Management's Discussion and Analysis /

November 5, 2013

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Media Limited and its subsidiaries for the three and nine-month periods ended September 30, 2013 and should be read in conjunction with our audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2012 as well as our unaudited interim condensed financial statements and accompanying notes for the period ended September 30, 2013. Quarterly reports, the annual report and supplementary information can be found under the "Financial Reports" section of our corporate web site: www.ypg.com. Additional information, including our annual information form (AIF), can be found on SEDAR at www.sedar.com.

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Media" and "YPG" refer to Yellow Media Limited and its subsidiaries (including YPG Financing Inc. (formerly Yellow Media Inc.), Yellow Pages Group Corp., Wall2Wall Media Inc. (Wall2Wall), YPG (USA) Holdings, Inc. and Yellow Pages Group, LLC (the latter two collectively YPG USA)).

Forward-looking information

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance. This MD&A contains assertions about the objectives, strategies, financial condition, results of operations and businesses of YPG. These statements are considered "forward-looking" because they are based on current expectations of our business, on the markets we operate in, and on various estimates and assumptions.

Forward-looking information and statements are based on a number of assumptions which may prove to be incorrect. In making certain forward-looking statements, we have assumed that we will succeed in continuing to implement our business plan, that we will be able to attract and retain key personnel in key positions, that we will be able to introduce, sell and provision new products and services, that the directories, digital media and advertising industries into which we sell our products and services will demonstrate strong demand for our products and services, that the decline in print revenues will not accelerate beyond what is currently anticipated, that digital growth will not be slower than what is currently anticipated, that we will be able to acquire new advertisers at the anticipated rate, and that general economic conditions will not deteriorate beyond currently anticipated levels.

When used in this MD&A, such forward-looking statements may be identified by words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "goal", "intend", "objective", "may", "plan", "predict", "seek", "should", "strive", "target", "will", "would" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this MD&A. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The Corporation's substantial indebtedness could adversely affect its efforts to refinance or reduce its indebtedness and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "Failure by either the Corporation or the Telco Partners to fulfill the obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition", "Failure by the Corporation to adequately protect and maintain its brands and trade-marks, as well as third party infringement of such, could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "Work stoppages and other labor disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "Challenge by tax authorities of the Corporation's position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The loss of key relationships or changes in the level or service provided by internet portals, search engines and individual websites could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The failure of the Corporation's computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition" and "The Corporation might be required to record additional impairment charges" of the "Risks and Uncertainties" section of our MD&A for the year ended December 31, 2012. Additional risks and uncertainties not currently known to management or that are currently deemed to be immaterial may also have a material adverse effect on the Corporation's business, financial position or financial performance. Although the forward-looking statements contained in this MD&A are based upon what management of the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements and cautions readers not to place undue reliance on them. These forward-looking statements are made as of the date of this MD&A and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws.

Definitions relative to understanding our results

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 (EBITDA)

We report on our EBITDA (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). EBITDA is not a performance measure defined under International Financial Reporting Standards (IFRS) and is not considered an alternative to income (loss) from operations or net earnings (loss) in the context of measuring YPG's performance. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, taxes, interest payments, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed on page 15 of this MD&A.

Free cash flow

Free cash flow is a non-IFRS measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flow from operating activities. Free cash flow is defined as cash flow from operating activities, as reported in accordance with IFRS less an adjustment for capital expenditures.

This MD&A is divided into the following sections:

1. Our Business, Mission, Strategy and Capability to Deliver Results
2. Results
3. Liquidity and Capital Resources
4. Free Cash Flow
5. Critical Assumptions
6. Risks and Uncertainties
7. Controls and Procedures

1. Our Business, Mission, Strategy and Capability to Deliver Results /

Yellow Media is a leading media and marketing solutions company offering its services to small and medium enterprises (SMEs) across Canada. The Company offers businesses personalized marketing consulting services and exposure to marketing products, including print, online and mobile Yellow Pages, websites and search engine solutions. Our advertisers' local business information is published, marketed and distributed via a variety of both owned and operated properties, and through other local search networks. Yellow Media is also a leader in national digital advertising through Mediative, a division of Yellow Pages Group, devoted to digital marketing and performance media services for national agencies and advertisers. To review our business, mission, strategy and capability to deliver results, please refer to the corresponding sections in the MD&A for the year ended December 31, 2012.

2. Results /

This section provides an overview of our financial performance during the third quarter of 2013 compared to the same period in 2012. It is also important to note that, in order to help investors better understand our performance, we rely on several metrics, some of which are not measures recognized by IFRS. Definitions of these financial metrics are provided on page 2 of this MD&A and are important aspects which should be considered when analyzing our performance.

Overall

- Revenues decreased by $30.4 million or 11.3% to $237.4 million compared to the third quarter of 2012.
- Income from operations before depreciation and amortization and restructuring and special charges (EBITDA) decreased by $35.7 million or 25.9% to $102.1 million compared to the third quarter of 2012.

Highlights

(in thousands of Canadian dollars– except per share information)

	Three-month periods ended September 30,	
	2013	2012
Revenues	$ 237,350	$ 267,711
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	$ 102,147	$ 137,890
Net earnings	$ 41,775	$ 22,236
Basic earnings per share attributable to common shareholders[1]	$ 1.51	$ 0.59
Cash flows from operating activities	$ 79,191	$ 49,640
Free cash flow[2]	$ 64,260	$ 39,905

[1] Pursuant to the closing of the recapitalization transaction on December 20, 2012, the common shares of YPG Financing Inc. were exchanged for new common shares of Yellow Media Limited in accordance with the terms of the plan of arrangement implementing the recapitalization transaction. As a result, the weighted average number of common shares outstanding for the prior period has been adjusted to reflect the recapitalization.

[2] Please refer to Section 4 for a reconciliation of free cash flow.

