Management's Discussion and Analysis

May 7, 2012

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 Inc. (or the Corporation) and its subsidiaries for the three-month period ended March 31, 2012 and should be read in conjunction with our audited consolidated financial statements and accompanying notes for the year ended December 31, 2011 as well as our unaudited interim condensed financial statements and accompanying notes for the period ended March 31, 2012. 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" and "YPG" refer to Yellow Media Inc., and its subsidiaries (including Yellow Pages Group Co., Canpages Inc., Wall2Wall Media Inc. (Wall2Wall), YPG (USA) Holdings, Inc. and Yellow Pages Group, LLC (the latter two collectively YPG USA)), which are reported under the "Directories" segment, which refers to our print and online directories as well as performance marketing solutions and real estate publications.

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.

When used in this MD&A, such statements may be identified by such words "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 "Competition", "Decline in Print Revenue", "The availability of capital is dependent on the future operating performance of the Corporation's business and the Corporation's ability to refinance its indebtedness", "The Corporation's substantial indebtedness could adversely affect its financial health and the Corporation's efforts to refinance or reduce its indebtedness may not be successful", "The recent downgrades in the Corporation's credit ratings may increase its borrowing costs", "No Dividends for the Foreseeable Future", "Interest Rate Fluctuations", "Pension Contributions", "Reliance on Telco Partners and Other Suppliers", "Reliance on Key Brands and Trade-Marks and Failure to Protect Intellectual Property Rights", "Labour Relations", "Income Tax Matters", "Impairment Losses", "Acquisitions of New Businesses", "Advances in Communications Technologies", "Reliance on Key Personnel", "Pricing", "Prolonged Economic Downturn in Principal Markets", "Restrictive Covenants in Indebtedness of the Corporation", "Sales of Advertising to National Accounts", "Reliance on Search Engines and Portals", "Reliance on Technology", "Regulatory" and "Environmental Compliance" of the "Risk and Uncertainties" section. 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 legislation.

Definitions relative to understanding our results

Income from Operations before Depreciation and Amortization, Impairment of Goodwill and Intangible assets, Acquisition-related Costs and Restructuring and Special Charges (EBITDA)

We report on our EBITDA (Income from operations before depreciation and amortization, impairment of goodwill and intangible assets, 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 (loss) income from operations or net (loss) earnings 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, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed on page 15 of this MD&A.

Adjusted Earnings from Continuing Operations (Adjusted Earnings)

Adjusted earnings is a non-IFRS measure. It is defined as the net (loss) earnings from continuing operations available to common shareholders excluding amortization of intangible assets attributable to shareholders, non-cash financial charges, income taxes and non-recurring items such as acquisition-related costs, impairment of goodwill and gain on investment. Adjusted Earnings is defined as an indicator of financial performance. It should not be seen as a measurement of liquidity or as a substitute for comparable metrics prepared in accordance with IFRS. Adjusted earnings is used by investors, management and other stakeholders to evaluate the ongoing performance of YPG. Adjusted earnings may differ from similar calculations as reported by other companies and should not be considered comparable. For a reconciliation with IFRS, please refer to Section 4 – Adjusted Earnings from Continuing Operations 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 from continuing operations, as reported in accordance with IFRS less an adjustment for capital expenditures.

Dividends per Common Share

We report dividends per common share because it is a measure of return used by investors. On September 28, 2011, the Company announced the elimination of the dividends on its common shares. Please refer to Section 4 – Adjusted Earnings from Continuing Operations of this MD&A.

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. Adjusted Earnings from Continuing Operations
5. Critical Assumptions
6. Risks and Uncertainties
7. Controls and Procedures

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

Yellow Media Inc. is a leading digital company offering media and marketing solutions to small and medium enterprises (SMEs) across Canada. Yellow Media Inc. is also a leader in national digital advertising through Mediative, a digital advertising and marketing solutions-provider to 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, 2011.

2. Results

This section provides an overview of our financial performance during the first quarter of 2012 compared to the same period in 2011. 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 pages 1 and 2 of this MD&A and are important aspects which should be considered when analyzing our performance.

Overall

- Revenues decreased by $60.3 million or 17.3% to $289.1 million compared to the first quarter of 2011. If we exclude the results of Canpages, LesPAC and YPG USA, revenues decreased by 13.3% compared to the same period last year.
- Income from operations before depreciation and amortization, impairment of goodwill and acquisition-related costs (EBITDA) decreased by $44 million or 23.2% to $146 million compared to the first quarter of 2011. If we exclude the results of Canpages, LesPAC and YPG USA, EBITDA decreased by 21.3% compared to the same period last year.
- During the quarter, a goodwill impairment charge of $2.968 billion was recorded.

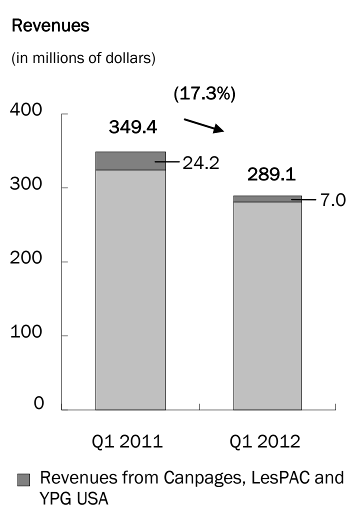
Highlights[1,2,3]
(in thousands of Canadian dollars– except share information)

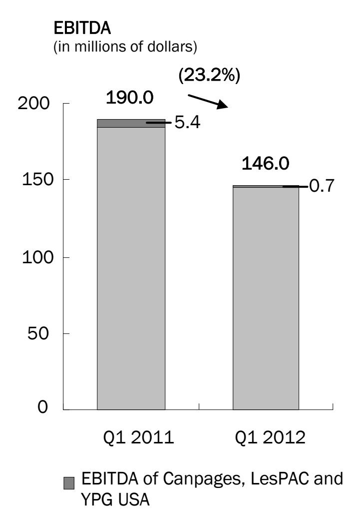
	Three-month periods ended March 31,	
	2012	2011
Revenues	$ 289,073	$ 349,372
Income from operations before depreciation and amortization, impairment of goodwill and acquisition-related costs (EBITDA)	$ 146,017	$ 190,035
Net loss	(2,869,252)	(34,589)
Basic (loss) earnings per share attributable to common shareholders		
From continuing operations	$ (5.61)	$ 0.13
Total	$ (5.61)	$ (0.08)
Cash flows from operating activities from continuing operations	$ 22,407	$ 111,701
Free cash flow from continuing operations[3]	$ 14,223	$ 99,844

[1] On March 25, 2011, Yellow Media Inc. announced that it had reached a definitive agreement to sell its Vertical Media segment. Consequently, the results of the Vertical Media segment are presented as discontinued operations. The transaction closed on July 28, 2011.

