.9%</i>
Cash available for distributions	\$83,914
Distributions declared ¹	\$72,488
YPG LP units outstanding (basic)	342,803,030

YPG LP For the year ended December 31, 2003	
Revenues	\$612,558
Operating costs	211,742
Loss from operations	(31,068)
Adjusted revenue	\$640,216
Adjusted EBITDA	\$372,347
<i>Adjusted EBITDA margin</i>	<i>58.2%</i>
Cash available for distributions	\$315,011
Distributions declared ¹	\$120,059
YPG LP units outstanding (basic)	342,803,030

¹ Includes December distribution of approximately \$25 million paid on January 15, 2004.

3. FINANCIAL HIGHLIGHTS - YELLOW PAGES INCOME FUND

(in thousands of Canadian dollars)

Yellow Pages Income Fund (YLO) For the three-month period December 31, 2003	
Net earnings	\$2,968
Net earnings per unit	\$0.024
Weighted average number of units outstanding (basic)	122,337,191
Distributable cash ¹	\$31,287
Distributions declared	\$31,287
Distributable cash per unit	\$0.2154
Distributions per unit	\$0.2154
Units outstanding (basic) - August - November 2003 Distributions	101,692,030
Units outstanding (basic) - December 2003 Distributions	229,692,030

Yellow Pages Income Fund (YLO) For the five-month period from August 1 to December 31, 2003	
Net earnings	\$3,161
Net earnings per unit	\$0.028
Weighted average number of units outstanding (basic)	114,079,127
Distributable cash ¹	\$45,280
Distributions declared	\$45,280
Distributable cash per unit	\$0.3530
Distributions per unit	\$0.3530
Units outstanding (basic) - August - November 2003 Distributions	101,692,030
Units outstanding (basic) - December 2003 Distributions	229,692,030

¹ Includes December distribution of approximately \$25 million receivable from YPG LP

Since August 1, 2003 four distributions to unitholders were paid. These include the August, September and October distributions each in the amount of \$0.0688 per unit and the November distribution in the amount of \$0.0733 per unit. As at December 31, 2003, the distribution relating to the month of December had been declared and was payable on January 15th, 2004.

4. RECENT DEVELOPMENTS

1. Equity Offering

- On December 17, 2003, the Fund announced that it had completed its offering of 128,000,000 trust units at a price of \$11.75 per unit for aggregate gross proceeds of \$1,504,000,000 and net proceeds to the Fund of \$1,443,840,000. Of the net proceeds of the offering, \$117,500,000 were used by the Fund to increase its equity interest in YPG LP, and were in turn used by YPG LP to repay approximately \$107 million of bank debt and to fund expenses of the offering. The remaining net proceeds of \$1,331,040,000 were used by the Fund to purchase an additional ownership interest in YPG LP from BAI L.L.P. and BAI2 L.L.P., TMB Directories Inc. and 4119649 Canada Inc. After giving effect to this offering, the Fund held a 67% interest in YPG LP.

- On February 9, 2004, BCE Inc. exchanged its 11,111,100 units and common shares of YPG for an equivalent number of units of the Fund. As a result, the Fund holds a 70.25% equity interest in YPG.

2. Credit Facilities

- As an initial step towards diversifying its funding sources, YPG LP launched a commercial paper program at the close of October, along with associated standby lines of credit with an authorized limit of \$300 million. Commercial paper issued shall mature up to but not exceeding 365 days from the date of issue. YPG LP must at all times maintain standby lines of credit in an amount equal to the authorized limit of the program.

- Pursuant to the launch of the commercial paper program in an initial amount of \$265 million, YPG LP repaid \$300 million on the Term B loan facility, resulting in a net reduction in debt in the amount of \$35.0 million.

- Subsequent to the December equity offering, YPG LP applied \$107 million of the net proceeds to repay Term B loan facility and applied a mix of cash and additional proceeds from the commercial paper program to further pay down debt.

