Management's Discussion and Analysis

August 4, 2011

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 and six-month periods ended June 30, 2011 and should be read in conjunction with our audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2010, as well as our unaudited interim condensed consolidated financial statements and accompanying notes for the period ended June 30, 2011. 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.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards (IFRS) for interim financial statements and is expressed in Canadian dollars, unless otherwise stated.

The unaudited IFRS-related disclosures and values in this MD&A have been prepared using the standards and interpretations currently issued and expected to be effective at the end of our first annual IFRS reporting period, which will be December 31, 2011.

The amounts in this MD&A and the accompanying interim financial statements for the three and six-month periods ended June 30, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Periods prior to January 1, 2010 have not been restated and are prepared in accordance with Canadian GAAP. Please refer to Note 19 of the accompanying interim condensed consolidated financial statements for a summary of the differences between our consolidated financial statements previously prepared under Canadian GAAP and those under IFRS for the period ended June 30, 2010.

On March 25, 2011, Yellow Media Inc. announced that it had reached a definitive agreement to sell the automotive and generalist print and online business of Trader Corporation. On June 29, 2011, the Federal Minister of Industry approved the sale to funds advised by Apax Partners under the Investment Canada Act. The transaction closed on July 28, 2011 for a net purchase consideration of $708 million, net of fees, expenses, working capital and other adjustments.

Consequently, during the first quarter of 2011, the Company changed the composition of its reportable segments in a manner which is better aligned with the way operating results are now reviewed by senior management to make decisions about resources to be allocated to the segments and to assess their performance. The key changes include the reallocation of the real estate, employment and LesPac businesses to the Directories segment. These businesses were previously included in the Vertical Media segment but are not part of the divestiture of Trader Corporation.

Furthermore, and also as a result of the definitive agreement to sell Trader Corporation, we have reclassified the results of the automotive and generalist print and online business of Trader Corporation as discontinued operations. Accordingly, the current and prior period's consolidated income statement and cash flows have been restated to reflect this change and the net assets of the automotive and generalist print and online business of Trader Corporation have been reclassified as assets and liabilities held for sale on the interim condensed consolidated statement of financial position as at June 30, 2011.

Comparative figures for 2010 have been reclassified to reflect the above changes.

In this MD&A, the words "we", "us", "our", "the Company", "the Fund" and "YPG" refer to Yellow Media Inc., and its subsidiaries (including Yellow Pages Group Co., Canpages Inc., YPG (USA) Holdings, Inc. and Yellow Pages Group, LLC (the latter two collectively YPG USA), Trader Corporation and Dealer Dot Com Inc.), which are reported under the following segments:

- "Directories," which refers to our print and online directories as well as performance marketing solutions, real estate and employment publications and LesPAC.com; and
- "Vertical Media," which refers to our automotive and generalist print and online vertical 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.

These forward-looking statements describe our expectations on August 4, 2011.

- Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statements will materialize.
- Forward-looking statements do not take into account the effect that transactions or non-recurring items, announced or occurring after the statements are made, may have on our business.

- We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason.
- Risks that could cause our actual results to differ materially from our current expectations are discussed in Section 7 – Risks and Uncertainties.

Definitions relative to understanding our results

Income from Operations before Depreciation and Amortization, Acquisition-related Costs and Restructuring and Special Charges (EBITDA)

We report on our EBITDA (Income from operations before depreciation and amortization, acquisition-related costs, and restructuring and special charges). EBITDA is not a performance measure defined under IFRS and is not considered an alternative to 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 13 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, deferred income taxes and non-recurring items such as acquisition-related costs, restructuring and special charges, and impairment of investment in associate. All adjustments except deferred income taxes are net of the income tax effect thereon calculated at the statutory income tax rate. 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. Dividends per common share depend on our adjusted earnings. For a description of our baseline dividends, please refer to Section 5 of this MD&A.

This MD&A is divided into the following sections:

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

Yellow Media Inc. is a leading media and marketing solutions company through its network of companies that include Yellow Pages Group Co. (YPG) and Canpages Inc. (Canpages). Yellow Media Inc. is Canada's leading performance media and marketing solutions company, serving Canadian businesses and consumers nationwide under its Yellow Pages and Canpages brands. 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, 2010.

2. Results

This section provides an overview of our financial performance during the second quarter of 2011 compared to the same period in 2010. 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 Performance

- Revenues decreased by $17.4 million or 4.8% to reach $342.7 million compared to the second quarter of 2010.
- Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges (EBITDA) decreased by $27.5 million or 13.5% to $176.5 million compared to the second quarter of 2010.

Highlights[1,2,3]

(in thousands of Canadian dollars– except share information)

	Three-month periods ended June 30,	
	2011	**2010**
Revenues	**$342,738**	$360,118
Income from operations before depreciation and amortization, acquisition-related costs, and restructuring and special charges (EBITDA)	**$176,476**	$203,978
Basic (loss) earnings per share[4] attributable to common shareholders of Yellow Media Inc.		
From continuing operations	**$(0.05)**	$0.09
Total	**$(0.05)**	$0.10
Cash flows from operating activities from continuing operations	**$87,923**	$165,777
Free cash flow[5]	**$68,990**	$155,864

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.

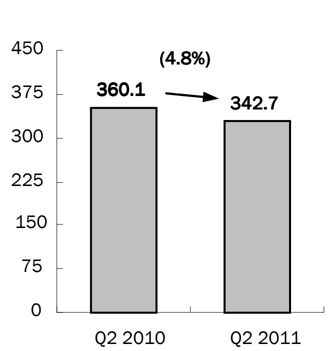
2 Included in the 2010 figures are the results of the Fund. In addition, the 2010 comparatives have been restated to conform to IFRS.

3 We closed the acquisitions of Canpages Inc. (Canpages) on May 25, 2010, Mediative Performance LP (Mediative LP), previously Enquiro Search Solutions Inc. on September 21, 2010, Uptrend Media Inc. (Uptrend Media) on October 20, 2010 and AdSplash Inc. on October 28, 2010. As such, included in the 2010 and 2011 results are the results of each acquired business from their respective dates of acquisition.

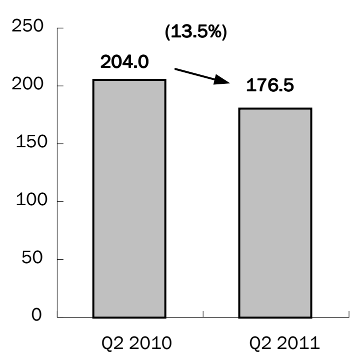
4 Comparative amounts are per Trust unit.