Revenues
(in millions of dollars)

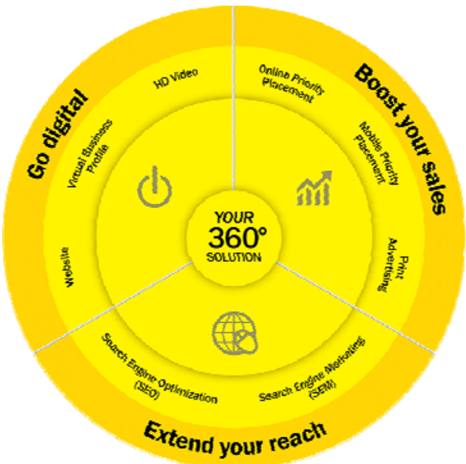
EBITDA
(in millions of dollars)

Performance Relative to Business Strategy

Right Value – having knowledgeable advisors provide marketing programs that will deliver superior value to our advertisers

The Yellow Pages 360º Solution is a comprehensive, full-serve digital and traditional media and marketing solution. As effective digital advertising for small to medium sized advertisers becomes more complex, Canadian advertisers are now looking for a single multi-media advisor to directly address their key marketing needs. The Yellow Pages 360º Solution was built with local advertisers in mind, offering them professional tools and services to attract local consumers, manage and grow their business.

The Yellow Pages 360º Solution is directly aligned with small to medium sized advertisers' key needs. This unique value proposition allows advertisers to boost sales, go digital and extend their online reach through visibility on YPG's owned and operated print, online and mobile properties, website development, search engine optimization (SEO) and search engine marketing (SEM):



- Boost Sales: advertisers can generate qualified leads by making their business information visible through online priority placement, mobile priority placement and print advertising across YPG's network of properties;
- Go Digital: advertisers can build a complete digital presence through websites, virtual business profiles across YPG's network of digital properties and those of its partners, and videos; and
- Extend Online Reach: advertisers can boost visibility and be found by valuable consumers on popular search engines through SEO and SEM products

As at September 30, 2013, the penetration of the Yellow Pages 360º Solution offering amongst our advertiser base, which we define as advertisers who purchase three product categories or more, grew to 24%. This compares to 13.9% at the end of the same period last year.

Online priority placement is the highest penetrated digital offering amongst the Company's products and services and allows advertisers to claim top local advertising spots across YPG's network of online properties and partner sites. Online priority placement penetration increased to 43.5% as at September 30, 2013, compared to 31.6% at the end of the same period in 2012. During the third quarter of 2013, YPG's network of sites reached 8.4 million unduplicated unique visitors, representing 30% of Canada's online population.

Mobile priority placement and digital services remain the fastest growing components of the Yellow Pages 360º Solution. Mobile priority placement allows advertisers to gain top positioning across YPG's mobile applications, which include YellowPages.ca, ShopWise and RedFlagDeals.com. Advertiser penetration of mobile priority placement increased to 12.2% as at September 30, 2013 compared to 6.8% at the end of the same period in 2012. Advertiser penetration of digital services, which include website development, SEO and SEM offerings, also grew from 5.9% as at September 30, 2012 to 8.3% as at September 30, 2013.

The growth in advertiser penetration amongst online and mobile priority placement products and digital services continues to be a result of the successful sales execution of the Yellow Pages 360º Solution, migration of traditional media advertisers to digital products and services, and the launch of new mobile and premium digital products in 2012.

Advertiser Penetration[1]

	As at September 30,	
	2013	2012
Print	92.5%	94.5%
Owned and Operated Digital Media[2,3]	60.6%	60.9%
Online placement	43.5%	31.6%
Mobile placement	12.2%	6.8%
Digital Services[4]	8.3%	5.9%

[1] Excludes Mediative and Wall2Wall.

[2] Percentage of YPG advertisers purchasing at least one online placement, mobile placement, legacy, content, and/or video product.

[3] Decline in advertiser penetration within Owned and Operated Digital Media reflects the loss of advertisers purchasing digital products as we migrate these advertisers from Directory Plus legacy products to other digital products.

[4] Percentage of YPG advertisers purchasing at least one website, SEO, and/or SEM product.

Over the last twelve months, YPG acquired approximately 11,900 new advertisers, compared to approximately 18,300 for the same period last year. As the decline in advertiser acquisition continues to have an adverse impact on overall revenues, the Company established a dedicated acquisition strategy during the second quarter of 2013. This acquisition strategy is centered on increasing advertiser leads and conversions through the development of demand generation initiatives, inbound and outbound call centers, and a dedicated face-to-face national network of specialized Media Account Consultants (MACs).

As part of its advertiser acquisition strategy, the Company also launched two new entry-level product packages designed to help new prospective advertisers easily gain a media presence. These include Business Builder Bundle and Booster Packs, two fully-integrated media solutions providing access to virtual business profiles and priority placement across YPG's network of digital properties. In the near term, the Company will remain focused on generating additional leads, improving conversions and increasing efficiency of its sales channels via enhancements on its Yellow Pages 360º Solution Business to Business website, improved business processes, simplified sales tools and new marketing initiatives.

Right Products – offering our advertisers the optimal mix of continuously evolving digital marketing products

In order to support retention efforts, increase loyalty and optimize revenue growth amongst its larger clients, the Company established the PriorityPlus program. The program provides high-spend advertisers with priority treatment and service, regular meetings with MACs, and increased attention, analysis and advice to ensure effective execution of their marketing strategy. In conjunction with PriorityPlus, the Company also offers customizable premium digital products, and access to dedicated professionals and creative services specializing in search engine optimization, search engine marketing and website development.

Right Execution and Customer Experience – delivering flawless execution of our advertisers' marketing campaigns and an overall superior customer experience

The Company continues to develop tools and technologies with the objective of providing advertisers with enhanced fulfillment of their marketing campaigns, an improved customer experience and higher return on investment (ROI). Advertisers have been receptive to recent initiatives, which have improved product fulfillment processes, publishing accuracy, and overall customer service, resulting in a reduction of incoming customer claims. The Company also continues to implement the Online Merchant Management (OMM) tool, first deployed in the second quarter of 2013. OMM allows the delivery of accurate, rich and reliable data to advertisers, users and partners by allowing content on each Canadian business to become available via a unique and stable Merchant Identifier.

Right Consumer Audiences – enabling our advertisers to reach and target local qualified consumers

Attracting valuable consumer audiences towards our online and mobile properties is a key factor in generating ROI for our advertisers' digital marketing campaigns. Our online properties, which include YellowPages.ca, Canada411.ca, RedFlagDeals.com, and Canpages.ca, reached 8.4 million unduplicated unique visitors during the third quarter of 2013, representing 30% of Canada's online population.

