

Q &

SUPPLEMENTAL DISCLOSURE

PERIOD ENDED JUNE 30, 2012

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This report is also available at www.ypg.com



1. Financial Highlights - Yellow Media Inc.

(in thousands of Canadian dollars - except share information)

Yellow Media Inc. announced in late March 2011 that it had reached a definitive agreement to sell Trader Corporation. On July 28, 2011, Yellow Media Inc. 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 three-month and six-month periods ended June 30, 2011 exclude the results of the disposed business.

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2012	2011	2012	2011
Revenues	\$286,484	\$342,738	\$575,557	\$692,110
Operating costs	141,240	166,262	284,296	325,599
EBITDA ⁽¹⁾	145,244	176,476	291,261	366,511
% Margin	50.7%	51.5%	50.6%	53.0%
Net earnings (loss) from continuing operations	67,694	(20,698)	(2,801,558)	49,755
Net earnings (loss) from discontinued operations, net of income taxes ⁽²⁾	-	6,448	-	(98,594)
Basic earnings (loss) per share attributable to common shareholders				
From continuing operations	0.12	(0.05)	(5.49)	0.08
Total	0.12	(0.05)	(5.49)	(0.12)
Diluted earnings (loss) per share attributable to common shareholders				
From continuing operations	0.09	(0.05)	(5.49)	0.07
Total	0.09	(0.05)	(5.49)	(0.11)
Cash flow from operating activities from continuing operations	\$104,777	\$87,923	\$127,184	\$199,624
Free cash flow from continuing operations ⁽³⁾	96,232	68,990	110,455	168,834
Adjusted earnings from continuing operations ⁽⁴⁾	90,901	101,310	158,173	234,963
Adjusted earnings per common share from continuing operations ⁽⁴⁾	0.18	0.20	0.31	0.46
Payout Ratio ⁽⁵⁾	-%	80%	-%	70%
Weighted average number of shares outstanding used in computing earnings (loss) per share				
Basic	512,595,314	514,623,616	512,595,314	512,525,771
Diluted	747,464,654	514,623,616	512,595,314	559,795,449

(1) Income from operations before depreciation and amortization, impairment of goodwill, recapitalization and acquisition-related costs and restructuring and special charges.

(2) Please refer to note 4 of the Q2 2012 Financial Statements.

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

(4) Please refer to section 9 of this document for a reconciliation of adjusted earnings from continuing operations.

(5) Based on a \$0.16 / common share dividend per quarter for Q1 and Q2 2011.

2. Operational Key Performance Indicators

Excluding contribution of Canpages

Advertiser Count

Advertiser Count is the number of unique customers advertising through one of our properties during the reporting period.

(in thousands)	Q1	Q2	Q3	Q4
2012	333	326		
2011	358	354	348	340

Client Renewal

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

	Q1	Q2	Q3	Q4
2012	87%	87%		
2011	88%	88%	87%	87%

Online Revenues⁽¹⁾

(in millions)		Q1	Q2	Q3	Q4
2012	Revenues	\$85.9	\$89.7		
	Penetration	63%	62%		
2011	Revenues	\$83.2	\$85.9	\$87.3	\$89.9
	Penetration	65%	65%	64%	63%

Penetration: Number of YPG customers choosing to advertise online.

(1) LesPAC revenues excluded as of divestiture on November 14, 2011.

Revenue Generating Units per Advertiser

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

	Q1	Q2	Q3	Q4
2012	1.69	1.71		
2011	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.

	Q1	Q2	Q3	Q4
2012	\$3,367	\$3,311		
2011	\$3,444	\$3,445	\$3,441	\$3,429

Online Operational Metrics^{(1) (2)}

(in millions)		Q1	Q2	Q3	Q4
2012	UUV	8.4	8.8		
	Reach %	33%	32%		
2011	UUV	8.7	8.3	8.6	9.0
	Reach %	35%	33%	34%	36%

UUV: Unduplicated Unique Visitors.

(1) Source: comScore Media Metrix Canada.

(2) Excludes contribution of LesPAC.