5 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

Organic growth

Directories

Enhancement and expansion of products

Yellow Pages 360° Solution – As we position Yellow Media Inc. as Canada's #1 Internet Company and a leading performance media and marketing solutions provider, our foremost objective in 2011 is to deliver a superior customer value and experience through our new 360º sales approach. This unique value proposition is at the heart of our business transformation. The Yellow Pages 360º Solution is central in enabling our advertisers to be found by qualified buyers with online, mobile and print choices like never before. The entire sales organization was trained with the new Yellow Pages 360º Solution during the first quarter and started to sell the solution to advertisers across Canada during the second quarter of 2011. Results to date are encouraging and we believe Yellow Pages 360º Solution will allow us to grow our Average Revenue Per Advertiser (ARPA);

Market Profiler – Following the successful launch of MarketProfiler™ in the first quarter, the first free automated online tool of its kind in Canada, we went live with an enhanced version of the tool in June. The new version goes one step further in helping businesses gain insight into their market, their online performance, as well as their competitors, in addition to getting tips on how to improve their online visibility and advertising strategy;

Canada411.ca – During the quarter, we completed the redesign of Canada411.ca, the country's most frequented and trusted destination to find personal contact information and businesses. Not only did the website get a facelift but it was enhanced with the addition of results aggregated from the leading social media networks of Facebook®, Twitter® and LinkedIn®;

Mobile – We continue to focus and invest in the mobile user experience both by continuing to improve the mobile applications and by leveraging our local content. As a result of our efforts in the past 12 months, YPG's mobile applications have now been downloaded more than 2.2 million times and the number of mobile business searches now represents more than 30% of YPG's digital searches. We continue to develop partnerships and distribution agreements to generate more leads and business opportunities for our advertisers. During the second quarter of 2011, YPG launched its first two mobile products: Brand Filter, enabling national businesses to showcase their brand in relevant commonly-searched categories such as restaurants, hardware, pharmacies and banks, and Sponsored Placement, allowing businesses to place themselves at the top of the list for any mobile search in which their services fit the results so users see their listing first;

Real Estate – Following the announcement of the sale of Trader Corporation, we created a new division entirely focused on our real estate portfolio. The new division called Wall2Wall Media Inc. (W2W) manages activities, publications and services related to the real estate, employment and hospital news print and online verticals. W2W produces over 75 print publications and four websites reaching over 23 million Canadians each year and covering the new homes, new condos, rentals, resale, as well as home décor markets;

Partnerships – We continue to support Canadian technology entrepreneurs with our YellowAPI Developer Program. We have invested in and will incubate 5 tech start-ups (2 mobile applications and 3 websites). We presently have over 1,000 developers signed up to the YellowAPI.com portal and we are continually pursuing additional North American partnerships with leading mobile and web properties to bring traffic to YPG for the benefit of our advertisers. We also entered into a partnership with Skype earlier this year, a first of its kind in Canada to connect Skype users to YPG online advertisers for free, which means more incentive to call our advertisers. We also signed a one-year agreement with theweathernetwork.com. They are now carrying the Deal of the Day widget on their cities pages.

Consolidated Operating and Financial Results

Consolidated Results[1]

(in thousands of Canadian dollars – except share information)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	**2010**	**2011**	**2010**
Revenues	**$342,738**	$360,118	**$692,110**	$699,802
Operating costs	**166,262**	156,140	**325,599**	297,252
Income from operations before depreciation and amortization, acquisition-related costs, and restructuring and special charges	**176,476**	203,978	**366,511**	402,550
Depreciation and amortization	**47,735**	31,269	**100,103**	55,647
Acquisition-related costs	**6,233**	19,934	**7,036**	23,549
Restructuring and special charges	**11,888**	8,977	**11,888**	8,977
Income from operations	**110,620**	143,798	**247,484**	314,377
Financial charges, net	**37,484**	30,993	**84,626**	67,188
Impairment of investment in associate	**50,475**	–	**50,475**	–
Earnings before dividends on Preferred shares, series 1 and 2, income taxes, and share of losses from investment in associates	**22,661**	112,805	**112,383**	247,189
Dividends on Preferred shares, series 1 and 2	**4,947**	5,370	**10,079**	10,749
Earnings before income taxes and share of losses from investment in associates	**17,714**	107,435	**102,304**	236,440
Provision for income taxes	**34,547**	49,883	**41,148**	58,237
Share of losses from investment in associates	**3,865**	4,599	**11,401**	4,863
Net (loss) earnings from continuing operations	**(20,698)**	52,953	**49,755**	173,340
Net earnings (loss) from discontinued operations, net of income taxes	**6,448**	(971)	**(98,594)**	5,761
Net (loss) earnings	**$(14,250)**	$51,982	**$(48,839)**	179,101
Basic (loss) earnings per share[2] attributable to common shareholders of Yellow Media Inc.				
From continuing operations	**$(0.05)**	$0.09	**$0.08**	$0.32
Total	**$(0.05)**	$0.10	**$(0.12)**	$0.35
Diluted (loss) earnings per share[2] attributable to common shareholders of Yellow Media Inc.				
From continuing operations	**$(0.05)**	$0.09	**$0.07**	$0.29
Total	**$(0.05)**	$0.09	**$(0.11)**	$0.31
Total assets			**$9,012,224**	$9,304,073
Long-term debt			**$2,280,097**	$1,946,184
Exchangeable and convertible instruments			**$183,148**	$212,821
Preferred Shares Series 1 and 2			**$416,700**	$466,143

1 Included in the 2010 figures are the results of the Fund.

2 Comparative amounts are per Trust unit.

Analysis of Consolidated Operating and Financial Results

The interim condensed 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.

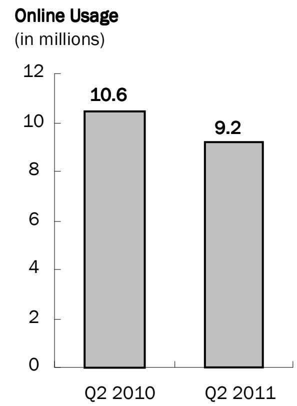
Revenues

Revenues decreased to $342.7 million during the second quarter of 2011 compared with $360.1 million for the same period last year and decreased to $692.1 million for the six-month period ended June 30, 2011 compared with $699.8 million for the same period last year. The decrease for the quarter and the six-month period ended June 30, 2011 is due to lower print revenues in our traditional markets, partly offset by increased online revenues and the additional contribution from Canpages acquired in May 2010. As at

June 30, 2011, the number of advertisers, excluding Canpages, was 354,000 compared to 371,000 as at June 30, 2010 reflecting a decrease of less than 5%. Advertiser renewal was unchanged at 88% as at June 30, 2011 compared to the same period last year. During the last 12 months, YPG acquired 29,000 new advertisers. Although there was a reduction in the number of advertisers, the average revenue per advertiser (ARPA) remained relatively stable at approximately $3,500 compared to the same period last year. As at June 30, 2011, our Revenue Generating Units[1] per advertiser was relatively unchanged at 1.69 compared to 1.70 for the same period last year. It should be noted that this figure does not consider the impact of our recently launched Yellow Pages 360° Solution.