[2] We also disposed of LesPAC on November 14, 2011. As such, the results of LesPAC are included in the 2011 results up to the date of its divestiture.

[3] Please refer to Section 4 for a reconciliation of free cash flow from continuing operations.





Performance Relative to Business Strategy

Execute the Yellow Pages 360° Solution Sales Approach

Yellow Pages 360º Solution is a unique value proposition and a key element of our digital transformation. It enables advertisers to get unprecedented visibility with online, mobile and print media platforms, and access to various services such as website development, search engine marketing, search engine optimization and Yellow Analytics. As of March 31, 2012 the penetration of our 360º Solution offering, which we define as advertisers who subscribe to 3 product categories or more, amongst our advertiser base was 7.9% compared to 1.9% at the end of the same period last year and a target of 10% for 2012. In addition, since the launch of the 360º Solution, we have become one of the leading website providers in Canada with approximately 12,600 websites sold to SMEs compared to approximately 11,000 websites at the end of last year.

Although the penetration of 360º Solution is progressing ahead of plan, it is too early to assess its overall impact. Revenues continue to be impacted by the challenges associated with the migration of our legacy online products as well as the revenue pressure associated with our larger advertisers who are reducing their advertising spend and for which we are developing a new product and service portfolio.

Deliver Superior Customer Value

Our first and foremost goal is to serve the needs of our advertisers, enabling them to manage and grow their businesses. In 2012, we plan on continuing to focus on delivering a superior value proposition by expanding our product portfolio to meet large advertiser needs, increasing digital leads to advertisers and demonstrating value through Yellow Analytics.

During the first quarter of 2012 we have put in place a High Priority Accounts ("HPA") management process to provide a strategic approach to managing the customer relationship. This program is meant to mitigate revenue risk and optimize revenue growth of larger advertisers through a differentiated servicing model. A comprehensive profiling methodology was put in place to guide the evaluation of account needs and opportunities. The profiling includes a review of Yellow Analytics results, website audit and competitive ranking, search engine marketing estimate, social media and Google Places review. After the profiling is completed, the sales representative, sales manager and performance marketing advisor define the appropriate selling strategy.

Also during the quarter, we expanded our Diamond sales channel which caters to larger advertisers and we put in place a dedicated HPA servicing support. A dedicated account management team will be responsible for managing the fulfillment, reporting and post-sale servicing. The dedicated team is comprised of a cross functional group including production, content management, creative design, quality assurance, results reporting and customer service.

Lead our Industry Transformation

We are in the midst of a significant business transformation from a print company to a leading performance media and marketing solutions provider company and while it is still early, progress has been encouraging.

On April 27, 2012, we received two Gold Excellence Awards for our innovative mobile local search placement product and our MarketProfiler™ online evaluation tool from the Local Search Association. Launched in July 2011, the local search placement product is YPG's first foray into mobile advertising. This product puts local small businesses at the top of the list in mobile searches for their products or services. Six months after its launch, more than 13,000 Canadian SMEs have invested in mobile placement, purchasing 19,000 advertising units.

Online – YPG's network of sites reached over 8 million unduplicated unique visitors during the first quarter of 2012, representing 33% of Canada's online population compared to approximately 9 million and approximately 35% respectively for the same period last year. We remain focused on improving the user experience on our online properties. The majority of our investments and efforts during the first quarter of 2012 was to improve the search engine optimization or YP.ca capability to ensure increased indexation on search engines. In order to grow organic traffic to our properties we will leverage richer content from local merchants which increases the engagement of online and mobile users ultimately driving increased business leads.

YellowAPI.com — During the first quarter of 2012, we increased digital leads to advertisers with the launch of a redesigned YellowAPI.com website for the company's public application programming interface (API). Since its initial launch in late 2010, YellowAPI.com has embodied YPG's digital leadership and gained industry recognition. It has enrolled over 1,700 software developers, who have worked on new digital applications using YPG's business database, which features 1.5 million business listings and is the largest in Canada.

Mobile — Our business transformation revolves around the continued improvement of the mobile user experience and engagement in order to provide additional value for our advertisers. Our mobile applications have been downloaded 4.1[1] million times compared to 3.7 million times at the end of last year.

[1] Cumulative total of downloads from all sources where YPG apps are available.

Mediative — Mediative is one of Canada's largest integrated advertising and digital marketing companies. Mediative has extensive experience in developing innovative and unique marketing solutions for national companies. With over 12 lifestyle and behaviour based vertical networks reaching approximately 15 million unique visitors per month, Mediative matches advertisers with the websites of premium online brands. During the first quarter of 2012, Mediative welcomed the addition of three new publishers to its Ad Network, making it the leading online media sales partner in the Health and Food sector.

As our industry continues to evolve and adapt to a new digital reality, our objective will be to continue to offer a compelling value proposition to help both our current and future advertisers succeed in this complex, digital world.

Consolidated Operating and Financial Results

Consolidated Results

(in thousands of Canadian dollars – except share information)

	Three-month periods ended March 31, 2012	2011
Revenues	$ 289,073	$ 349,372
Operating costs	143,056	159,337
Income from operations before depreciation and amortization, impairment of goodwill and acquisition-related costs	146,017	190,035
Depreciation and amortization	30,081	52,368
Impairment of goodwill	2,967,847	–
Acquisition-related costs	–	803
(Loss) income from operations	(2,851,911)	136,864
Financial charges, net	32,125	47,142
(Loss) earnings before dividends on Preferred shares, series 1 and 2, income taxes, and (earnings) losses from investments in associates	(2,884,036)	89,722
Dividends on Preferred shares, series 1 and 2	4,563	5,132
(Loss) earnings before income taxes and (earnings) losses from investments in associates	(2,888,599)	84,590
(Recovery) provision for income taxes	(17,735)	6,601
(Earnings) losses from investments in associates	(1,612)	7,536
Net (loss) earnings from continuing operations	(2,869,252)	70,453
Net loss from discontinued operations, net of income taxes	–	(105,042)
Net loss	$ (2,869,252)	$ (34,589)
Basic (loss) earnings per share attributable to common shareholders		
From continuing operations	$ (5.61)	$ 0.13
Total	$ (5.61)	$ (0.08)
Diluted (loss) earnings per share attributable to common shareholders		
From continuing operations	$ (5.61)	$ 0.11
Total	$ (5.61)	$ (0.04)
Total assets	$ 2,291,427	$ 9,048,311
Long-term debt	$ 1,405,651	$ 1,908,679
Exchangeable and convertible instruments	$ 184,758	$ 251,205
Preferred Shares Series 1 and 2 (long-term portion)	$ 149,266	$ 447,207