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,			
	2012		2011		2012		2011	
Revenues	\$286,484		\$342,738		\$575,557		\$692,110	
Expenses								
Cost of Sales	89,353	31.2%	95,811	28.0%	174,121	30.3%	193,354	27.9%
General and Administrative ⁽¹⁾	51,887	18.1%	70,451	20.6%	110,175	19.1%	132,245	19.1%
EBITDA	\$145,244		\$176,476		\$291,261		\$366,511	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements								
Sustaining Capital Expenditures ⁽²⁾	4,420		11,907		8,821		16,943	
Transition Capital Expenditures ⁽³⁾	-		1,872		-		3,213	
Growth Capital Expenditures ⁽⁴⁾	3,980		7,676		8,468		15,581	
Total	\$8,400		\$21,455		\$17,289		\$35,737	
Adjustment to Reflect Expenditures on a Cash Basis	145		(2,522)		(560)		(4,947)	
Acquisition of Property, Plant, Equipment and Intangible Assets, Net of Lease Inducements	\$8,545		\$18,933		\$16,729		\$30,790	

⁽¹⁾ Includes pension and post-employment benefits expenses.

⁽²⁾ Sustaining capital expenditures are related to ongoing operations to maintain the integrity of the infrastructure.

⁽³⁾ Transition capital expenditures represent funds set aside as pre-funded capital for purposes of integrating acquired businesses.

⁽⁴⁾ Growth capital expenditures are related to new initiatives.

4. Consolidated Capitalization

(in millions of Canadian dollars)

Reported Basis	June 30, 2012	March 31, 2012	December 31, 2011
Medium Term Notes	\$1,404	\$1,404	\$1,404
Credit Facilities	394	419	205
Obligations Under Finance Leases	3	4	4
Total Third-Party Debt	1,801	1,827	1,613
Cash	376	310	84
Total Net Third-Party Debt	\$1,426	\$1,517	\$1,529
Convertible Instruments	185	185	184
Preferred Shares, Series 1 and 2	400	399	399
Equity (Deficiency) Attributable to the Shareholders	(742)	(785)	2,084
Non-Controlling Interests ⁽¹⁾	1	1	1
Total Capitalization	\$1,270	\$1,316	\$4,197
Average Interest Rate on Debt at Period End	6.2%	6.2%	6.2%
EBITDA / Annualized Interest Charges ⁽²⁾	4.9x	5.1x	5.8x
Net Debt / EBITDA ⁽²⁾	2.7x	2.7x	2.5x

⁽¹⁾ Represents non-controlling interest relating to Mediative LP.

⁽²⁾ Net Debt includes Convertible Debentures; latest Twelve Month EBITDA represents latest twelve month income from operations before depreciation and amortization, impairment of goodwill and intangible assets, recapitalization and acquisition-related costs, restructuring and special charges, giving effect to the divestitures.

5. Preferred Shares

(in millions of Canadian dollars)

- As of June 30, 2012, Yellow Media Inc. had five series of preferred shares outstanding:

	Principal Amount Outstanding	Structure	Rate	Maturity
Series 1	\$251.1	Fixed Rate	4.25%	December 31, 2012 ⁽¹⁾
Series 2	\$151.6	Fixed Rate	5.00%	June 30, 2017 ⁽¹⁾
Series 3	\$203.0	5-yr Rate Reset	6.75%	Perpetual
Series 5	\$123.0	5-yr Rate Reset	6.90%	Perpetual
Series 7	\$2.9	Fixed Rate	5.00%	Perpetual

Instruments Features

• Cumulative Redeemable Preferred Shares, Series 1 & 2⁽²⁾

- The Preferred Shares Series 1 are redeemable by the issuer at a decreasing premium for cash on or after March 31, 2012, or by the issuance of shares of Yellow Media Inc. between March 31, 2012 and December 31, 2012. The Preferred Shares Series 1 are also retractable for cash at the holder's option on or after December 31, 2012.
- Pursuant to the amendments to Yellow Media Inc.'s credit facility dated September 28, 2011, the Company has agreed not to exercise its right to redeem its Preferred Shares Series 1 for cash. However, the Company retains its right to exchange the Preferred Shares Series 1 for common shares of Yellow Media Inc. at any time on or after March 31, 2012 and prior to December 31, 2012 in accordance with the terms of the Preferred Shares Series 1, at a conversion price equal to the greater of \$2.00 and 95% of the then applicable weighted average trading price of the common shares.
- The Preferred Shares Series 2 are redeemable by the issuer at a decreasing premium for cash on or after June 30, 2012, or by the issuance of shares of Yellow Media Inc. between June 30, 2012 and June 30, 2017. The Preferred Shares Series 2 are also retractable for cash at the holder's option on or after June 30, 2017.