As of June 30, 2011, the number of advertisers, excluding Canpages, choosing to advertise both in print and online remained unchanged at 65% across Canada compared to the corresponding period last year.

Online revenues reached $85.9 million in the second quarter of 2011 and $169.1 million for the six-month period ended June 30, 2011, representing a growth of 33.2% for the second quarter and 36% for the six-month period ended June 30, 2011. In addition to the introduction of new products, online revenue growth is attributable to revenues from Canpages acquired in May of 2010 and Mediative, our digital and marketing solutions provider for national agencies and advertisers launched on October 26, 2010. Our network of web sites in Directories attracted 9.2 million unduplicated unique visitors[2] on average during the second quarter of 2011, representing a reach of 36.8%[2] of the Canadian internet population.



We expect revenue growth from our online product offerings to continue, but also expect declining revenue in our traditional print offerings. Accordingly, our focus remains positioning our Directories platform through investment in new product introduction such as the Yellow Pages 360º Solution and improved market coverage.

Given our results and expectations for the remainder of the year, we do not expect to meet our revenue targets for the year. Therefore, we are withdrawing our financial guidance for the balance of 2011. Please refer to Section 5 – Outlook.

EBITDA

EBITDA decreased by $27.5 million to $176.5 million during the second quarter of 2011 and decreased to $366.5 million for the six-month period ended June 30, 2011 compared with $402.6 million the same period last year. The decreases are mainly attributable to lower print revenues, to higher costs associated with Mediative and Canpages as well as investments associated with the launch of our 360º solution.

Given our results and expectations for the remainder of the year, we do not expect to meet our EBITDA targets for the year. Therefore, we are withdrawing our financial guidance for the balance of 2011. Please refer to Section 5 – Outlook.

Cost of sales increased by $1.6 million to $95.8 million during the second quarter of 2011 and increased by $19.7 million to $193.3 million for the six-month period ended June 30, 2011 compared with the same periods last year. The increases for the quarter and for the six-month period ended June 30, 2011 results mainly from the increased costs associated with Canpages acquired in the second quarter of 2010. We also incurred additional selling expenses in connection with our Mediative division.

Gross profit margin decreased to 72.1% for the second quarter of 2011 compared to 73.8% for the second quarter of 2010 and decreased to 72.1% for the six-month period ended June 30, 2011 compared with 75.2% for the same period last year. The decrease for the quarter is due to lower margins associated with Canpages and our Mediative division.

General and administrative expenses increased to $70.5 million for the three-month period ended June 30, 2011 compared with $61.9 million the same period last year and increased by $8.7 million to $132.3 million for the six-month period ended June 30, 2011. The increases are due to higher costs associated with Canpages. Also during the quarter, we recorded unusual bad debts of approximately $5 million.

Depreciation and amortization

Depreciation and amortization increased to $47.7 million from $31.3 million during the second quarter of 2011 and increased from $55.6 million to $100.1 million for the six-month period ended June 30, 2011 compared with the same periods last year. The increase is mainly attributable to higher amortization of certain intangible assets related to the acquisition of Canpages.

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

2 Source: comScore Media Metrix Canada.

Acquisition-related costs

We incurred costs of $6.2 million and $7 million during the three and six-month periods ending June 30, 2011, respectively, resulting from potential investments. In 2010, we incurred $19.9 million and $23.5 million for the three-month and six-month periods respectively. These costs were mainly associated with our acquisition of Canpages.

Restructuring and special charges

During the quarter we incurred restructuring and special charges of $11.9 million compared with $9 million for the same period last year. These costs were associated with a workforce reduction and the termination of contractual obligations.

Impairment of investment in associate

During the second quarter of 2011, we recorded an impairment of $50.5 million on our investment in Ziplocal, LP (Ziplocal). Yellow Media Inc. was advised during the second quarter of 2011 that Ziplocal was in default of its debt obligations. In addition, Ziplocal has undertaken important restructuring initiatives. Yellow Media Inc. determined that its investment in Ziplocal was impaired and as a result a loss of $50.5 million was recorded to reduce its net investment in Ziplocal to $nil.

Financial charges

Financial charges increased by $6.5 million to $37.5 million during the second quarter of 2011 and increased to $84.6 million for the six-month period ended June 30, 2011 compared with $67.2 million in the same period last year. The increase for the quarter and the six-month period ended June 30, 2011 is due a to higher level of indebtedness, a redemption premium in connection with a Total Return Swap (TRS), higher amortization and write-off of deferred financing costs offset by an increased gain on the purchase of debt instruments. The effective average interest rate on our debt portfolio as of June 30, 2011 was 5.2% compared to 5.1% as of June 30, 2010.

Dividends on preferred shares, Series 1 and 2

Dividends on the two series of redeemable preferred shares amounted to $4.9 million for the second quarter of 2011 compared to $5.4 million for the same period last year and $10.1 million for the six-month period ended June 30, 2011 compared to $10.8 million for the same period last year.

Provision for income taxes

The combined statutory provincial and federal tax rate was 27.9% and 29.9% for the three-month periods ended June 30, 2011 and 2010 respectively. The Company recorded an expense of 195.0% and 46.4% of earnings for the three-month periods ended June 30, 2011 and 2010 respectively and an expense of 40.2% and 24.6% of earnings for the six-month periods ended June 30, 2011 and 2010 respectively. The higher rate for the quarter is due to the non-deductibility of certain expenses for tax purposes including the impairment of Ziplocal.

Share of losses from investment in associates

During the second quarter of 2011 we recorded our share of losses from our investments in Ziplocal, 411.ca and Acquisio, in the amount of $3.9 million compared to $4.6 million for the same period last year and $11.4 million for the six-month period ended June 30, 2011 compared to $4.9 million for the same period last year. The increase is attributable to the investment in Ziplocal made during 2010. These losses include the amortization of intangible assets in connection with these equity investments.

Net (loss) earnings from discontinued operations

On March 25, 2011, Yellow Media Inc. announced that it had reached a definitive agreement to sell Trader Corporation. The real estate, employment and LesPAC.com businesses were excluded from the divestiture. These businesses continue to be owned and managed by YPG.