Analysis of Consolidated Operating and Financial Results

The consolidated income statements of Yellow Media Inc. up to net (loss) earnings from continuing operations represent the results of the restated Directories segment given the presentation of the results of the automotive and generalist print and online business of Trader as discontinued operations.

Revenues

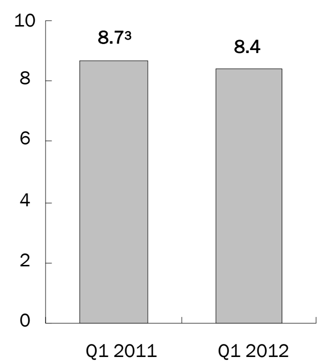
Revenues decreased to $289.1 million during the first quarter of 2012 compared with $349.4 million for the same period last year. Organically, revenues decreased by 13.3% when compared to the same period last year. The decrease for the three-month period ended March 31, 2012 is due to lower print revenues, especially in urban markets where revenues declined at a much higher rate than rural markets. We have identified new trends, which indicate that the print decline will be more rapid and enduring than previously anticipated. As at March 31, 2012, the number of advertisers, excluding Canpages, was 333,000 compared to 358,000 as at March 31, 2011 reflecting a decrease of 7%. Advertiser renewal dropped slightly to 87% as at March 31, 2012 compared to 88% as at March 31, 2011. During the last 12 months, YPG acquired approximately 23,000 new advertisers. The average revenue per advertiser (ARPA) decreased slightly to $3,400 during the first quarter of 2012 compared with $3,500 during the same period in 2011. The lower ARPA results from revenue pressure associated with our larger advertisers who are reducing their advertising spend, as we need to adjust our digital product and service portfolio to meet their advertising needs. As at March 31, 2012, our Revenue Generating Units[1] per advertiser decreased slightly to 1.69 compared to 1.70 for the same period last year.

As of March 31, 2012, the number of advertisers excluding Canpages, choosing to advertise both in print and online was 62.5% across Canada compared to 65.2% for the corresponding period last year. Online only advertisers at the end of the first quarter of 2012 reached 14,825 compared to 7,650 as of March 31, 2011.

Online revenues reached $85.9 million in first quarter of 2012, representing a growth of 3.2%. Organically, excluding the impact of the Canpages business, the LesPAC divestiture and YPG USA, online revenues increased by 7.8% when compared to the same period last year. Online advertisers, who in the past, purchased our legacy online products, are not migrating to our new products as quickly as we had anticipated. This now suggests that the online revenue growth will be slower than we had projected. Our network of websites attracted 8.4 million unduplicated unique visitors[2] on average during the first quarter of 2012, representing a reach of 33%[2] of the Canadian internet population.

Online revenue growth is not expected to compensate for the declining revenue in our traditional print offerings in the near future. Accordingly, our focus remains positioning our platforms through investment in new product introduction aimed at our larger advertisers, executing on our 360º Solution strategy and improved market coverage.

Online Usage
(in millions)



[3] Excluding LesPAC

EBITDA

EBITDA decreased by $44 million to $146 million during the first quarter of 2012 compared with $190 million in 2011. While our new online placement products contribute margins similar to those of our print products in our local markets, lower print revenues resulted in lower consolidated EBITDA, as our new online products are not compensating for this loss in print revenues. Our EBITDA margin for the first quarter of 2012 was 50.5% compared to 54.4% for the same period last year.

Cost of sales decreased by $12.7 million to $84.8 million during the first quarter of 2012 compared with $97.5 million in 2011. The decrease for the quarter ended March 31, 2012 results from lower manufacturing costs associated with lower print revenues.

Gross profit margin decreased to 70.7% for the first quarter of 2012 compared to 72.1% for the same period last year. The decrease is due to lower print revenues and lower margins associated with our Mediative division, given publisher commissions associated with their business model.

General and administrative expenses decreased by $3.5 million to $58.3 million during the first quarter of 2012 compared with $61.8 million during the same period in 2011, mainly due to lower bad debts.

Depreciation and amortization

Depreciation and amortization decreased to $30.1 million in the first quarter of 2012 compared with $52.4 million during the same period last year. The decrease for the quarter ended March 31, 2012 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 2011.

[1] Revenue Generating Units (RGU) measures the number of product groups selected by advertisers.

[2] Source: comScore Media Metrix Canada.

Impairment of goodwill

During the quarter, we noted changes in our revenue trends affecting our long-term projections. Specifically, we now believe online revenue growth will be slower than previously anticipated and print decline will be steeper based on a more rapid and enduring change than previously anticipated. These trends are significantly different than what we had previously estimated in 2011.

In late 2011, the Board of Directors (Board) established a committee of independent directors to serve as the Financing Committee of the Board (Financing Committee) to evaluate alternatives to refinance debt maturities in 2012 and beyond. In the context of reviewing these alternatives, the Financing Committee mandated management to review its existing business plan. Taking into account our most recent assessments of the trends discussed above, their impact on long-term projections and the Company's minimum liquidity requirements, an updated 5-year plan was developed.

On April 9, 2012, AT&T announced that it was selling a 53% stake in its yellow pages subsidiary to Cerberus Capital Management. The sale by AT&T of a division which operates in the same sector as Yellow Media Inc. for a price considerably lower than our estimated enterprise value was another indicator in reassessing our overall valuation taking into account the impact of business volatility on our long-term projections. This transaction highlights the challenges and the execution risks associated with our business and the industry in which we operate as we attempt to transform from a print-centric business to a digital company.