As at September 30, 2013, our mobile applications were downloaded 6.2 million times compared to 4.7 million times at the same period last year. YPG remains committed to enhancing users' mobile search process by providing them with valuable local information to fit their daily search needs. During the quarter, the Company launched a real time gas pricing and comparison feature in an updated version of its flagship Yellow Pages mobile application. This feature is available across all areas and service stations in Canada, and provides a comparison of different stations' real time gas prices, service station information, directions and mapping, as well as detailed pricing for various grades of gas.

In August 2013, YPG extended an existing collaboration with CBC.ca to provide its users with local business listings and information. Through the use of YellowAPI, CBC has created a geo-localized widget for each of its city pages allowing users to instantly access commonly-searched categories of nearby services. The YellowAPI contains over 1.5 million Canadian business listings, and enrols 2,900 application developers who make this content visible across various mobile applications. YellowAPI also powers local search in Canada through partnerships with leading search engines and applications such as Yahoo! Canada, Google, Poynt, AOL, Bell Aliant/Bell Sympatico, and MTS Allstream.

In an effort to build awareness of the Yellow Pages brand amongst the key millennial generation demographic and promote the download and use of the Yellow Pages mobile application, the Company launched an integrated multimedia advertising blitz in Toronto from June 2013 to August 2013. The campaign improved public perception of the Yellow Pages brand within the target demographic in both social and marketing media. The brand was welcomed as relevant and showing a wittier, more modern side, which helped improve the public's perception of Yellow Pages as a digital company. The campaign also increased mobile downloads and visits, and strengthened the Yellow Pages brand image, as respondents better recognized the Yellow Pages application as a resourceful tool for discovering and shopping in their local neighbourhoods.

The Company has recently extended this advertising campaign across Canada. Throughout the fall of 2013, the campaign will target millennial audiences in Toronto, Montreal and Vancouver through integrated multi-media advertising across Canada's largest university campuses. YPG has also launched a new event and awareness initiative in Toronto called Shop the Neighbourhood, to encourage local shopping and promote support for local businesses. Consumers will be asked to shop locally on November 30, 2013, a weekend when historically Canadians shop in the U.S. for Black Friday or online for Cyber Monday deals. Local businesses across the Greater Toronto Area will offer exclusive deals and savings on November 30, 2013, hosted both online and on the mobile applications of YellowPages.ca, ShopWise and RedFlagDeals.com.

Consolidated Operating and Financial Results

(in thousands of Canadian dollars – except per share information)

	Three-month periods ended September 30, 2013	Three-month periods ended September 30, 2012[1]	Nine-month periods ended September 30, 2013	Nine-month periods ended September 30, 2012[1]
Revenues	$ 237,350	$ 267,711	$ 733,810	$ 843,268
Operating costs	135,203	129,821	408,951	415,565
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	102,147	137,890	324,859	427,703
Depreciation and amortization	15,589	26,597	44,058	80,898
Impairment of goodwill	–	–	–	2,967,847
Restructuring and special charges	4,011	26,812	10,204	26,812
Income (loss) from operations	82,547	84,481	270,597	(2,647,854)
Financial charges, net	23,098	32,089	69,369	104,351
Loss on settlement of debt	–	10,818	–	16,305
Earnings (loss) before dividends on Preferred shares, series 1 and 2, income taxes and earnings from investments in associates	59,449	41,574	201,228	(2,768,510)
Dividends on Preferred shares, series 1 and 2	–	4,562	–	13,688
Earnings (loss) before income taxes and earnings from investments in associates	59,449	37,012	201,228	(2,782,198)
Provision for income taxes	18,029	14,902	56,183	3,545
Earnings from investments in associates	355	126	521	1,839
Net earnings (loss)	$ 41,775	$ 22,236	$ 145,566	$ (2,783,904)
Basic earnings (loss) per share attributable to common shareholders[2]	$ 1.51	$ 0.59	$ 5.22	$ (100.19)
Diluted earnings (loss) per share attributable to common shareholders[2]	$ 1.30	$ 0.59	$ 4.49	$ (100.19)

	2013	2012[1]
Total assets	$ 1,841,026	$ 2,307,938
Long-term debt (including short-term portion, excluding convertible debt instruments)	$ 766,792	$ 1,775,546
Convertible debt instruments	$ 87,616	$ 185,024
Preferred Shares, Series 1 and 2 (including short-term portion)	$ –	$ 400,249

1 Revised to reflect the adoption of IAS 19 (Revised).

2 Pursuant to the closing of the recapitalization transaction on December 20, 2012, the common shares of YPG Financing Inc. were exchanged for new common shares of Yellow Media Limited in accordance with the terms of the plan of arrangement implementing the recapitalization transaction. As a result, the weighted average number of common shares outstanding for the prior period has been adjusted to reflect the recapitalization.

Analysis of Consolidated Operating and Financial Results

Revenues

Revenues decreased by 11.3% to $237.4 million during the third quarter of 2013 compared with $267.7 million for the same period last year. For the nine-month period ended September 30, 2013, revenues decreased by 13% to $733.8 million compared with $843.3 million for the same period last year. On a comparable basis, excluding the results of Canpages, revenues decreased by 10.9% for the nine-month period ended September 30, 2013. The revenue decrease for the three and nine-month periods ended September 30, 2013 is due to lower print revenues partly offset by higher digital revenues.

Digital revenues reached $101.6 million in the third quarter of 2013 and $298.9 million for the nine-month period ended September 30, 2013, representing a growth of 10.5% and 11.7%, respectively, compared to the same periods last year. Excluding the impact of Canpages, digital revenues increased by 14.3% for the nine-month period ended September 30, 2013. Growth in digital revenues is due to the continued migration of print revenues towards digital products and services, and the launch of new mobile and premium digital products in 2012, which generated growth in 2013. These factors also led to an improvement in Revenue Generating Units[1] (RGU) per advertiser from 1.72 as at September 30, 2012 to 1.78 as at September 30, 2013.

At this time, digital revenue growth does not offset print revenue declines. This is primarily due to a decline in advertisers, and a decrease in spending amongst our larger advertisers.

As at September 30, 2013, the number of advertisers was 283,000 compared to 319,000 as at September 30, 2012. During the last 12 months, YPG acquired approximately 11,900 new advertisers compared to approximately 18,300 new advertisers for the same period last year. The recent deployment of our dedicated acquisition strategy and introduction of entry-level digital product packages is directly aimed at generating valuable advertiser leads and improving conversions.