Trader Corporation owns and operates leading Canadian automotive and generalist online properties including AutoTrader.ca, Autos.ca, AutoHebdo.net, and Buysell.com, as well as 74 related publications. In addition, Trader Corporation owns an interest of 32% in Dealer.com, the leading US digital solutions provider to the automotive dealer segment.

As a result of the above, we have reclassified the results of the automotive and generalist verticals as discontinued operations. Accordingly, the prior period's consolidated income statement and cash flows have been restated to reflect this change and the net assets have been reclassified as held for sale on the interim condensed consolidated statement of financial position as at June 30, 2011.

Included in the results from discontinued operations of the automotive and generalist business are revenues of $67.8 million for the second quarter of 2011 compared with $64.3 million for the same period last year and $128.4 million for the six-month period ended June 30, 2011 compared with $122 million for the same period last year. The increase is due to higher revenues generated by Dealer.com.

EBITDA from the operations of the automotive and generalist business decreased to $14.4 million for the second quarter of 2011 compared with $20.9 million for the same period last year and $30.4 million for the six-month period ended June 30, 2011 compared with $36.1 million for the same period last year. The decrease is due to a new outsourcing agreement between Trader Corporation and our Mediative division whereby all national advertisers are managed by Mediative. The net earnings from discontinued operations amounted to $6.4 million for the three-month period ended June 30, 2011 and $98.6 million loss for the six-month period ended June 30, 2011. This includes a loss on disposal of $3.4 million and $109.1 million (net of income taxes) for the three and six-month periods ended June 30, 2011 respectively, which represents the difference between the fair value net of selling costs and the net assets to be disposed of.

In addition to the above, as a result of the adoption of IFRS, the disposal of YPG Directories LLC, a US subsidiary, on April 15, 2010 is also presented as a discontinued operation for the quarter and six-month period ended June 30, 2010.

Net earnings (loss)

Net earnings decreased by $66.2 million to a loss of $14.3 million during the second quarter of 2011 and by $227.9 million to a loss of $48.8 million for the six-month period ended June 30, 2011 compared to the same periods last year. The decrease for the quarter is mainly due to the impairment of our investment in associate of $50.5 million, print revenue pressure, and increased amortization of intangibles. In addition to these elements, the decrease for the six-month period ended June 30, 2011 is also due to the loss on disposal associated with our divestiture of Trader Corporation in the amount of $109.1 million (net of income taxes).

Summary of Consolidated Quarterly Results

Quarterly Results

(in thousands of Canadian dollars – except share information)

	IFRS						Canadian GAAP	
	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$342,738**	$349,372	$345,378	$355,949	$360,118	$339,684	$360,145	$361,961
Operating costs	**166,262**	159,337	184,043	162,726	156,140	141,112	152,080	149,385
Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges (EBITDA)	**176,476**	190,035	161,335	193,223	203,978	198,572	208,065	212,576
EBITDA margin	**51.5%**	54.4%	46.7%	54.3%	56.6%	58.5%	57.8%	58.7%
Depreciation and amortization	**47,735**	52,368	76,269	48,349	31,269	24,378	29,906	30,405
Acquisition-related costs	**6,233**	803	5,066	1,960	19,934	3,615	–	–
Restructuring and special charges	**11,888**	–	6,229	16,185	8,977	–	18,817	–
Income from operations	**110,620**	136,864	73,771	126,729	143,798	170,579	159,342	182,171
Net (loss) earnings	**(14,250)**	(34,589)	(14,694)	64,999	51,982	127,119	128,405	(168,515)
Basic (loss) earnings per share attributable to common shareholders of Yellow Media Inc. from continuing operations	**$(0.05)**	$0.13	$(0.03)	$0.13	$0.09	$0.23	$0.24	$0.28
Diluted (loss) earnings per share attributable to common shareholders of Yellow Media Inc. from continuing operations	**$(0.05)**	$0.11	$(0.03)	$0.11	$0.09	$0.20	$0.21	$0.28

Revenues throughout 2009 were relatively stable. In the first quarter of 2010, revenues decreased due to the disposal of YPG USA and lower print revenues. During the second quarter of 2010, we acquired Canpages causing revenues to increase. Revenues decreased quarter-over-quarter throughout 2010 and 2011 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 directories at Canpages.

In 2009, our EBITDA margins remained relatively stable despite the economic downturn which affected our business. Our EBITDA margin decreased progressively during 2010 and 2011, 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 second quarter of 2011 our EBITDA margin was negatively impacted by an unusual bad debt expense of approximately $5 million.

Net earnings (loss) were affected by the adverse economic conditions during 2009. Internal reorganizations and cost containment initiatives resulted in restructuring and special charges impacting some of our quarterly results in 2009, 2010 and 2011. Impairment of goodwill in our Vertical Media segment also impacted the third quarter of 2009 as well as the gain on repurchase of preferred shares Series 1 and 2, and the loss on the repurchase of Exchangeable Debentures. Net earnings for the second half of

2010 and 2011 were affected by depreciation and amortization of intangibles related to the acquisitions 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 an investment in an associate in the first and second quarters of 2011, respectively.

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.

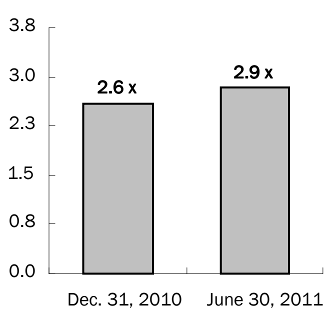
Financial Position

Capital Structure

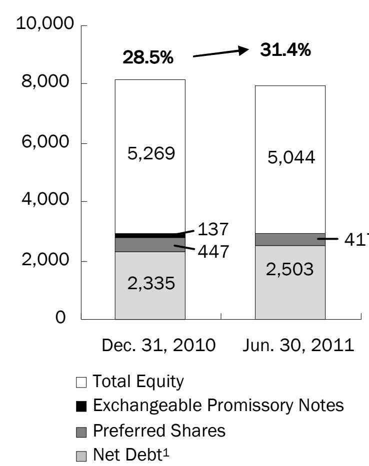
(in thousands of Canadian dollars)

	As at June 30, 2011	As at December 31, 2010
Cash	**$70,867**	$69,325
Medium Term Notes	**1,641,325**	1,656,200
Credit facilities	**636,000**	250,000
Commercial paper	**108,000**	295,000
Obligations under capital leases and other	**5,066**	20,672
Net debt (net of cash)	**$2,319,524**	$2,152,547
Exchangeable and convertible instruments	**183,148**	319,029
Preferred shares, series 1 and 2	**416,700**	446,725
Equity attributable to the shareholders of Yellow Media Inc.	**4,990,173**	5,215,937
Non-controlling interests	**53,528**	52,568
Total capitalization	**$7,963,073**	$8,186,806
Net debt[1] to total capitalization	**31.4%**	28.5%

Net Debt[1] to Latest Twelve Months EBITDA Ratio[2,3]



Capital Structure
(in millions of dollars)



As at June 30, 2011, YPG had approximately $2.3 billion of net debt, or $2.9 billion including preferred shares, Series 1 and 2, and convertible instruments. The net debt[1] to Latest Twelve Month EBITDA[2,3] ratio as of June 30, 2011 was 2.9 times. The net debt to total capitalization was 31.4% as of June 30, 2011, compared to 28.5% as of December 31, 2010.