As a result of these internal and external sources of information, management concluded that indicators that the Company's assets may have been impaired existed, requiring the Company to perform an impairment test. As a result of the impairment test, we recorded a goodwill impairment charge of $2.968 billion during the first quarter of 2012. The impairment charge does not affect the Company's operations, its liquidity, its cash flows from operating activities, its bank agreement or its note indentures.

Acquisition-related costs

During the quarter, we did not incur any acquisition-related costs. We incurred costs of $0.8 million during the first quarter of 2011, associated with acquisitions made during 2010.

Financial charges

Financial charges decreased by $15 million to $32.1 million during the first quarter of 2012. The decrease is mainly attributed to a derivative charge incurred in 2011 relative to the settlement of a total return swap. The decrease is also attributable to a lower level of indebtedness as a result of buyback activities of Medium Term Notes and the repayment of commercial paper in 2011. The positive impact of lower levels of indebtedness on interest expense was partly offset by higher borrowing costs resulting from our credit ratings downgrade. As at March 31, 2012, the effective average interest rate on our debt portfolio was 6.2% compared to 5.4% as at March 31, 2011.

Dividends on preferred shares, Series 1 and 2

Dividends on the two series of redeemable preferred shares amounted to $4.6 million during the first quarter compared to $5.1 million for the same period last year. The decrease for the three-month period ending March 31, 2012 is due to a lower level of preferred shares resulting from our share buybacks under our normal course issuer bid activities which took place in 2011.

As announced on February 9, 2012, the Company suspended the dividend payment on preferred shares Series 1 and Series 2. Due to the nature of the underlying instrument, the Company will continue to accrue for the unpaid dividends on preferred shares Series 1 and Series 2. Please refer to Note 7 of the Financial Statements.

Provision for income taxes

The combined statutory provincial and federal tax rate was 26.2% and 27.9% for the three-month periods ended March 31, 2012 and 2011 respectively. The Company recorded a recovery of 0.6% on the loss and an expense of 7.8% of earnings for the three-month periods ended March 31, 2012 and 2011 respectively. The impairment of goodwill recorded in 2012 is not fully deductible for tax purposes. Excluding this item, the effective tax rate in 2012 would have been in line with the statutory rates.

(Earnings) losses from investments in associates

During the first quarter of 2012 we recorded earnings from our investment in 411.ca and Acquisio, in the amount of $1.6 million compared to a $7.5 million loss mainly associated with our investment in Ziplocal for the same period last year. No loss was recorded from our investment in Ziplocal in 2012, as this investment was written-off during the second quarter of 2011. 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) losses from investments in associates include the amortization of intangible assets in connection with these equity investments.

Loss from discontinued operations

On March 25, 2011, Yellow Media Inc. announced that it had reached a definitive agreement to sell Trader Corporation. The transaction closed on July 28, 2011. The real estate, employment and LesPAC.com businesses were excluded from the divestiture. The Company sold the assets of LesPAC.com on November 14, 2011. The real estate and employment businesses continue to be owned and managed by YPG. As a result, we reclassified the results of the automotive and generalist verticals as discontinued operations.

Included in the results from discontinued operations of the automotive and generalist business are revenues of $60.6 million for the first quarter of 2011.

EBITDA from the operations of the automotive and generalist business was $16 million for the first quarter of 2011. The net loss from discontinued operations amounted to $105 million for the first quarter of 2011. This included a loss on disposal of $105.6 million (net of income taxes) which represented the difference between the fair value net of selling costs and the carrying value of net assets sold.

Net loss

Net loss increased by $2,834.7 million to $2,869.3 million during the first quarter of 2012 compared with the same period last year. The increase for the period is mainly due to the impairment of goodwill discussed above.

Summary of Consolidated Quarterly Results

Quarterly Results

(in thousands of Canadian dollars – except share information)

	2012				2011			2010
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	$ 289,073	$ 313,315	$ 323,441	$ 342,738	$ 349,372	$ 345,378	$ 355,949	$ 360,118
Operating costs	143,056	166,117	157,443	166,262	159,337	184,043	162,726	156,140
Income from operations before depreciation and amortization, impairment of goodwill and intangible assets, acquisition-related costs and restructuring and special charges (EBITDA)	146,017	147,198	165,998	176,476	190,035	161,335	193,223	203,978
EBITDA margin	50.5%	47%	51.3%	51.5%	54.4%	46.7%	54.3%	56.6%
Depreciation and amortization	30,081	23,003	37,800	47,735	52,368	76,269	48,349	31,269
Impairment of goodwill and intangible assets	2,967,847	–	2,900,000	–	–	–	–	–
Acquisition-related costs	–	210	497	6,233	803	5,066	1,960	19,934
Restructuring and special charges	–	14,254	–	11,888	–	6,229	16,185	8,977
(Loss) income from operations	(2,851,911)	109,731	(2,772,299)	110,620	136,864	73,771	126,729	143,798
Net (loss) earnings	(2,869,252)	45,292	(2,825,452)	(14,250)	(34,589)	(14,694)	64,999	51,982
Basic (loss) earnings per share attributable to common shareholders from continuing operations	$ (5.61)	$ 0.08	$ (5.52)	$ (0.05)	$ 0.13	$ (0.03)	$ 0.12	$ 0.09
Diluted (loss) earnings per share attributable to common shareholders from continuing operations	$ (5.61)	$ 0.03	$ (5.52)	$ (0.05)	$ 0.11	$ (0.03)	$ 0.10	$ 0.09

Revenues decreased quarter-over-quarter throughout 2010, 2011 and the first quarter of 2012, as a result of continued pressure on our print product. In the first quarter of 2011, revenues increased due to the seasonality associated with the publication of Canpages directories.

Our EBITDA margin decreased progressively throughout the quarters, reflecting the decline in print revenues and lower margins associated with Canpages and Mediative acquired in 2010. In the fourth quarter of 2010, our EBITDA margin was lower due to conversion and rebranding costs associated with our conversion to a corporation. During the fourth quarter of 2011, we incurred a non-recurring expense of approximately $6 million as a result of a sales tax assessment.