Advertiser Renewal and Acquisition

	Twelve-month periods ended September 30,	
	2013	2012
Advertiser count[2]	283,000	319,000
Client renewal rate[2]	85%	86%
New advertisers	11,900	18,300

The Company experienced challenges in migrating print revenues towards digital products and services, particularly amongst its larger clients. 19% of renewing advertisers[2] experienced a decrease in spending over the last twelve months. The Company is currently completing the implementation of the dedicated PriorityPlus program across the country. The offering of premium digital products and services should also support retention efforts, increase loyalty and optimize revenue growth amongst its high-spend advertisers.

Spending Dynamics

	Twelve-month periods ended September 30,	
	2013	2012
Amongst Renewing Advertisers[3]		
Increase in spending[4]		
Advertiser distribution	30%	49%
% of revenues	30%	40%
Stable spending[5]		
Advertiser distribution	51%	33%
% of revenues	25%	16%
Decrease in spending[6]		
Advertiser distribution	19%	18%
% of revenues	45%	44%
Average Revenue per Advertiser (ARPA)[2]	$3,256	$3,273

1 Revenue Generating Units measures the number of product groups selected by advertisers.

2 Excludes the contribution of Canpages and Wall2Wall.

3 Renewing advertisers exclude Mediative , Canpages and Wall2Wall advertisers.

4 Renewing YPG advertisers experiencing an increase in spending over 5%, on a year over year basis.

5 Renewing YPG advertisers experiencing an increase in spending between 0% and 5%, on a year over year basis.

6 Renewing YPG advertisers experiencing a decrease in spending on a year over year basis.

Operational Indicators

	As at September 30,	
	2013	2012
Yellow Pages 360º Solution Penetration[1,2]	**24%**	13.9%
RGU per advertiser[1]	**1.78**	1.72
Digital only advertisers[1,2]	**21,300**	17,500
Digital revenues (in thousands of Canadian dollars)[3]	**$101,578**	$91,954

1 Excludes the contribution of Wall2Wall.

2 Excludes the contribution of Mediative.

3 For the three-month period ended September 30.

EBITDA

EBITDA decreased by $35.7 million to $102.1 million during the third quarter of 2013 compared with $137.9 million for the same period in 2012. For the nine-month period ended September 30, 2013, EBITDA decreased by $102.8 million to $324.9 million compared with $427.7 million for the same period last year. The decrease in EBITDA is due principally to print revenue pressure, as revenue growth from our digital products is not compensating for the loss in print revenues. Our EBITDA margin for the third quarter of 2013 was 43% compared to 51.5% for the same period in 2012. For the nine-month period ended September 30, 2013, our EBITDA margin was 44.3% compared with 50.7% for the same period last year. Change in product mix, employee related expenses and investments in the business transformation contributed to the decrease in EBITDA margin.

Cost of sales decreased by $0.9 million to $78.8 million during the third quarter of 2013 compared with $79.7 million for the same period in 2012. For the nine-month period ended September 30, 2013, cost of sales decreased by $16.5 million to $237.7 million compared with $254.2 million for the same period last year. The decrease for the quarter and nine-month period ended September 30, 2013 results mainly from lower sales costs associated with lower revenues and lower manufacturing costs associated with lower print revenues. These cost savings were partly offset by an increase in provisioning and fulfillment costs of our digital services, as well as increased selling costs resulting from the renegotiation of collective agreements in Ontario.

Gross profit margin decreased to 66.8% for the third quarter of 2013 compared to 70.2% for the same period last year. For the nine-month period ended September 30, 2013, gross profit margin decreased to 67.6% compared to 69.9% for the same period last year. The decrease is mainly due to a change in product mix which includes lower margins associated with some of our digital service offerings such as websites, SEO and SEM.

General and administrative expenses increased by $6.3 million to $56.4 million during the third quarter of 2013 compared with $50.1 million for the same period in 2012. For the nine-month period ended September 30, 2013, general and administrative expenses increased by $9.9 million to $171.2 million compared with $161.3 million for the same period last year. The increase for the three-month period ended September 30, 2013 is mainly attributable to employee related expenses, a sales tax assessment and investment in our business transformation, which was partly offset by lower bad debts. The increase of $9.9 million for the nine-month period ended September 30, 2013 is attributable to employee related expenses, investments in branding as we continued our Meet the New Neighbourhood ad campaign, and a sales tax assessment. This was partly offset by a lower non-cash benefit resulting from the amendment to our employees' pension and post-retirement benefits, and lower bad debts.

Depreciation and amortization

Depreciation and amortization decreased to $15.6 million in the third quarter of 2013 from $26.6 million during the third quarter of 2012 and to $44.1 million for the nine-month period ended September 30, 2013 compared with $80.9 million for the same period last year. The decrease is mainly attributable to lower amortization of certain intangible assets related to the acquisition of Canpages in 2010. These intangibles resulted in a higher amortization expense in 2012 and were fully written off during the previous year. In addition, certain intangible assets and property, plant and equipment had a lower cost base due to the impairment recorded in the fourth quarter of 2012.

Impairment of goodwill

During the first quarter of 2012, management concluded that indicators that the Company's assets may be impaired existed, requiring the Company to perform an impairment test. As a result of the impairment test, we recorded a goodwill impairment charge of $2,967.8 million in the first quarter of 2012. No such charge was recorded during the nine-month period ended September 30, 2013.

Restructuring and special charges

During the first quarter of 2013, we recorded restructuring and special charges of $6.2 million. The majority of this amount relates to the departure of the former President and Chief Executive Officer (CEO). As announced on March 21, 2013, Marc P. Tellier stepped down as CEO on August 15, 2013 and is entitled to remuneration in accordance with his employment agreement entered into in 2002. During the third quarter of 2013, we recorded additional restructuring and special charges of $4 million. The charges in the third quarter of 2013 relate to a workforce reduction and the termination and renegotiation of certain contractual obligations.

During the third quarter of 2012, we recorded restructuring and special charges of $26.8 million associated with workforce reductions and the termination and renegotiation of certain contractual obligations.