- As at December 31, 2003, amounts outstanding under the Company's credit facilities were as follows:

- (a) unused unsecured revolving term facility maturing August 1, 2007 bearing interest at Prime plus an applicable margin;
- (b) \$750.0 million in unsecured Term A loan facility maturing August 1, 2007 bearing interest at Bankers' Acceptance rates plus an applicable margin; and
- (c) \$10.0 million in unsecured Term B loan facility maturing August 1, 2007 bearing interest at Bankers' Acceptance rates plus an applicable margin.
- (d) \$290.0 million under the commercial paper program

3. Increase in distributions

- On November 18, 2003 the Fund announced that commencing with the distribution to unitholders of record at the close of business on November 28, 2003, the Trustees of the Fund had approved an increase in cash distributions to unitholders from the then current level of \$0.825 to \$0.88 annually, representing an increase of 6.7%. The increased November monthly distribution of \$0.0733 was paid on December 15, 2003, and the December distribution in a like amount was paid on January 15, 2004.

3. New Premises

- YPG LP completed the planned move of its head office facilities to Nun's Island, near downtown Montreal. The move has grouped the personnel from its former Montreal head office and Laval sales office in one same location.

5. STATEMENT OF EBITDA

(in thousands of Canadian dollars)

	Predecessor Company			BAI Finance Limited Partnership		YPG LP	
	Year Ended			For the three-month period ended	For the year ended		Year-over-year % Change
	December 31, 2000	December 31, 2001	December 31, 2002	December 31, 2003	December 31, 2003		
Normalized Revenue	\$571,490	\$583,683	\$601,210				
Normalized EBITDA (\$)	283,887	302,487	321,829				
<i>EBITDA margin</i>	49.7%	51.8%	53.5%				
Normalized capital expenditures	\$9,607	\$5,410	\$11,742				
Adjusted Revenue			\$613,358	\$163,257	\$640,216		4.4%
Adjusted EBITDA (\$)			341,223	96,181	372,347		9.1%
<i>EBITDA margin</i>			55.6%	58.9%	58.2%		
<u>Capital Expenditures</u>							
Maintenance				\$95	\$7,911		
Pre-funded				3,182	3,182		
New initiative				2,672	2,672		
Leasehold Improvements				2,934	2,934		

Normalized Revenue, Normalized EBITDA and Normalized Capital Expenditures represent historical revenues, EBITDA and capital expenditures of BAI Finance Limited Partnership adjusted for certain items that management believes enhance the comparability of historical periods. Normalized Revenue, Normalized EBITDA and Normalized Capital Expenditures are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, they may not be comparable to similar measures presented by other issuers.

6. RECONCILIATION TO ADJUSTED REVENUE AND ADJUSTED EBITDA

(in thousands of Canadian dollars)

Three-month period ended	Reported	Purchase accounting ⁽¹⁾	Transition expenses ⁽²⁾	As adjusted
December 31, 2003				
Revenues	162,056	1,201	-	163,257
Operating costs	62,607	6,147	(1,678)	67,076
EBITDA	99,449	(4,946)	1,678	96,181

Twelve-month period ended	Reported	Purchase accounting ⁽¹⁾	Transition expenses ⁽²⁾	As adjusted
December 31, 2003				
Revenues	612,558	27,658	-	640,216
Operating costs	211,742	62,287	(6,160)	267,869
EBITDA	400,816	(34,629)	6,160	372,347

(1) Elimination of the impact of purchase accounting rule that prevents Yellow Pages Group from recognizing deferred revenues and expenses associated with directories that were published prior to the Acquisition.

(2) Impact of transition expenses eliminated as they are related to the Acquisition and are therefore non-recurring.

7. OPERATING COSTS DETAILS

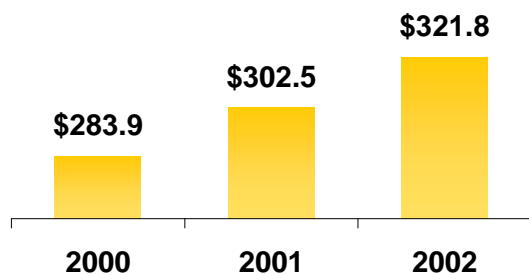
(in thousands of Canadian dollars)