Internal reorganizations and cost containment initiatives resulted in restructuring and special charges impacting some of our quarterly results in 2010 and 2011. Net earnings for the second half of 2010 and for 2011 were affected by depreciation and amortization of intangible assets related to the acquisition of Canpages. Net earnings throughout 2010 were impacted by conversion and rebranding costs associated with our conversion from an income trust to a corporation as well as acquisition-related costs, most notably in the fourth quarter of 2010. We recorded a loss related to our disposal of Trader Corporation and an impairment of our investment in Ziplocal in the first and second quarters of 2011, respectively. Lastly, during the third quarter of 2011 and the first quarter of 2012, we recorded a charge of $2.9 billion and $2.968 billion, respectively, related to the impairment of goodwill and intangible assets.

3. Liquidity and Capital Resources

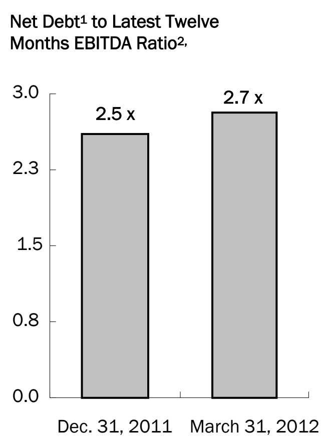
This section examines the Company's capital structure, sources of liquidity and various financial instruments including debt and preferred shares.

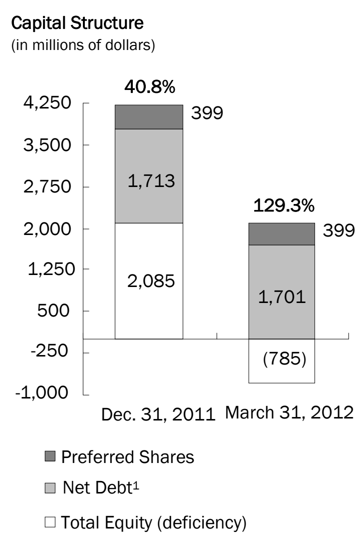
Financial Position

Capital Structure

(in thousands of Canadian dollars)

	As at March 31, 2012	As at December 31, 2011
Cash	$ 310,148	$ 84,186
Medium Term Notes	1,404,094	1,404,083
Credit facilities	419,000	205,000
Obligations under finance leases	3,591	4,148
Net debt (net of cash)	$ 1,516,537	$ 1,529,045
Convertible instruments	184,758	184,214
Preferred shares, series 1 and 2	399,335	398,886
Equity (deficiency) attributable to the shareholders	(785,301)	2,084,225
Non-controlling interests	789	802
Total capitalization	$ 1,316,118	$ 4,197,172
Net debt[1] to total capitalization	129.3%	40.8%





As at March 31, 2012, Yellow Media Inc. had approximately $1.5 billion of net debt, or $2.1 billion including preferred shares, Series 1 and 2, and convertible instruments. The net debt[1] to Latest Twelve Month EBITDA[2] ratio as of March 31, 2012 was 2.7 times. The net debt to total capitalization was 129.3% as of March 31, 2012, compared to 40.8% as of December 31, 2011. The change is due to the impairment of goodwill of $2.968 billion recorded during the quarter.

[1] Net debt including Convertible Debentures.

[2] Latest twelve month income from operations before depreciation and amortization, impairment of goodwill and intangible assets, acquisition-related costs, restructuring and special charges, giving effect to the divestitures (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 1 for a definition of EBITDA.

Medium Term Notes

Yellow Media Inc. had a total of $1.4 billion of notes outstanding under its Medium Term Note program as at March 31, 2012 with varying maturity dates between 2013 and 2036.

Credit facilities

As at May 7, 2012, Yellow Media Inc. has in place a senior unsecured credit facility consisting of:

- a $250 million revolving tranche maturing in February 2013; and
- a $155 million non-revolving tranche maturing in February 2013.

On September 28, 2011, Yellow Media Inc. announced the amendment of its senior unsecured credit facility. Concurrently, the Company repaid a total amount of $500 million of its bank indebtedness. The amended credit facility is unsecured and bears interest at BA rates plus a spread of 3.5% and/or at prime rate plus a margin of 2.5%.

Yellow Media Inc. is required to make quarterly repayments of $25 million on the outstanding balance of the non-revolving tranche of the credit facility, commencing in January 2012 through January 2013. The Company began its mandatory repayments of $25 million in January 2012. A second quarterly mandatory repayment was made in April 2012.

Once the non-revolving facility is repaid it may not be re-borrowed. The maturity date for the repayment of the remainder of the outstanding borrowings under the credit facility remains February 18, 2013.

Under the amended facility, Yellow Media Inc. must maintain a Consolidated Total Debt to Consolidated Latest Twelve Month EBITDA[1] ratio of not more than 3.5 to 1 and a Consolidated Latest Twelve Month EBITDA[1] to Consolidated Interest Expense ratio of not less than 3.5 to 1.

The Company has also agreed to certain restrictions on the repurchase or redemption of shares and the repurchase or repayment of debt prior to their stipulated maturity dates, subject to certain exceptions, which include the refinancing of such instruments subject to specified conditions. The amended facility allows the Company to repurchase up to $125 million of its Series 8 and Series 9 Medium Term Notes prior to their maturity date in 2013, subject to certain conditions. The credit facility also includes restrictions with respect to the incurrence or assumption of indebtedness and liens, the transfer of assets as well as acquisitions and investments. Going forward, the amended facility restricts the declaration and payment of common share dividends. Refer to Section 4 – Adjusted Earnings from Continuing Operations.

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 the right to exercise its exchange rights in respect of the Preferred Shares Series 1. Refer to "Cumulative Redeemable Preferred Shares" in this section.

The Company was in compliance with all of its debt covenants as at March 31, 2012.

As of March 31, 2012, $180 million was outstanding on the non-revolving tranche of the credit facility and $239 million on the revolving tranche. The revolving facility may be used for general corporate purposes.

As of May 7, 2012, $155 million was outstanding on the non-revolving tranche of the credit facility and $239 million drawn on the revolving facility. The Company has approximately $292 million of cash as at May 7, 2012.

Convertible Debentures

Yellow Media Inc. had a total of $200 million of convertible debentures outstanding as at March 31, 2012. The convertible debentures are maturing on October 1, 2017 and bear interest at 6.25% which is paid semi-annually.