Financial charges

Financial charges decreased by $9 million to $23.1 million during the third quarter of 2013 compared with $32.1 million for the same period in 2012 and decreased by $35 million to $69.4 million during the nine-month period ended September 30, 2013 compared with $104.4 million for the same period last year. This decrease for the three and nine-month periods ended September 30, 2013 is mainly attributable to a lower level of indebtedness and lower deferred financing costs as a result of the December 2012 recapitalization transaction. During the third quarter, the Company purchased on the open market $8 million of senior secured notes for a total cash consideration of $8.3 million. A loss of $0.3 million was recorded in net earnings in financial charges. As at September 30, 2013, the effective average interest rate on our debt portfolio was 9.1% compared to 6.2% as at September 30, 2012.

Loss on settlement of debt

During the three and nine-month periods ended September 30, 2012, we incurred costs of $10.8 million and $16.3 million, respectively, in connection with the recapitalization transaction.

Dividends on preferred shares, Series 1 and 2

Dividends on the two series of redeemable preferred shares amounted to $4.6 million during the third quarter of 2012 and $13.7 million for the nine-month period ended September 30, 2012. Pursuant to the December 2012 recapitalization transaction, these preferred shares were cancelled.

Provision for income taxes

The combined statutory provincial and federal tax rate was 26.4% and 26.3% for the three and nine-month periods ended September 30, 2013 and 2012, respectively. The Company recorded an expense of 30.3% and 27.9% of earnings for the three and nine-month periods ended September 30, 2013, respectively. The difference between the effective and the statutory rates in the third quarter of 2013 is due to the non-deductibility of certain expenses for tax purposes.

The Company recorded an expense of 40.3% on the earnings and an expense of 0.1% on the loss for the three and nine-month periods ended September 30, 2012, respectively. The difference between the effective and the statutory rates in the third quarter of 2012 was due to unrecognized tax attributes on the US operating losses while the difference for the nine-month period ended September 30, 2012 was due to the impairment of goodwill charge of $2,967.8 million recorded in the first quarter of 2012 which was not fully deductible for tax purposes. In addition, in the second quarter of 2012, a deferred income tax asset was recognized as a result of a corporate reorganization and an additional deferred income tax liability was recorded due to the increase of the statutory tax rate of the province of Ontario.

Earnings from investments in associates

During the third quarter of 2013, we recorded earnings from our investment in an associate in the amount of $0.4 million compared with $0.1 million for the same period last year and $0.5 million for the nine-month period ended September 30, 2013 compared with $1.8 million for the same period in 2012. Effective January 1, 2012, we no longer account for the Acquisio investment using the equity method and we recorded a gain of $2.1 million in the first quarter of 2012 on the revaluation of this investment. Our earnings from investments in associates include the amortization of intangible assets in connection with these equity investments.

Net earnings (loss)

Net earnings increased to $41.8 million in the third quarter of 2013 compared with net earnings of $22.2 million in the third quarter of 2012. The increase in the quarter is due to lower depreciation and amortization of $11 million, lower restructuring and special charges of $22.8 million, lower financial charges of $9 million and a loss on settlement of debt of $10.8 million recorded in the third quarter of 2012 partly offset by lower EBITDA of $35.7 million. For the nine-month period ended September 30, 2013, net earnings increased to $145.6 million compared with a net loss of $2,783.9 million for the nine-month period ended September 30, 2012. The increase for the nine-month period ended September 30, 2013 is mainly due to the impairment of goodwill of $2,967.8 million recorded in the first quarter of 2012 partly offset by a higher provision for income taxes and lower EBITDA.

Summary of Consolidated Quarterly Results

Quarterly Results

(in thousands of Canadian dollars – except per share information)

	2013			2012[1]				2011[1]
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	$ 237,350	$ 243,183	$ 253,277	$ 264,447	$ 267,711	$ 286,484	$ 289,073	$ 313,315
Operating costs	135,203	135,949	137,799	122,770	129,821	141,545	144,199	169,435
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 (EBITDA)	102,147	107,234	115,478	141,677	137,890	144,939	144,874	143,880
EBITDA margin	43%	44.1%	45.6%	53.6%	51.5%	50.6%	50.1%	45.9%
Depreciation and amortization	15,589	14,779	13,690	23,395	26,597	24,220	30,081	23,003
Impairment of goodwill, intangible assets and property, plant and equipment	–	–	–	300,000	–	–	2,967,847	–
Acquisition-related costs	–	–	–	–	–	–	–	210
Restructuring and special charges	4,011	–	6,193	18,111	26,812	–	–	14,254
Income (loss) from operations	82,547	92,455	95,595	(199,829)	84,481	120,719	(2,853,054)	106,413
(Gain) loss on settlement of debt	–	–	–	(994,894)	10,818	5,487	–	–
Net earnings (loss)	41,775	50,326	53,465	821,850	22,236	65,681	(2,871,821)	40,972
Basic earnings (loss) per share attributable to common shareholders[2]	$ 1.51	$ 1.81	$ 1.91	$ 29.24	$ 0.59	$ 2.15	$ (102.93)	$ 1.37
Diluted earnings (loss) per share attributable to common shareholders[2]	$ 1.30	$ 1.55	$ 1.64	$ 28.50	$ 0.59	$ 2.15	$ (102.93)	$ 1.37

1 Revised to reflect the adoption of IAS 19 (Revised).

2 Pursuant to the closing of the recapitalization transaction on December 20, 2012, the common shares of YPG Financing Inc. were exchanged for new common shares of Yellow Media Limited in accordance with the terms of the plan of arrangement implementing the recapitalization transaction. As a result, the weighted average number of common shares outstanding for the prior period has been adjusted to reflect the recapitalization.

Revenues decreased throughout the quarters, as a result of a continued decline of revenues from our print products, partially offset by an increase in revenues of our digital products.

Our EBITDA margin decreased progressively reflecting the decline in print revenues and lower margins associated with Canpages and Mediative. During the fourth quarter of 2011, we incurred a non-recurring expense of approximately $6 million as a result of a sales tax assessment. Our EBITDA margin remained relatively stable in the first and second quarter of 2012 but increased in the third quarter of 2012 as we benefited from reduced rates from our supply chain contracts which were renegotiated during the quarter. In the fourth quarter of 2012, first quarter of 2013, and second quarter of 2013, we recorded non-cash benefits of $13.3 million, $2.6 million and $4.6 million, respectively, related to amendments to our pension and post-retirement benefit plans. Our EBITDA margin decreased throughout 2013, reflecting the loss of margin from a change in product mix and investments made to accelerate our business transformation.