1 Net debt including Convertible Debentures.

2 Latest twelve month Income from operations before depreciation and amortization, acquisition-related costs, conversion and rebranding costs of 2010, restructuring and special charges, giving effect to the acquisitions (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.

3 Includes discontinued operations.

Medium Term Notes

Yellow Media Inc. had a total of $1.6 billion of notes outstanding under its Medium Term Note program as of June 30, 2011 with varying maturity dates between 2013 and 2036.

During the second quarter of 2011, Yellow Media Inc. repurchased for cancellation an amount of $18 million of the Series 5 Medium Term Notes for a total cash consideration of $15.3 million. The difference between the purchase price and the carrying value of the Medium Term Notes of $2.5 million was recorded as a gain in financial charges.

Credit facilities

The Principal Facility is composed of a $750 million revolving tranche and a $250 million non-revolving tranche. The non-revolving tranche was available by way of single draw only on or before November 1, 2010. The Principal Facility matures on February 18, 2013. As of June 30, 2011, $636 million was drawn on the principal credit facility. The Revolving Facility serves as a back-up to the commercial paper program and may be used for general corporate purposes.

YPG was in compliance with all of its debt covenants as at June 30, 2011.

Exchangeable Promissory Notes

In connection with the Canpages acquisition, Yellow Media issued $141.6 million of Mandatory Exchangeable Promissory Notes (the Notes).

Starting in the first quarter of 2011, the Notes were exchangeable into a number of common shares of Yellow Media Inc. based upon a price equal to 95% of the price of the Yellow Media Inc. shares at the time of exchange. Each quarter, holders of the Notes had the right to exchange 25% of the principal amount representing a maximum of $35.4 million of the Notes. Until December 31, 2014, YPG had the option at any time to redeem all or a portion of the Notes for cash together with accrued and unpaid interest. The Notes ranked subordinate to the senior debt of Yellow Media Inc. and bore interest at a fixed initial rate of 5%, payable quarterly in cash, subject to step up provisions over time. The Notes had a final maturity of December 31, 2014. Any remaining Notes will be automatically exchanged into common shares of Yellow Media Inc. on December 31, 2014.

On October 15, 2010, the holders of the Notes monetized their investment through a resale of the Notes to a third-party financial institution. In order to facilitate this resale transaction and the orderly conversion of the Notes into common shares during the course of 2011, Yellow Media Inc. entered into a TRS transaction referencing the Notes with the same counterparty for a period ending December 15, 2011. Pursuant to the terms of the TRS, the 5% fixed interest rate under the Notes was converted to the floating rate of interest equal to the three-month Banker's Acceptance plus 1.75%. In addition, under the TRS, the counterparty as a holder of the Notes was expected to exchange 25% of the principal amount into underlying Yellow Media Inc. common shares at 95% of the prevailing market price, calculated using a volume weighted average price over a period of up to 20 days. In addition, Yellow Media Inc. would have received or paid under the TRS an adjustment amount to the extent that the value realized by the TRS counterparty on the exchange or redemption of the Notes exceeded or was less than the $141.6 million principal amount of the Notes.

On February 15, 2011, the exchange right was exercised and one quarter of the Exchangeable Promissory Notes was converted into equity. A new note in the amount of $106 million was issued and 6.3 million common shares of Yellow Media Inc. were issued. Also, since the value realized by the TRS counterparty on the exchange of the Notes was less than the principal amount of the Notes, Yellow Media Inc. paid an adjustment amount of $4.2 million under the TRS.

On March 31, 2011 Yellow Media Inc. exercised its redemption right applicable to one quarter of the principal amount of the Notes representing $35.4 million. The principal amount along with the 5% redemption premium stipulated under the TRS was paid on April 1, 2011.

During the second quarter of 2011, the remaining $106.2 million Exchangeable Notes balance were redeemed. The principal remaining amounts along with the 5% redemption premium stipulated under the TRS was paid on June 10, 2011 and the TRS was unwound.

Cumulative Redeemable Preferred Shares

On June 8, 2010, Yellow Media Inc. received approval from the Toronto Stock Exchange (TSX) on its notice of intention to renew its normal course issuer bid for its preferred shares, Series 1 and preferred shares, Series 2 through the facilities of the TSX from June 11, 2010 to no later than June 10, 2011, in accordance with applicable rules and regulations of the TSX.

On May 11, 2011, Yellow Media Inc. received approval from the TSX on its notice of intention to renew its normal course issuer bid for its preferred shares Series 1 and preferred shares Series 2 for the period from June 13, 2011 to no later than May 12, 2012 through the facilities of the TSX, in accordance with applicable rules and regulations of the TSX.

Under its normal course issuer bid, Yellow Media Inc. can purchase for cancellation up to 1,127,882 and 684,028 of its outstanding first preferred shares, Series 1 (Series 1 shares) and first preferred shares, Series 2 (Series 2 shares), respectively. During the six-month period ended June 30, 2011, Yellow Media Inc. purchased for cancellation 717,098 Series 1 shares of Yellow Media Inc. for a total cash consideration of $16.5 million including brokerage fees and 537,778 Series 2 shares of Yellow Media Inc. for a total cash consideration of $8.8 million including brokerage fees. The carrying value of these Series 1 and Series 2 shares was $17.8 million and $13.2 million, respectively.

Cumulative Convertible Preferred Shares

As at August 4, 2011, a total of 916,667 of the Series 7 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 shares currently outstanding.