Cumulative Redeemable Preferred Shares

a) Series 1

Redemption by the issuer

On or after March 31, 2012, Yellow Media Inc. may, at its option, redeem at par plus accrued and unpaid dividends (Redemption price) for cash the Series 1 shares, in whole or in part. Also, on or after March 31, 2012, and prior to December 31, 2012, Yellow Media Inc. may, at its option, exchange the outstanding Series 1 shares, in whole or in part, into common shares of the Company. In addition, the Series 1 shares were redeemable at a premium in cash or exchangeable at the option

[1] Latest twelve month Income from operations before depreciation and amortization, impairment of goodwill and intangible assets, acquisition-related costs, restructuring and special charges, giving effect to the divestitures (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 1 for a definition of EBITDA.

of Yellow Media Inc., in whole or in part into common shares of the Company on or after March 31, 2007 provided that any exchange prior to March 31, 2012 shall be limited to circumstances in which the Series 1 shares were entitled to vote separately as a class or series by law or court order.

These preferred shares are exchangeable into common shares of the Company by dividing the Redemption price by the greater of $2.00 and 95% of the then applicable weighted average trading price of the common shares.

Redemption by the holder

On or after December 31, 2012, each preferred share is redeemable, at the option of the holder, at a price equal to $25.00 per share plus any accrued and unpaid dividends in arrears.

b) Series 2

Redemption by the issuer

On or after June 30, 2012, Yellow Media Inc. may, at its option, redeem for cash the Series 2 shares, in whole or in part at a decreasing premium until June 30, 2016 and at par thereafter plus accrued and unpaid dividends (Redemption price). Also, on or after June 30, 2012, and prior to June 30, 2017, Yellow Media Inc. may, at its option, exchange the outstanding Series 2 shares, in whole or in part, into common shares of the Company until June 30, 2016 by dividing the Redemption price by the greater of $2.00 and 95% of the then applicable weighted average trading price of the common shares. In addition, the Series 2 shares will be redeemable at a premium in cash or exchangeable at the option of Yellow Media Inc., in whole into common shares of the Company on or after June 30, 2007 provided that any exchange prior to June 30, 2012 shall be limited to circumstances in which the Series 2 shares are entitled to vote separately as a class or series by law or court order.

The redemption option for cash at a decreasing premium is an embedded derivative and is recorded at fair value on the consolidated statements of financial position with changes in fair value recognized in financial charges.

Redemption by the holder

On or after June 30, 2017, each preferred share is redeemable, at the option of the holder, at a price equal to $25.00 per share plus any accrued and unpaid dividends in arrears.

As at March 31, 2012, there are 10,045,872 preferred shares Series 1 and 6,062,128 preferred shares Series 2 outstanding.

Rate Reset Preferred Shares

Yellow Media Inc. has two series of cumulative rate reset first preferred shares outstanding as at March 31, 2012. There are 8,120,900 preferred shares Series 3 and 4,919,920 preferred shares Series 5 currently outstanding.

Cumulative Exchangeable Preferred Shares

As at May 7, 2012, a total of 916,667 of the Series 7 Preferred Shares had been converted into common shares of Yellow Media Inc. at a ratio of one preferred share for one common share of Yellow Media Inc. There are 383,333 Series 7 Preferred Shares currently outstanding.

On February 9, 2012, Yellow Media announced the suspension of the dividends on preferred shares Series 1, Series 2, Series 3, Series 5 and Series 7. The last dividend was declared on November 3, 2011 for payment on December 28, 2011. The accrued and unpaid dividends on preferred shares Series 1 and Series 2 amounted to $2.8 million and to $2 million respectively since the last dividend payment. The unpaid dividends on preferred shares Series 3, Series 5 and Series 7 amounted to $3.4 million, $2.1 million and $36 thousand respectively since the last dividend payment.

Credit Ratings

DBRS Limited	Standard and Poor's Rating Services
B (low) /Negative trend credit rating	B-/Watch negative corporate credit rating
B (low) /Negative trend issuer rating	B-/Watch negative credit rating for existing credit facilities and medium term notes
CCC /Negative trend convertible subordinated debentures rating	CCC /Watch negative convertible subordinated debentures rating
Pfd-5 (low) /Negative trend preferred shares rating	C/Watch negative preferred shares rating

Liquidity

As part of its financial policy and capital structure guidelines, YPG remains committed to maintaining adequate liquidity at all times.

As at March 31, 2012, the Company maintained a credit facility containing two tranches totalling $419 million (of which $180 million was outstanding on the non-revolving tranche of the principal credit facility - Refer to "Credit Facilities" in this section). The revolving and non-revolving tranches both mature on February 18, 2013 and YPG is required to make quarterly repayments of $25 million on the outstanding balance of the non-revolving tranche through February 2013. The first quarterly repayments were made in January and April 2012. Refer to "Credit Facilities" in this section. In addition, the Company had cash of $310.1 million as at March 31, 2012 and approximately $292 million as at May 7, 2012. This provides sufficient liquidity to the Company to fund its operations.

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient cash flow from operations to fund capital expenditures, working capital requirements and ongoing obligations.

As announced on February 9, 2012, the Company has begun evaluating alternatives to refinance maturities in 2012 and beyond. A broad range of alternatives will be considered and may involve the issuance of secured or unsecured debt, equity or other securities or other transactions. At this time, the Board of directors has decided to suspend the dividends on the outstanding series of preferred shares.

In connection with this review, the Board of directors of Yellow Media has established a committee of independent directors to serve as the Financing Committee of the Board (the "Financing Committee") that will oversee this process with the objective of completing any transaction or transactions during the current fiscal year.

Share data

As at May 7, 2012, outstanding share data was as follows:

Outstanding Share Data

	As at May 7, 2012	As at March 31, 2012	As at December 31, 2011
Common shares outstanding	520,402,094	520,402,094	520,402,094
Preferred shares Series 3, 5 and 7 outstanding	13,424,153	13,424,153	13,424,153
Options outstanding and exercisable	380,882	380,882	380,882

On November 11, 2010, the Board of Directors of Yellow Media Inc. adopted a new stock option plan (the 2010 Plan). The 2010 Plan was approved by shareholders on May 5, 2011. The 2010 Plan allows the Board of Directors to issue a maximum of 25 million options to eligible employees.