Workforce reductions and cost containment initiatives resulted in restructuring and special charges impacting some of our quarterly results presented above. Net earnings for 2011 and 2012 were affected by depreciation and amortization of intangible assets related to the acquisition of Canpages. The decrease in 2013 is a result of a lower cost base of assets to depreciate and amortize following the $300 million impairment recorded in the fourth quarter of 2012.

In addition, during the first and the fourth quarters of 2012, we recorded impairment charges of $2,967.8 million and $300 million, respectively, related to the goodwill, certain of our intangible assets and property, plant and equipment.

Upon closing of the recapitalization transaction in the fourth quarter of 2012, $5.5 million and $10.8 million of recapitalization costs recorded in the second and third quarters of 2012, respectively, were reclassified to gain on settlement of debt. The change in presentation of recapitalization costs and income from operations were made in the prior periods to conform to the December 31, 2012 presentation.

3. Liquidity and Capital Resources /

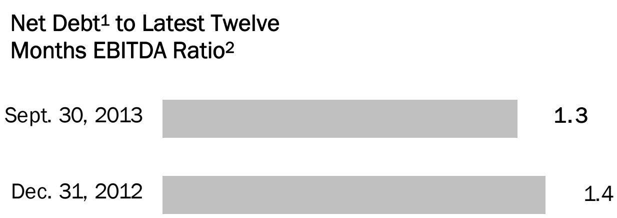
This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

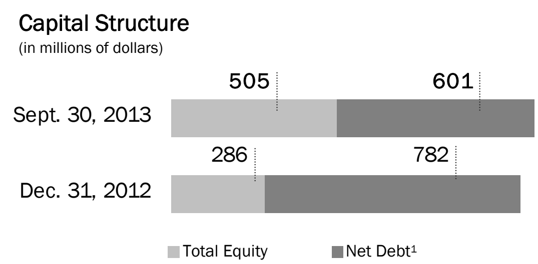
Financial Position

Capital Structure

(in thousands of Canadian dollars)

	As at September 30, 2013	As at December 31, 2012
Cash and cash equivalents	$ 253,794	$ 106,807
Senior secured notes	765,927	800,000
Obligations under finance leases	865	1,831
Exchangeable debentures	87,616	86,667
Net debt (net of cash and cash equivalents)[1]	$ 600,614	$ 781,691
Equity attributable to the shareholders	505,444	285,749
Non-controlling interests	–	411
Total capitalization	$ 1,106,058	$ 1,067,851
Net debt to total capitalization	54.3%	73.2%





Asset-Based Loan

In August 2013, the Company, through YPG Financing Inc., entered into a five-year $50 million asset-based loan (ABL) expiring in August 2018. The ABL will be used for general corporate purposes. Through the ABL, the Company may have access to the funds in the form of prime rate loans, BA equivalent loans or letters of credit. The ABL has a first priority lien over the receivables of the Company. The ABL is subject to an availability reserve of $5 million if the Company's trailing 12-month fixed charge coverage ratio is below 1.1 times. As at November 4, 2013, the ABL was fully available and was undrawn. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

The loan agreement governing the ABL contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payments, investments, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities.

As at September 30, 2013, the Company was in compliance with all covenants under the loan agreement governing the ABL.

[1] Net debt is a non-IFRS measure defined as external debt net of cash and cash equivalents, as reported in accordance with IFRS.

[2] Latest twelve month income from operations before depreciation and amortization, impairment of goodwill, intangible assets and property, plant and equipment, and restructuring and special charges (Latest Twelve Month EBITDA). Latest twelve month EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 2 for a definition of EBITDA.

Senior Secured Notes

On December 20, 2012, the Company, through its subsidiary YPG Financing Inc., issued $800 million of 9.25% senior secured notes (Senior Secured Notes) maturing November 30, 2018.

Interest on the Senior Secured Notes is payable in cash, quarterly in arrears, in equal instalments on the last day of February, May, August and November of each year.

As at September 30, 2013, the Company was in compliance with all covenants under the indenture governing the Senior Secured Notes.

Mandatory Redemption

Pursuant to the indenture governing the Senior Secured Notes, the Company is required to use an amount equal to 75% of its consolidated Excess Cash Flow for the immediately preceding six-month period ending March 31 or September 30, as applicable, to redeem on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2013, the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof from holders on a pro rata basis, subject to the Company maintaining a minimum cash balance of $75 million immediately following the mandatory redemption payment. The $75 million minimum cash balance condition is subject to reduction in certain cases provided in the indenture governing the Senior Secured Notes. Excess Cash Flow, as defined in the indenture governing the Senior Secured Notes, means the aggregate cash flow from operating activities less capital expenditures adjusted for, among other things, future payments relating to interest, taxes, long-term employee compensation plans and certain pension plan contribution payments. The Company is required to make minimum annual aggregate mandatory redemption payments of (i) $100 million in 2013, (ii) $75 million in 2014, and (iii) $50 million in 2015. The minimum annual aggregate mandatory redemption payments for 2013, 2014 and 2015 are not subject to the condition that the Company maintain a minimum cash balance of $75 million immediately following such payments.

For purposes of determining the consolidated Excess Cash Flow, deductions for capital expenditures and information systems/ information technology expenses are each subject to an annual deduction limit of $50 million.

The Company made a mandatory redemption payment of $26.1 million on May 31, 2013. The Company anticipates making a mandatory redemption payment of $92.3 million on December 2, 2013.

Optional Redemption

The Company may redeem all or part of the Senior Secured Notes at its option, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2017, 105% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring after May 31, 2017, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

On October 29, 2013, the Company exercised its option to redeem $27 million of Senior Secured Notes at a redemption price of $1,050 per $1,000 principal amount of Senior Secured Notes and accrued and unpaid interest of $15.16 per $1,000 principal amount of Senior Secured Notes.

Open Market Purchase

During the third quarter, the Company purchased on the open market $8 million of Senior Secured Notes for a total cash consideration of $8.3 million. A loss of $0.3 million was recorded in net earnings in financial charges.

Exchangeable Debentures

On December 20, 2012, the Company, through its subsidiary YPG Financing Inc., issued $107.5 million of senior subordinated exchangeable debentures (Exchangeable Debentures) due November 30, 2022.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum, for the applicable interest period, if the Company makes a Payment in Kind (PIK) election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

As at September 30, 2013, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable, at the holder's option, into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions.