	Year ended	For the three-month period ended	For the year ended
	December 31, <u>2002</u>	December 31, <u>2003</u>	December 31, <u>2003</u>
Adjusted Revenue	\$613,358	\$163,257	\$640,216
Expenses			
Cost of Sales	170,006	41,630	163,215
General and Administrative	96,922	24,294	100,045
Pension and Post-employment Expenses	5,207	1,153	4,610
Adjusted EBITDA	\$341,223	\$96,181	\$372,347
<i>Adjusted EBITDA margin</i>	55.6%	58.9%	58.2%

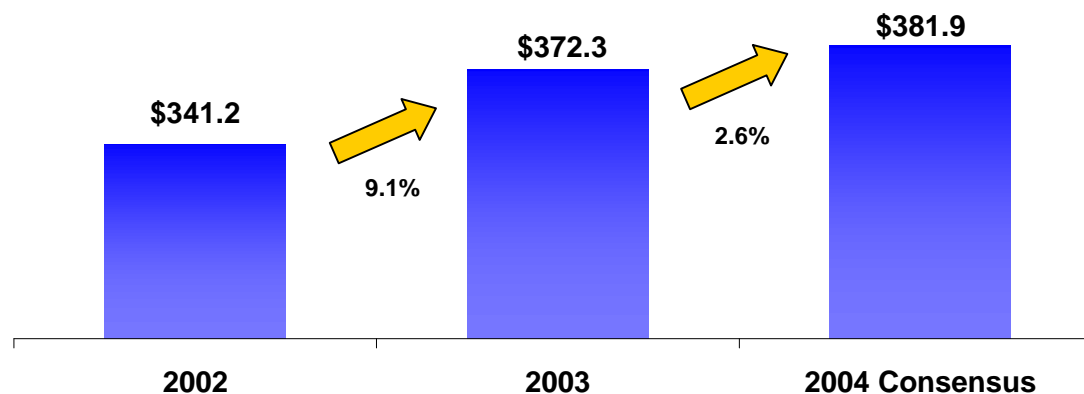
8. EBITDA GROWTH

(in millions of Canadian dollars)

Normalized EBITDA ¹



Adjusted EBITDA ^{1,2}



¹ Normalized EBITDA for 2000, 2001, 2002 and Adjusted EBITDA for 2002 are for BAI Finance LP. The 2003 amounts are for YPG LP.

² Consensus estimate as of February 10, 2004, prior to the release of the YPG Fourth Quarter and Year End results.

9. DISTRIBUTABLE INCOME - ESTIMATED AT DECEMBER 31, 2003

(in thousands of Canadian dollars)

	<u>Year ended</u>	<u>For the three-month</u> <u>period ended</u>	<u>Year Ended</u>
	December 31, 2002 ¹	December 31, 2003	December 31, 2003
Adjusted EBITDA	\$341,223	\$96,181	\$372,347
Less ² :			
Maintenance capital expenditures	(10,000)	(95)	(7,911) ⁴
Interest	(63,720) ³	(12,307)	(48,826) ⁴
Additional administrative expenses	(1,000)	n/a	n/a
Taxes	(600)	135	(599)
Cash Available for Distributions	\$265,903	\$83,914	\$315,011
Cash Available for Distributions per unit ⁵	\$0.799	\$0.245	\$0.919

¹ December 31, 2002 amounts are for BAI Finance LP

² Estimated amounts for 2002

³ December 31, 2002 proforma cash interest cost based on annualized cash interest cost of New Credit Facilities upon closing of the IPO as described in the "Summary of Distributable Cash" section of the July 24, 2003 prospectus.

⁴ Three-month and year ended December 31, 2003 cash interest reflects the annualized cost of the New Credit Facilities, partial effect of the implementation of Commercial Paper program and partial effect of the December 2003 equity offering.