• Rate Reset Preferred Shares, Series 3 & 5⁽³⁾

- The Preferred Shares Series 3 dividend rate will be reset on September 30, 2014 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.17%. The Series 3 Preferred Shares will be redeemable by the issuer on or after September 30, 2014. Holders of the Series 3 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, Series 4, on September 30, 2014 and on September 30 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.17%. The Series 3 & 5 shares are included in equity attributable to shareholders.
- The Preferred Shares Series 5 dividend rate will be reset on June 30, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.26%. The Series 5 Preferred Shares will be redeemable by the issuer on or after June 30, 2015. Holders of the Series 5 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, Series 6, on June 30, 2015 and on June 30 every five years thereafter. Holders of the Series 6 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.26%. The Series 5 shares are included in equity attributable to shareholders.

• Cumulative Exchangeable Preferred Shares, Series 7⁽³⁾

- On February 9, 2010, in connection with the acquisition of RedFlagDeals.com, Yellow Media Inc. issued 1,300,000 cumulative exchangeable first preferred shares, Series 7 at a price of \$7.50 per share as payment to the vendors for the acquisition by way of a private placement. Holders of the Series 7 shares are entitled to receive fixed cumulative preferential cash dividends in an amount equal to \$0.375 per Series 7 share per annum, yielding 5% per annum, payable quarterly. The Series 7 shares are exchangeable into shares of Yellow Media Inc. at the option of the holders of the Series 7 shares and at a ratio of one preferred share for one share or newly tradable security, regardless of the market price of such shares or newly tradable security of the successor company. On or after January 1, 2012, the 300,000 Series 7 shares held in escrow may be exchanged, subject to certain time-based and performance conditions. The Series 7 shares are included in equity attributable to shareholders.

⁽¹⁾ Date of retraction at the option of the holders.

⁽²⁾ Please refer to note 7 of the Q2 2012 Financial Statements.

⁽³⁾ Please refer to the Interim Condensed Consolidated Statements of Changes in Equity (Deficiency) of the Q2 2012 Financial Statements.

6. Credit Facilities & Liquidity Discussion

(in millions of Canadian dollars)

- As of June 30, 2012, Yellow Media Inc. had in place a senior unsecured credit facility totaling \$405 million:⁽¹⁾

		Amount	Structure	Final Maturity	Use	Drawn Pricing
Credit Facility	Tranche 1	\$250.0	Revolving Facility	Feb. 2013	General Corporate Purposes	BA + 3.5% and/or Prime + 2.5%
	Tranche 2	\$155.0	Non-Revolving Facility	Feb. 2013	General Corporate Purposes	BA + 3.5% and/or Prime + 2.5%

- As of June 30, 2012, Yellow Media Inc. had total available liquidity of \$386.5 million:

	Limit	Drawn	Available
Revolving Credit Facility	\$250.0	\$239.0	\$11.0 ⁽²⁾
Cash ⁽¹⁾	-	-	375.5
TOTAL	\$250.0	\$239.0	\$386.5

(1) As of August 9, 2012, \$130 million was drawn on the non-revolving tranche and \$239 million was drawn on the revolving tranche of the credit facility for a total amount of \$369 million. The company had approximately \$325 million of cash as at August 8, 2012.

(2) As part of the recapitalization plan, we agreed not to draw on the remaining \$11 million available on the bank lines.

7. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

Debt Components	June 30, 2012		Interest	Maturity Date
	Reported Basis	Notional Balances		
Medium Term Notes (MTN) ⁽¹⁾			Fixed Rates	
4-year Notes maturing 2013 - Series 9	\$130,000	\$130,000	6.50%	July 10, 2013
4.5-year Notes maturing 2013 - Series 8	125,000	125,000	6.85%	December 3, 2013
10-year Notes maturing 2014 - Series 2	254,733	254,733	5.71%	April 21, 2014
5-year Notes maturing 2015 - Series 7	138,100	138,100	7.30%	February 2, 2015
10-year Notes maturing 2016 - Series 4	319,877	319,877	5.25%	February 15, 2016
15-year Notes maturing 2019 - Series 3	121,219	121,219	5.85%	November 18, 2019
10-year Notes maturing 2020 - Series 10	300,000	300,000	7.75%	March 2, 2020
30-year Notes maturing 2036 - Series 5	16,576	16,576	6.25%	February 15, 2036
Fair value adjustment of hedged item	6,688	n.a.		
Deferred financing costs	(8,088)	n.a.		
Convertible Debentures ⁽²⁾	185,323	200,000	6.25%	October 1, 2017
Credit Facilities	239,000	239,000	BA + Margin and/or Prime + Margin	\$250M Revolving February 18, 2013
	155,000	155,000	BA + Margin and/or Prime + Margin	\$155M Non-Revolutionary February 18, 2013
Cash	(375,535)	(375,535)	Overnight	n.a.
Obligations Under Finance Leases	3,013	3,013		n.a.
Net Debt	\$ 1,610,906	\$ 1,626,983		