Credit Ratings

DBRS Limited	Standard and Poor's Rating Services
BBB (High) credit rating	BBB-/Stable long-term corporate credit rating
R-1 (low) commercial paper rating	BBB- credit rating for existing credit facilities and medium term notes
BBB convertible subordinated debentures rating	BB+ convertible subordinated debentures rating
Pfd-3 (high) preferred shares rating	P-3 preferred shares rating

Liquidity

As part of its financial policy capital structure guidelines, YPG remains committed to maintaining adequate liquidity at all times. To this end, YPG has access to committed bank lines, and has been proactive in increasing its liquidity and capital resources. As at June 30, 2011, YPG maintained a credit facility containing two tranches totalling $1.0 billion, providing sufficient liquidity to fund its operations.

On June 30, 2011, cash amounted to $70.9 million. In addition to cash, Yellow Media Inc. may issue additional notes amounting to $256 million under its commercial paper program and/or its Principal Facility. Yellow Media Inc. had $nil of restricted cash as at June 30, 2011.

Share data

As at August 4, 2011 outstanding share data was as follows:

Outstanding Share Data

	As at August 4, 2011	As at June 30, 2011	As at December 31, 2010
Common shares outstanding	516,124,917	516,124,917	516,017,984
Preferred shares Series 3, 5 and 7 outstanding	13,522,051	13,553,086	13,933,333
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.

The Board of Directors granted 15,850,000 options from the 2010 Plan. The significant terms and conditions of the options granted are as follows:

- The exercise price is equal to the weighted-average trading prices 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 August 4, 2011, 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 August 4, 2011, there were 10,505,134 preferred shares, Series 1 and 6,282,836 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 August 4, 2011, there were 383,333 Series 7 preferred shares outstanding. This series of preferred shares are exchangeable into shares of the Corporation, at a ratio of one preferred share for one common share subject to certain conditions.

Normal course issuer bid

On May 11, 2011, Yellow Media Inc. received approval from the TSX on its notice of intention to make a normal course issuer bid for its common shares, first preferred shares, Series 3 and first preferred shares, Series 5 for the period from May 13, 2011 to no later than May 12, 2012, in accordance with applicable rule and regulations of the TSX.

Under its normal course issuer bid, Yellow Media Inc. may purchase for cancellation up to 51,782,537 of its outstanding common shares, 830,000 of its outstanding first preferred shares, Series 3, and 500,000 of its outstanding first preferred shares, Series 5.

During the six-month period ended June 30, 2011, Yellow Media Inc. purchased for cancellation 11,252,884 common shares of Yellow Media Inc. for a total cash consideration of $46.5 million including brokerage fees. The average carrying value of the common shares was $7.86 per share. The difference between the purchase price and the carrying value of the common shares of $41.9 million was credited to Deficit. In addition, the reserve related to the shares in the amount of $42.9 million was also credited to Deficit.

During the six-month period ended June 30, 2011, Yellow Media Inc. had purchased for cancellation 90,332 Series 3 shares of Yellow Media Inc. for a total cash consideration of $1.6 million including brokerage fees and 39,915 Series 5 shares of Yellow Media Inc. for a total cash consideration of $0.7 million including brokerage fees. The carrying value of these Series 3 and 5 shares was $2.2 million and $1 million respectively. The difference between the purchase price and the carrying value was credited to Deficit.

In order to maximize funds available for debt paydown, Yellow Media Inc. has decided to suspend activity under its normal course issuer bid for common shares for the time being. This decision may be revisited over time based on the progress made in strengthening our capital structure and conditions in the trading volume and price of our equity securities. We will continue to be active in repurchasing our first preferred shares series 1, 2, 3 and 5 in order to manage the profile of our maturing obligations.

Sources and Uses of Cash

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

Sources and Uses of Cash

(in thousands of Canadian dollars)

	Six-month periods ended June 30,	
	2011	2010
Cash flows from operating activities from continuing operations		
Cash flows from operations from continuing operations	**$248,646**	$286,182
Change in operating assets and liabilities	**(49,022)**	7,284
	$199,624	$293,466
Cash flows used in investing activities from continuing operations		
Business acquisitions, net of cash acquired and bank indebtedness assumed	**$(24)**	$(87,012)
Acquisition of investment in associates	**–**	(3,600)
Acquisition of intangible assets	**(22,475)**	(34,000)
Acquisition of property, plant and equipment	**(8,352)**	(3,416)
Issuance of note	**(1,238)**	–
Acquisition of investment	**–**	(1,756)
Proceeds from lease inducements	**37**	–
	$(32,052)	$(129,784)
Cash flows used in financing activities from continuing operations		
Issuance of long-term debt and commercial paper	**$591,000**	$555,000
Repayment of long-term debt and commercial paper	**(392,611)**	(157,632)
Redemption of exchangeable and convertible instruments	**(106,172)**	–
Dividends to shareholders	**(145,361)**	(201,686)
Repurchase of Preferred shares, series 1 and 2, and Medium Term Notes	**(39,997)**	(320,145)
Repurchase of common shares and Preferred shares series 3 and 5	**(48,616)**	–
Other	**(13,185)**	(47,179)
	$(154,942)	$(171,642)

Cash flows from operating activities from continuing operations

Cash flows from operating activities from continuing operations decreased from $293.5 million for the six-month period ended June 30, 2010 to $199.6 million for the six-month period ended June 30, 2011. Lower print revenues and lower margins associated with Canpages as well as investments in our new products impacted our cash flows from continuing operations. The decrease in operating assets and liabilities for the six-month period ended June 30, 2011 was $56.3 million compared with the same period last year. During the six-month period ended June 30, 2011, we paid taxes of approximately $34.5 million compared to $12.6 million for the six-month period ended June 30, 2010. In addition, working capital fluctuations arose due to Canpages which was acquired in May 2010. The remaining variance is due to the timing of payment of certain accounts payable as well as a decrease in deferred revenues.

The Company generates sufficient cash flow from operations to fund capital expenditures, dividends, working capital requirements and to service its debt obligations.

Cash flows used in investing activities from continuing operations

Cash used in investing activities from continuing operations decreased from $129.8 million to $32.1 million in the six-month period ended June 30, 2011 reflecting a lower level of activity in 2011. In 2011, we did not complete any business acquisitions. In 2010, the Company acquired all of the operations of Restaurantica and RedFlagDeals.com, for a cash consideration of $6.1 million. We also acquired all of the shares of Canpages for a cash consideration of $80.9 million. In addition, the Company made an investment in an associate for $3.6 million. During 2011, we made acquisitions of intangible assets and property, plant and equipment of $22.5 million and $8.4 million, respectively, which in total, was less than the corresponding amounts of $34 million and $3.4 million spent in 2010.