⁵ Units Outstanding: 332.8M proforma for the IPO (as of December 31, 2002); 342.8M as of December 31 2003:

10. CONSOLIDATED CAPITALIZATION

(in millions of Canadian dollars)

	December 31, 2002 ¹	September 30, 2003	December 31, 2003
Senior Funded Debt - External Commercial Paper Obligations Under Capital Leases Subordinated Loan	\$1,543.7	\$1,200.0	\$760.0 290.0 5.1
Total Third-Party Debt	2,143.7	1,200.0	1,055.1
Cash and cash equivalents	37.4	85.2	45.5
Net Debt	2,106.3	1,114.8	1,009.6
Partners' Equity	869.0	1,682.3	1,774.7
Total Capitalization	2,975.3	2,797.1	2,784.3
Adjusted EBITDA ²	341.2	361.5	372.3
Annualized Cash Interest Expense	184.7 ³	57.4 ⁴	48.8 ⁵
EBITDA / Annualized Cash Interest	1.8	6.3	7.6
EBITDA / (Annualized Cash Interest + Maint. CapEx)	1.8	5.3	6.6
Net Debt / EBITDA	6.2	3.1	2.7
Net Debt / (EBITDA - Maint. CapEx)	6.4	3.2	2.8
FCF / Net Debt ⁶	13%	26%	31%
Net Debt / Partners' Equity	2.4	0.7	0.6
Net Debt / Enterprise Value	71%	29% ⁷	25% ⁷

¹ December 31, 2002 amounts are from a BAI Finance LP

² Based on trailing twelve months adjusted EBITDA for December 31 2002 & September 30, 2002. Trailing twelve months calculated as nine month period ended September 30, 2003 plus 25% of December 31, 2002

³ December 31, 2002 cash interest expense based on annualized cash interest expense of the Old Credit Facilities for the period between November 30, 2002 to December 31, 2002 annualized on a 365-day basis.

⁴ September 30, 2003 cash interest expense is a proforma amount using New Credit Facilities for August & September. Quarterly amounts extrapolated then annualized on a 365-day basis.

⁵ December 2003 cash interest reflects the annualized cost of the New Credit Facilities, partial effect of the implementation of Commercial Paper program and partial effect of the December 2003 equity offering.

⁶ FCF is assumed to be equal to Cash Available for Distribution

⁷ Based on market value of units at close on September 30, 2003 of \$11.43 and 332,803,030 units outstanding and on December 31, 2003, \$11.60 per unit and 342,803,030 units outstanding, respectively.

11. SPECIAL CHARGES

(in thousands of Canadian dollars)

(unaudited)	Write down of assets ¹	Restructuring charges ²	Other special charges ³	Total
Initial provision	\$5,578	\$9,266	\$129,271	\$144,115
Utilized in 2003				
Cash	-	(3,801)	(45,815)	(49,616)
Non-cash	(5,578)	-	(83,356)	(88,934)
Balance as at December 31, 2003	\$0	\$5,465	\$100	\$5,565

¹ Consisting of a writedown of leasehold improvements, office furniture and computer equipment and software due to the planned relocation of head office premises

² Consisting of an initial workforce reduction provision of \$6.7 million plus an additional provision of \$2.6 million recorded since October 2003.

³ Consisting of:

- (a) \$83.2 million write off of previously deferred financing costs, net of accumulated amortization
- (b) \$15.4 million of redemption fees paid in conjunction with the repayment of the Old Credit Facilities
- (c) \$20.1 million due to the settlement of cross-currency interest swaps and interest rate collar associated with the Old Credit Facilities
- (d) \$5.8 million in other charges

12. CONSENSUS ESTIMATES

(in thousands of Canadian dollars)

Consensus Estimates									
	FY 2003 Actual	Low	FY 2003¹ Average	High	% Var Avg 03 / Act 03	Low	FY 2004¹ Average	High	% Var Avg 04 / Avg 03
Revenues	\$640.2	\$628.8	\$634.7	\$639.8	-0.9%	\$644.5	\$654.9	\$667.1	3.2%
Adjusted EBITDA	\$372.3	\$363.7	\$368.7	\$374.3	-1.0%	\$375.0	\$381.9	\$390.3	3.6%
Distributable Income	\$315.0	\$293.5	\$298.7	\$306.0	-5.2%	\$306.0	\$314.3	\$321.6	5.2%
Distributable Income per Unit									
Available	\$0.92	\$0.88	\$0.89	\$0.90	-2.8%	\$0.90	\$0.93	\$0.95	4.4%
Paid		\$0.88	\$0.88	\$0.90		\$0.88	\$0.92	\$0.94	3.5%

¹ Consensus Estimates as of February 10, 2004, prior to the release of the YPG Fourth Quarter and Year end results.