As at March 31, 2012, 10,900,000 options are outstanding with the following terms and conditions:

- The exercise price of $6.35 is equal to the volume weighted-average trading prices of the common shares on the TSX during the five trading days preceding the date on which the options were granted.
- The options vest on the third anniversary of the grant date.
- The options expire five years after the grant date.

As at May 7, 2012, Yellow Media Inc. also has a total of $200 million of Convertible Debentures outstanding which are convertible at any time, at the option of the holder into common shares of the Company at an exchange price of $8.00 per common share.

As at May 7, 2012, there were 10,045,872 preferred shares, Series 1 and 6,062,128 preferred shares, Series 2 outstanding. Both series of preferred shares are redeemable by the issuer under certain conditions through the issuance of common shares of the Company.

As at May 7, 2012, there were 383,333 Series 7 preferred shares outstanding. This series of preferred shares are convertible into common shares of the Corporation, at a ratio of one preferred share for one common share subject to certain conditions.

Sources and Uses of Cash

Consistent with other directories and media companies the Company has relatively minimal capital spending requirements combined with relatively low operating costs.

Sources and Uses of Cash

(in thousands of Canadian dollars)

	Three-month periods ended March 31,	
	2012	2011
Cash flows from operating activities from continuing operations		
Cash flows from operations from continuing operations	$ 65,143	$ 141,632
Change in operating assets and liabilities	(42,736)	(29,931)
	$ 22,407	$ 111,701
Cash flows from (used) in investing activities from continuing operations		
Acquisition of intangible assets	(7,259)	(10,627)
Acquisition of property, plant and equipment	(1,108)	(1,267)
Issuance of note	—	(1,238)
Other	183	13
	$ (8,184)	$ (13,119)
Cash flows from (used) in financing activities from continuing operations		
Issuance of long-term debt and commercial paper	$ 239,000	$ 305,000
Repayment of long-term debt and commercial paper	(25,345)	(337,164)
Dividends to shareholders	—	(72,097)
Other	(1,916)	(6,083)
	$ 211,739	$ (110,344)

Cash flows from operating activities from continuing operations

Cash flows from operating activities from continuing operations decreased from $111.7 million for the three-month period ended March 31, 2011 to $22.4 million in the first quarter of 2012, of which approximately $44 million is due to lower EBITDA resulting from lower revenues of our traditional print products, income tax payments of approximately $30 million and a $13 million funding of our pension plan. The decrease in change in operating assets and liabilities for the three-month period ended March 31, 2012 was $12.8 million compared with the same period last year. The variance is due to the timing of payment of certain accounts payable as well as a decrease in deferred revenues.

Cash flows from (used) in investing activities from continuing operations

Cash used in investing activities from continuing operations decreased from $13.1 million during the first quarter of 2011 to $8.2 million in 2012. During the first quarter of 2012, we invested in software and equipment for $7.3 million and $1.1 million, respectively, which in total, was less than the corresponding amounts of $10.6 million and $1.3 million spent during the same period last year.

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

(in thousands of Canadian dollars)

	Three-month periods ended March 31,	
	2012	2011
Sustaining	$ 4,401	$ 5,036
Transition	—	1,341
Growth	4,488	7,905
Total	**$ 8,889**	**$ 14,282**
Adjustment to reflect expenditures on a cash basis	(705)	(2,425)
Acquisition of property, plant, equipment and intangible assets, net of lease inducements	**$ 8,184**	**$ 11,857**

Sustaining capital expenditures amounted to $4.4 million for the three-month period ended March 31, 2012 compared to $5.0 million for the same period in the previous year.

Given there was no recent business acquisition, no investments were made in transition capital expenditures during the three-month period ended March 31, 2012 compared to $1.3 million for the same period in the previous year.

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 provider company. During the first quarter of 2012, these amounted to $4.5 million compared to $7.9 million for the same period in the previous year.

Total capital expenditures for the period amounted to $8.9 million and were in line with expectations.

Cash flows from (used) in financing activities from continuing operations

Cash from financing activities from continuing operations amounted to $211.7 million during the first quarter of 2012 while $110.3 million of cash was used in financing activities for the same period last year. We drew $239 million on the revolving tranche and made the first quarterly payment of $25 million on the non-revolving tranche of our credit facilities during the first quarter of 2012. No dividends were paid during the first quarter of 2012, as a result of the elimination of dividends on common shares and suspension of dividends on the preferred shares, Series 3, 5, and 7. We had a net issuance of long-term debt in the first quarter of 2012 of $213.7 million compared with a net repayment of long-term debt and commercial paper of $32.2 million for the same period last year.

Financial and Other Instruments

(See Note 25 of the Consolidated Financial Statements of the Company for the year ended December 31, 2011).

The Company's financial instruments consist of cash, trade receivables, investments, trade and other payables, dividends payable, short-term and long-term debt, convertible and exchangeable instruments, and preferred shares.

Derivative Instruments

In August 2009, the Company entered into three interest rate swaps totalling $130 million to hedge the Series 9 Medium Term Notes. The Company received interest on these swaps at 6.5% and paid a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps were to mature July 10, 2013, matching the maturity date of the underlying debt.

In February 2010, the Company also entered into two interest rate swaps totalling $125 million to hedge the Series 8 Medium Term Notes. The Company received interest on these swaps at 6.85% and paid a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps were to mature December 3, 2013, matching the maturity date of the underlying debt.

On June 27, 2011, Yellow Media Inc. terminated the five interest rate swaps mentioned above with a notional amount of $255 million, for gross proceeds of $3.8 million. The $3.8 million will be amortized over the term of the underlying debt. Taking into consideration the debt instruments outstanding, the Series 1 and Series 2 shares and the cash, our fixed-to-floating ratio was 95% fixed rate as at March 31, 2012.

The terms and conditions of the Series 2 Preferred Shares provide for redemption at the option of the Company under certain circumstances. These options meet the definition of an embedded derivative. They are recorded at their fair value on the consolidated statement of financial position with changes in fair value recognized in financial charges.

There was no carrying value of embedded derivatives as at March 31, 2012. The carrying value is calculated as is customary in the industry using discounted cash flows with quarter-end market rates. We reported a loss of $7 thousand for the three-month period ended March 31, 2012 (2011 - $1.4 million loss) on derivatives, excluding the loss on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period and payments on interest rate swaps that have discontinued hedge accounting. In addition, during the first quarter of 2011, we reported an adjustment amount of $4.2 million and a redemption premium stipulated under the Total Return Swap of $1.8 million.