Optional Redemption

The Company may, at any time on or after the date on which all of the Senior Secured Notes have been paid in full, redeem all or part of the Exchangeable Debentures at its option, upon, not less than 30 nor more than 60 days' prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

Credit Ratings

DBRS Limited	Standard and Poor's Rating Services
B (low)/Issuer rating – stable trend	B/Corporate credit rating – stable outlook
CCC (high)/Credit rating for Senior Secured Notes	B+/Credit rating for Senior Secured Notes
CCC/Credit rating for Exchangeable Debentures	CCC+/Credit rating for Exchangeable Debentures

Liquidity

The Company's principal source of liquidity is cash generated from operations, cash on hand and the ABL. The Company expects to generate sufficient liquidity to fund capital expenditures, working capital requirements and current obligations, including the mandatory redemption payments on the Senior Secured Notes. The Company had approximately $260.4 million of cash and cash equivalents as at November 4, 2013.

Share data

As at November 5, 2013, outstanding share data was as follows:

Outstanding Share Data			
	As at November 5, 2013	As at September 30, 2013	As at December 31, 2012
Common shares outstanding	27,955,077	27,955,077	27,955,077
Warrants outstanding	2,995,506	2,995,506	2,995,506

Exchangeable Debentures

As at November 5, 2013, the Company had a total of $107.5 million of Exchangeable Debentures outstanding.

Options

On December 20, 2012, as part of the implementation of Yellow Media Limited's recapitalization transaction, a new stock option plan (the Stock Option Plan) was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees of Yellow Media Limited who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Media Limited through the transition and transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Media Limited. A maximum of 1,290,612 options may be granted under the Stock Option Plan. On May 6, 2013, 376,000 options were granted to selected employees of Yellow Media Limited.

The significant terms and conditions of the options granted are as follows:

- The exercise price is $10.12
- The options vest 50% after two years, 25% after three years and 25% after four years.
- The options expire seven years after the grant date

Sources and Uses of Cash

Sources and Uses of Cash

(in thousands of Canadian dollars)

	Nine-month periods ended September 30, 2013	2012
Cash flows from operating activities		
Cash flows from operations	$ 229,326	$ 220,401
Change in operating assets and liabilities	22,910	(43,577)
	$ 252,236	$ 176,824
Cash flows used in investing activities		
Acquisition of intangible assets	$ (40,989)	$ (23,741)
Acquisition of property, plant and equipment	(11,044)	(2,906)
Proceeds from sale of assets	–	1,650
Business acquisition	(3,581)	–
Other	359	183
	$ (55,255)	$ (24,814)
Cash flows (used in) from financing activities		
Deferred consideration	$ (5,624)	$ (1,800)
Recapitalization costs	(6,641)	(16,305)
Repayment of long-term debt	(26,476)	(76,059)
Repurchase of long-term debt	(8,320)	–
Issuance of long-term debt	–	239,000
Other	(2,933)	(116)
	$ (49,994)	$ 144,720

Cash flows from operating activities

Cash flows from operating activities increased by $75.4 million from $176.8 million for the nine-month period ended September 30, 2012 to $252.2 million in the first nine months of 2013, mainly due to lower interest paid of $40.7 million, lower income taxes paid of $36.1 million, a lower funding of pension plans of $10.5 million as well as lower payments of restructuring and special charges of $27 million offset by lower EBITDA of $102.8 million. In addition, the change in operating assets and liabilities for the nine-month period ended September 30, 2013 generated an inflow of $22.9 million compared with an outflow of $43.6 million in the same period last year. The variance in the change in operating assets and liabilities is due principally to a payment of a sales tax assessment in 2012 and a better performance in the collection of our accounts receivable in 2013.

Cash flows used in investing activities

Cash used in investing activities amounted to $55.3 million during the nine-month period ended September 30, 2013 compared with $24.8 million during the same period last year. During the first nine months of 2013, we invested in software development and equipment for $41 million and $11 million, respectively, which was more than the corresponding amounts of $23.7 million and $2.9 million spent during the same period last year. The increase is associated with our investments to transform our business.

Acquisition of property, plant, equipment and intangible assets, net of lease inducements

(in thousands of Canadian dollars)

	Three-month periods ended September 30, 2013	2012	Nine-month periods ended September 30, 2013	2012
Sustaining	$ 4,829	$ 4,288	$ 18,309	$ 13,109
Growth	9,620	4,377	29,201	12,845
Total	$ 14,449	$ 8,665	$ 47,510	$ 25,954
Adjustment to reflect expenditures on a cash basis	580	1,070	3,638	510
Acquisition of property, plant, equipment and intangible assets, net of lease inducements	$ 15,029	$ 9,735	$ 51,148	$ 26,464

Sustaining capital expenditures are related to ongoing operations to maintain the integrity of the infrastructure. It also includes leasehold improvements which we invested in as we re-engineered some premises to accommodate our growing digital fulfillment teams.

Growth capital expenditures relate to the development and implementation of new technology and software aimed at new initiatives as we continue our transformation to a leading performance media and marketing solutions company.

Total capital expenditures for the third quarter of 2013 amounted to $14.4 million. During the quarter, we invested in a new call center platform which is expected to be fully rolled out by the end of the year. Also, our new search engine has been deployed on all our mobile properties, which should improve search results and user experience.

The total capital expenditures for 2013 is expected to be between $55 and $60 million.

Cash flows (used in) from financing activities

Cash flows used in financing activities amounted to $50 million during the nine-month period ended September 30, 2013 while $144.7 million of cash was generated from financing activities for the same period last year. During the first nine months of 2013, we repaid $26.1 million and repurchased $8 million of the Senior Secured Notes. In addition, we paid $6.6 million of costs associated with our recapitalization and $5.6 million relative to deferred payment obligations arising from acquisitions made in 2010 when we acquired Mediative. In the first nine months of 2012, we drew $239 million on the revolving tranche of the credit facility. The credit facility was cancelled pursuant to the recapitalization transaction on December 20, 2012.

Financial and Other Instruments

(See Note 24 of the Consolidated Financial Statements of the Company for the year ended December 31, 2012).

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, short-term and long-term debt, exchangeable debentures and derivative instruments.

Derivative Instruments

We currently have an agreement to purchase the remaining shares of an investment in an associate at a pre-determined multiple (purchase option). This purchase option qualifies as a derivative liability.