⁽¹⁾ Please refer to notes 5 and 15 of the Q2 2012 Financial Statements.

⁽²⁾ Value of the exchange option classified as equity on the balance sheet. Accretion not included in the cash interest expense. Please refer to notes 6 and 15 of the Q2 2012 Financial Statements.

8. Taxes

(in millions of Canadian dollars)

- The following table presents key income tax assumptions applicable to Yellow Media Inc.

	2012E	2013E
Cash Outflows Expected from Income Taxes (including sales tax assessments from previous years)	\$125	\$140
Effective Tax Rate Assumptions		~26%

Note: Yellow Media Inc. 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 Inc. 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 Inc. 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.

9. Adjusted Earnings from Continuing Operations

(in thousands of Canadian dollars - except share information)

	For the three-month periods ended		For the six-month periods ended	
	2012	2011	2012	2011
Net earnings (loss) from continuing operations	\$67,694	(\$20,698)	(\$2,801,558)	\$49,755
Attributable to non-controlling interest	(40)	190	(27)	357
Dividends to preferred shareholders	(5,584)	(5,662)	(11,168)	(11,372)
Net earnings (loss) from continuing operations, available to common shareholders of Yellow Media Inc.	\$62,070	(\$26,170)	(\$2,812,753)	\$38,740
Add:				
Amortization of Intangible Assets ⁽¹⁾	20,840	50,477	45,547	106,695
Impairment of Goodwill	-	-	2,967,847	-
Recapitalization and Acquisition - Related Costs ⁽²⁾	5,487	6,233	5,487	7,036
Restructuring and Special Charges	-	11,888	-	11,888
Financial Charges	35,496	37,484	67,621	84,626
Interest Paid	(26,969)	(29,521)	(59,905)	(71,328)
Gain on Investment ⁽³⁾	-	-	(2,090)	-
Impairment on Investment in Associate ⁽⁴⁾	-	50,271	-	50,271
Income Taxes	(6,023)	648	(53,581)	7,035
Adjusted Earnings from Continuing Operations	\$90,901	\$101,310	\$158,173	\$234,963
Adjusted Earnings per Common Share from Continuing Operations	\$0.18	\$0.20	\$0.31	\$0.46
Weighted Average Number of Common Shares Outstanding (in Millions)	512.6	514.6	512.6	512.5

⁽¹⁾ Represents amortization of intangible assets attributable to common shareholders.

⁽²⁾ Recapitalization and acquisition-related costs are excluded from the calculation as they do not reflect the ongoing operations of the business.

⁽³⁾ Net of income taxes of \$0.1 million.

⁽⁴⁾ Net of income taxes of \$0.2 million.

10. Depreciation and Amortization

(in millions of Canadian dollars)

Depreciation and amortization expenses are expected to be as follows:

	2012E	2013E
Depreciation	\$12	\$12
Amortization	\$72	\$45
Depreciation and Amortization	\$84	\$57

11. Consensus Estimates

(in millions of Canadian dollars except for Adjusted Earnings per Share)

	2011 Actual	Consensus Estimates			% Var	Consensus Estimates		
		2012			Avg. '12 / Act. '11	2013		
		Low	Average	High		Low	Average	High
Revenues	\$1,328.9	\$1,061.9	\$1,118.7	\$1,170.5	(15.8%)	\$899.5	\$980.3	\$1,041.0
EBITDA	\$679.7	\$523.6	\$539.7	\$552.0	(20.6%)	\$432.0	\$452.0	\$489.0
Adjusted Earnings per Share	\$0.53	\$0.40	\$0.43	\$0.49	(18.9%)	\$0.27	\$0.32	\$0.39

Source: Third party sell side financial analysts.