4. Adjusted Earnings from Continuing Operations

A reconciliation between net earnings attributable to common shareholders and adjusted earnings is provided below:

Adjusted Earnings from Continuing Operations
(in thousands of Canadian dollars – except share information)

	Three month periods ended March 31,	
	2012	2011
Net (loss) earnings from continuing operations	$ (2,869,252)	$ 70,453
Attributable to non-controlling interest	13	167
Dividends to preferred shareholders	(5,584)	(5,710)
Net (loss) earnings from continuing operations available to common shareholders of Yellow Media Inc.	(2,874,823)	64,910
Amortization of intangible assets[1]	24,707	56,218
Impairment of goodwill	2,967,847	—
Acquisition-related costs[2]	—	803
Financial charges	32,125	47,142
Interest paid	(32,936)	(41,807)
Gain on investment (net of income taxes of $0.1 million)	(2,090)	—
Income taxes	(47,558)	6,387
Adjusted earnings from continuing operations	$ 67,272	$ 133,653
Weighted average number of common shares outstanding	512,595,314	510,404,617
Adjusted earnings per common share from continuing operations[3]	$ 0.13	$ 0.26
Dividends on common shares	$ —	$ 83,464
Dividends declared per common share	$ —	$ 0.16
Payout ratio	—%	62%

[1] Represents amortization of intangible assets attributable to common shareholders.

[2] Acquisition-related costs are excluded from the calculation as they do not reflect the ongoing operations of the business.

[3] Please refer to Section 2 – Results for the calculation of Basic earnings per share.

Free cash flow from continuing operations

Free cash flow from continuing operations
(in thousands of Canadian dollars)

	Three-month periods ended March 31,	
	2012	2011
Cash flow from operating activities from continuing operations	$ 22,407	$ 111,701
Capital expenditures, net of lease inducements	8,184	11,857
Free cash flow from continuing operations	$ 14,223	$ 99,844

Dividends

Dividends
(in thousands of Canadian dollars- except share information)

	Three-month periods ended March 31,	
	2012	2011
Accumulated dividends, beginning of period	$ 3,642,527	$ 3,435,182
Dividends on common shares	—	83,464
Accumulated dividends, end of period	$ 3,642,527	$ 3,518,646
Accumulated dividends per common share, beginning of period	$ 7.60	$ 7.20
Dividends declared per common share	—	0.16
Accumulated dividends per common share, end of period	$ 7.60	$ 7.36

Dividends on Common Shares

On September 28, 2011, the Yellow Media Inc. Board of Directors determined that it was in the best interest of the Company to eliminate future dividends on its common shares.

This decision is in compliance with the amendments that the Company agreed to make to its principal credit agreement and that was announced on September 28, 2011 (Refer to "Credit Facilities" in Section 3), and will improve the Company's financial profile and capital position. The cash retained from the elimination of dividends will be used to reduce indebtedness and make additional investments to accelerate our digital transformation.

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, 2011. 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, 2011 annual MD&A.

New Accounting Standards

IAS 12 (Revised) — Deferred Tax: Recovery of Underlying Assets and SIC-21 (amendments), Income Taxes—Recovery of Revalued Non-Depreciable Assets

The amendment introduces a rebuttable presumption that an investment property measured using the fair value model is recovered entirely through sale unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time. As a result of the amendments, SIC-21 would no longer apply to investment properties carried at fair value. The IAS 12 amendments are effective for annual reporting periods beginning on or after January 1, 2012. The Standard has been adopted and its adoption has not had any impact on the amounts reported in these financial statements.

IFRS 7 (Revised) — Financial Instruments: Disclosures and IAS 32 – Financial Instruments: Presentation in respect of Offsetting

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. Other amendments to IFRS 7 will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. An entity shall apply these amendments for annual periods beginning on or after 1 July 2011, however is available for early adoption.

As part of this project the IASB also 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.

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 is 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 Inc. has not fully assessed the impact of adopting IFRS 9.

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, IFRS 12 and the related amendments to IAS 27 and 28 (the "package of five") are adopted at the same time. Yellow Media Inc. has not yet assessed the impact of adopting IFRS 10.

IFRS 11 – Joint Arrangements

IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturer. 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 jointly controlled entities, namely the equity method. IFRS 11 is applicable at the same time as IFRS 10. Yellow Media Inc. has not yet assessed the impact of adopting IFRS 11.

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. Yellow Media Inc. has not yet assessed the impact of adopting IFRS 12.

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. Yellow Media Inc. has not yet assessed the impact of adopting IFRS 13.

IAS 1 (Revised) – Presentation of Financial Statements

On June 16, 2011, the IASB issued amendments to IAS 1, Presentation of Financial Statements, which require entities to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss section of the income statement and to separately group together items that will not be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that profit or loss and OCI should be presented as either a single statement or two consecutive statements. The amendments are effective for financial years commencing on or after July 1, 2012. Yellow Media Inc. has not fully assessed the impact of adopting IAS 1 (Revised).

IAS 19 (Revised) – Employee Benefits

A revised version of IAS 19 was issued in June 2011 and is effective for financial years beginning on or after January 1, 2013. Early application is permitted. The main change of this revised version is the elimination of the corridor approach, with all changes to the defined benefit obligation and plan assets recognized when they occur. Yellow Media Inc. has not fully assessed the impact of adopting IAS 19 (Revised).

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 under the control of management across key functional areas of the organization.

YPG has put in place certain guidelines in order to manage the risks to which it may be exposed, amongst them, "Decline in Print Revenue", "The availability of capital is dependent on the future operating performance of the Corporation's business and the Corporation's ability to refinance its indebtedness", and "The Corporation's substantial indebtedness could adversely affect its financial health and the Corporation's efforts to refinance or reduce its indebtedness may not be successful". Please refer to the Annual Information Form for a complete description of these risk factors. 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, 2011. For more information, please refer to the corresponding section in our MD&A for the year ended December 31, 2011.

7. Controls and Procedures

Management including the President and Chief Executive Officer and the Interim Chief Financial Officer have determined that there were no changes to the Corporation's internal controls over financial reporting during the quarter ended March 31, 2012 that have materially affected or are reasonably likely to materially affect, its internal controls over financial reporting.