There is no carrying value of embedded derivatives as at September 30, 2013. The carrying value is calculated, as is customary in the industry, using discounted cash flows with quarter-end market rates.

4. Free Cash Flow /

Free cash flow
(in thousands of Canadian dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2013	2012	2013	2012
Cash flow from operating activities	$ 79,191	$ 49,640	$ 252,236	$ 176,824
Capital expenditures, net of lease inducements	14,931	9,735	51,835	26,464
Free cash flow	$ 64,260	$ 39,905	$ 200,401	$ 150,360

5. Critical Assumptions /

When we prepare our financial statements in accordance with IFRS, we must make certain estimates and assumptions about our business. These estimates and assumptions in turn affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements.

Our critical assumptions and accounting estimates have not changed since the release of our MD&A for the year ended December 31, 2012, with the exception of the discount rate used to measure the post employment benefit obligation. These critical assumptions and estimates relate to intangible assets and goodwill, employee future benefits and income taxes. Please refer to Section 5 – Critical Assumptions of our December 31, 2012 annual MD&A.

New Accounting Standards

IAS 19 (Revised) — *Employee Benefits*

Yellow Media Limited has applied the amendments to IAS 19 (Revised) — *Employee Benefits* effective for financial years beginning on or after January 1, 2013. Under the amendments, the main changes of this revised version are the elimination of the corridor approach and acceleration of past service costs recognition, with all changes to the defined benefit obligation and plan assets recognized when they occur. These amendments did not impact the Company's financial results. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with the net interest amount which is calculated by applying the discount rate to the net defined benefit liability or asset and administration fees are now included in service costs. Please refer to Note 2 of the accompanying interim condensed financial statements for the three and nine-month periods ended September 30, 2013 for a summary of the differences between our financial statements previously prepared and those under IAS 19 (Revised).

IFRS 7 (Revised) — *Financial Instruments: Disclosures*

On December 16, 2011, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). The IFRS 7 amendments are effective for annual reporting periods beginning on or after January 1, 2013. New required interim note disclosures have been included in our interim condensed consolidated financial statements for the third quarter of 2013.

IFRS 13 — *Fair Value Measurement*

IFRS 13 is a new standard that defines fair value and requires disclosures about fair value measurements. IFRS 13 is effective for fiscal years beginning on or after January 1, 2013. Earlier application is permitted. It applies prospectively from the beginning of the annual period in which it is adopted. New required interim note disclosures have been included in our interim condensed consolidated financial statements for the third quarter of 2013.

IAS 34 — *Interim Financial Reporting*

IAS 34 added new required interim note disclosures which have been included in our interim condensed consolidated financial statements for the third quarter of 2013.

IFRS 10 — *Consolidated Financial Statements*

IFRS 10 replaces the consolidation requirements in IAS 27 — *Consolidated and Separate Financial Statements*, and SIC-12 — *Consolidation - Special Purpose Entities*. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided IFRS 11 — *Joint Arrangements*, and IFRS 12 — *Disclosure of Interests in Other Entities* and the related amendments to IAS 27 — *Consolidated and Separate Statements* and IAS 28 — *Investments in Associates* (the "package of five") are adopted at the same time. Yellow Media Limited reviewed its investments in associates and concluded the adoption of IFRS 10 did not have an impact on our interim condensed consolidated financial statements for the third quarter of 2013.

IFRS 11 — *Joint Arrangements*

IFRS 11 supersedes IAS 31 — *Interests in Joint Ventures*, and SIC-13 — *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard also requires the use of a single method to account for interests in joint ventures, namely the equity method. IFRS 11 is applicable at the same time as IFRS 10. The standard has been adopted and its adoption has not had any impact on the disclosures made in our interim condensed consolidated financial statements for the third quarter of 2013.

IFRS 12 — *Disclosure of Interests in Other Entities*

IFRS 12 is a new standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is applicable at the same time as IFRS 10. In June 2012, the IASB issued amendments to IFRS 10 – *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, and IFRS 12 — *Disclosure of Interests in Other Entities* which will also be effective for the Company at the time of adoption of these standards for the fiscal year beginning on January 1, 2013. The standard has been adopted and its adoption has not had any impact on the disclosures made in our interim condensed consolidated financial statements for the third quarter of 2013.

IAS 16 — Property Plant and Equipment and IAS 32 — Financial Instruments

In May 2012, the IASB also issued amendments to IAS 16 — *Property, Plant and Equipment* and IAS 32 — *Financial Instruments: Presentation* which are effective for annual periods beginning on or after January 1, 2013, with early application permitted. These amendments clarify various requirements. The standard has been adopted and its adoption has not had any impact on the disclosures made in our interim condensed consolidated financial statements for the third quarter of 2013.

IAS 32 — *Financial Instruments: Presentation in respect of Offsetting*

On December 16, 2011, the IASB and FASB issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position.

As part of this project the IASB clarified aspects of IAS 32 — *Financial Instruments: Presentation*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Yellow Media has not early adopted this standard and has not fully assessed the impact of adopting IAS 32.

IFRS 9 — *Financial Instruments*

IFRS 9 is the first phase of the IASB's three phase project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9, amended in October 2010, includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability and the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

IFRS 9 will be applied prospectively with transitional arrangements depending on the date of application. The Standard is not applicable until annual periods beginning on or after January 1, 2015, however is available for early adoption. Yellow Media Limited has not early adopted this standard and has not fully assessed the impact of adopting IFRS 9.

6. Risks and Uncertainties /

The following section examines the major risks and uncertainties that could materially affect YPG's future business results.

Understanding and managing risks are important parts of YPG's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YPG, our Board and senior management analyze risks in three major categories:

1. Strategic risks - which are primarily external to the business;
2. Financial risks - generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and
3. Operational risks - related principally to risks across key functional areas of the organization.

YPG has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Please refer to the Risks and Uncertainties section of our MD&A for the year ended December 31, 2012 and our Annual Information Form for a complete description of these risk factors, including, for example, "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition" and "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition". Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Our risks and uncertainties have not changed since the release of our MD&A for the year ended December 31, 2012. For more information, please refer to the corresponding section in our MD&A for the year ended December 31, 2012.

7. Controls and Procedures /

There were no changes to the Corporation's internal controls over financial reporting that occurred during the period beginning on January 1, 2013 and ended on September 30, 2013 that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.