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

(in thousands of Canadian dollars)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	**2011**	2010
Sustaining	**$11,907**	$2,762	**$16,943**	$6,194
Transition	**1,872**	2,985	**3,213**	4,097
Growth	**7,676**	3,095	**15,581**	8,226
Total	**$21,455**	$8,842	**$35,737**	$18,517
Adjustment to reflect expenditures on a cash basis	**(2,522)**	1,071	**(4,947)**	569
Acquisition of property, plant, equipment and intangible assets, net of lease inducements	**$18,933**	$9,913	**$30,790**	$19,086

Sustaining capital expenditures amounted to $11.9 million for the three-month period ended June 30, 2011 compared to $2.8 million for the same period in the previous year and $16.9 million for the six-month period ended June 30, 2011 compared to $6.2 million for the same period last year due to increased activity associated with acquisitions made in 2010. Specifically, during the second quarter we invested in leasehold improvements to house our new Mediative division in their new offices in Toronto, Montreal and Vancouver.

Transition capital expenditures remained relatively stable at $1.9 million for the three-month period ended June 30, 2011 compared to $3.0 million for the same period in the previous year and $3.2 million for the six-month period ending June 30, 2011 compared with $4.1 million for the same period last 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 online company. During the second quarter of 2011, these amounted to $7.7 million compared to $3.1 million for the same period in the previous year and $15.6 million for the six-month period ended June 30, 2011 compared to $8.2 million for the same period last year.

Total capital expenditures for the second quarter amounted to $18.9 million and were in line with expectations.

Cash flows used in financing activities from continuing operations

Cash used in financing activities from continuing operations decreased by $16.7 million to $154.9 million during the six-month period ended June 30, 2011 from $171.6 million for the same period last year. The lower level of dividends per share compared to 2010 resulted in a decrease in dividends to shareholders of $56.3 million for the six-month period ended June 30, 2011 compared to the same period last year. Although we had lower net issuance of long-term debt and commercial paper in 2011 of $198.4 million compared with $397.4 million in 2010, we also had lower levels of repurchases of various debt instruments in 2011. For the six-month period ended June 30, 2011, we repurchased shares and debt instruments of $88.6 million compared to $320.1 million in 2010. Also, during the year we redeemed the remaining $106.2 million of Notes issued in connection with the acquisition of Canpages.

Financial and Other Instruments

(See Note 25 of the Consolidated Financial Statements of the Company for the year ended December 31, 2010).

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 receives interest on these swaps at 6.5% and pays a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps 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 receives interest on these swaps at 6.85% and pays a floating rate equal to the three-month Banker's Acceptance plus a spread of 4.3%. The swaps 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 above mentioned 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 preferred shares, Series 1 and 2 and the cash, our fixed-to-floating ratio was 77% fixed rate as at June 30, 2011.

The terms and conditions of Preferred Shares Series 1 and 2 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 earnings.

The carrying value of embedded derivatives was an asset of $0.2 million on June 30, 2011. 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 $1.9 million and $3.3 million for the three and six-month periods ended June 30, 2011, respectively (2010 - $0.7 million gain and $0.9 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, we reported an adjustment amount of $4.2 million during the six-month period ended June 30, 2011 and a $3.5 million and $5.3 million for the three and six-month periods ended June 30, 2011 redemption premium stipulated under the TRS.

4. Adjusted Earnings from Continuing Operations

The Company's primary source of cash for dividends is Adjusted Earnings. 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 June 30,		Six-month periods ended June 30,	
	2011	2010	**2011**	2010
Net (loss) earnings from continuing operations	**$ (20,698)**	$ 52,953	**$ 49,755**	$ 173,340
Attributable to non-controlling interest	**190**	–	**357**	–
Dividends to preferred shareholders	**(5,662)**	(5,779)	**(11,372)**	(11,477)
Net (loss) earnings from continuing operations available to common shareholders of Yellow Media Inc.	**(26,170)**	47,174	**38,740**	161,863
Amortization of intangible assets[1,4]	**36,394**	23,695	**76,927**	38,977
Acquisition-related costs[2,4]	**4,494**	13,974	**5,073**	16,508
Restructuring and special charges[4]	**8,571**	6,293	**8,571**	6,293
Other[3,4]	**38,558**	(709)	**47,459**	68
Deferred income taxes	**27,378**	45,832	**29,430**	49,479
Adjusted earnings from continuing operations	**$ 89,225**	$ 136,259	**$ 206,200**	$ 273,188
Weighted average number of common shares outstanding	**514,623,616**	503,465,369	**512,525,771**	504,105,534
Adjusted earnings per common share from continuing operations[4,5]	**$ 0.17**	$ 0.27	**$ 0.40**	$ 0.54
Dividends on common shares	**$ 83,521**	$ 100,653	**$ 166,985**	$ 201,686
Dividends declared per common share	**$ 0.16**	$ $0.20	**$ 0.32**	$ 0.40
Payout ratio	**94%**	74%	**80%**	74%

1 Represents amortization of intangible assets attributable to shareholders.

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

3 Includes amounts relating to other non-recurring items, such as impairment of investment in associate and non-cash financial charges.

4 Items are net of income taxes using the combined statutory provincial and federal tax rate of 27.9% (29.9% for 2010).

5 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 June 30,		Six-month periods ended June 30,	
	2011	**2010**	**2011**	**2010**
Cash flow from operating activities from continuing operations	**$87,923**	$165,777	**$199,624**	$293,466
Capital expenditures, net of lease inducements	**18,933**	9,913	**30,790**	19,086
Free cash flow from continuing operations	**$68,990**	$155,864	**$168,834**	$274,380

Dividends

Dividends

(in thousands of Canadian dollars- except share information)

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2011	2010	**2011**	**2010**
Accumulated dividends, beginning of period[1]	**$3,518,646**	$3,133,496	**$3,435,182**	$3,032,463
Dividends on common shares	**83,521**	100,653	**166,985**	201,686
Accumulated dividends, end of period[1]	**$3,602,167**	$3,234,149	**$3,602,167**	$3,234,149
Accumulated dividends per common share, beginning of period	**$7.36**	$6.60	**$7.20**	$6.40
Dividends declared per common share	**$0.16**	$0.20	**$0.32**	$0.40
Accumulated dividends per common share, end of period	**$7.52**	$6.80	**$7.52**	$6.80

1. Amounts prior to November 1, 2010 were distributions of Yellow Pages Income Fund.

Dividends in Common Shares

Dividends payable by Yellow Media Inc. to its shareholders are recorded when declared. Starting in January 2011, the dividend policy of Yellow Media Inc. had been set at $0.65 annually per common share. Please refer to Section 5 – Outlook, for a discussion of our cash dividends on Common Shares.

The baseline dividend in respect of the common shares of Yellow Media Inc. is subject to the discretion of the board of directors of Yellow Media Inc. and may vary depending on, among other things, Yellow Media Inc.'s earnings, financial requirements, the satisfaction of solvency tests imposed by the Canada Business Corporations Act for the declaration of dividends and other conditions existing at such time.

On October 21, 2010, Yellow Media Inc. announced its adoption of a Dividend Reinvestment Plan (the Plan). The Plan came into effect concurrently with the Company's previously announced conversion from an income trust to a corporate structure which was completed on November 1, 2010. Under the Plan, holders of common shares of Yellow Media Inc. who are residents of Canada may elect to have cash dividends paid on their common shares reinvested into additional common shares of Yellow Media Inc. commencing with the dividends declared after November 1, 2010. The Plan allows the Company to elect to have the common shares purchased on the open market or issued from treasury. The Plan allows the Company to issue common shares from treasury with a discount from prevailing market prices ranging from 2% to 5%. As at February 10, 2011, under the Plan, the Company intends to have the common shares issued from treasury at a 5% discount from the average market price (as defined under the Plan) of the common shares on the applicable dividend payment date. As of June 30, 2011, participation in the Plan offered by Yellow Media Inc. was approximately 5%.

5. Outlook

Yellow Media Inc. is making progress in transforming its business to become Canada's leading performance media and marketing solutions company. Our mission is to bring consumers and businesses together through our network of mobile, web and print properties. We continue to focus on building the necessary platforms, enhancing our existing online services, growing our mobile offerings, investing in necessary tuck-in acquisitions, and developing key partnerships in order to achieve our business objectives, while at the same time de-leveraging our balance sheet and maintaining financial flexibility.

We remain committed to our three pillars of our organic growth strategy ie: improving the customer experience, growing traffic to our network of properties and extending our services to existing and prospective customers.

In building a full-serve business model for SMEs, we continue to leverage our sales force, brand and content. Furthermore, we continue to pursue investments in new product introduction aimed at accelerating our transition to online and mobile content. Our updated operating framework for the balance of 2011 and full-year 2012 requires a sharper focus on the provisioning of new services for our customers, a renewed commitment to branding and promotion, and a higher investment in traffic and distribution partnerships.

Key Decisions

On August 4, 2011, Yellow Media Inc. announced the following key decisions regarding our business transformation and financial policy.

Base Line Common Share Dividends

After careful consideration and analysis, and with an objective of improving our financial risk profile and capital position, Yellow Media Inc. has decided to reduce cash dividends to common shareholders from $0.65 to $0.15 annually. A quarterly cash dividend of $0.0375 will be payable on January 16, 2012 to shareholders of record at the close of business on December 30, 2011. For the remaining two months of Q3 2011, a dividend of $0.025 will be payable on October 17, 2011 to shareholders of record on September 30, 2011. We are now targeting a baseline dividend of $0.15 annually, which we believe to be a prudent dividend level. This payout ratio should provide sufficient financial flexibility to Yellow Media Inc. while we transition our business online.

Withdrawing Formal Short-Term Earnings Guidance

Our objectives for the fiscal year ending December 31, 2011 were established in August 2010 based on our economic and business outlook at that time. The trends in recent months in our business have shown accelerated transition from print to online and lower margins from recent business acquisitions, resulting in pressure on EBITDA. Yellow Media Inc. is currently performing a review of its strategic and operating plans. Given this transition from print to online and uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues, growth in revenues and EBITDA may be different than those underlying the current model. As a result, the Company is withdrawing its guidance for the balance of 2011. Depending on the outcome of this review, the fair value of Yellow Media Inc.'s assets may be determined to be less than their carrying value.

Additionally we are amending our policy regarding short-term earnings guidance. The Company has decided to discontinue providing annual revenue, EBITDA and earnings guidance. Our focus is to manage the transformation of the business for the long-term. We remain committed to high levels of disclosure and transparency to investors, and will show visibility on recent and expected trends in key operating metrics, revenue mix, product life cycle, EBITDA margins, capital expenditures, restructuring, special charges and other notable items impacting our results of operations.

Yellow Media Inc. recognizes the challenges associated with the transformation of the business model. Investments are required to maintain our leadership position in Canada. As such, we are focused on making key decisions and taking the right approach to accelerate the business transformation and maintain financial flexibility through this transition period. The recent closing of the sale of Trader Corporation, with continued free cash flow generation and a higher level of retained earnings will help reinforce our goals.

We will continually disclose our progress in reaching our stated business objectives taking into account changes in the economic environment, local operating and market conditions, direct and indirect competition for our products and other relevant factors.

In light of our business transformation, Yellow Media Inc. anticipates growing online revenues to 50% of total revenues by the end of 2014. Through strong organic execution and cost containment initiatives, we also expect EBITDA margins to stabilize to approximately 50% in the next three years.

Adopting a more conservative financial policy that will result in on-going lower financial leverage

Given our continued commitment to transitioning our business online, we believe that the reduction in cash dividends to shareholders, from now to the end of 2014, proceeds from the recent closing of the sale of the automotive segment of Trader Corporation and free cash flow generation from on-going operations, will allow us to meaningfully pay down debt and other obligations while providing the Company sufficient liquidity to fund working capital, capital expenditures and cash income taxes as they become due and payable.

Yellow Media Inc. intends to improve its financial profile by pursuing a prudent financial policy, and by maintaining a capital structure that provides financial flexibility through diverse funding sources and timing of debt maturities. We remain confident that a reset of financial leverage guidelines and a disciplined approach to organic investment and execution should position the Company well, for a successful transformation, to a digital media marketing solutions company. As a result, we expect to achieve stronger credit protection measures and now target net debt to EBITDA on a sustained basis of approximately 2 times compared with 2.8 to 3.2 times currently.

6. Critical Assumptions

Critical Accounting Policies and Estimates

In our 2010 annual consolidated financial statements and notes thereto, as well as in our 2010 Annual MD&A, we have identified the accounting policies and estimates that are critical to the understanding of our business operations and our results of operations. On January 1, 2011, with the adoption of IFRS, the critical accounting policies and significant judgements and estimates have been updated to conform to this adoption. Please refer to our interim condensed consolidated financial statement for the three-month period ended March 31, 2011 for details on the IFRS accounting policies adopted under IFRS and a detailed discussion regarding our significant judgements and estimates.

New Accounting Standards

Recent Accounting Pronouncements

In February 2008, the Accounting Standards Board (AcSB) confirmed that IFRS will be mandatory in Canada for profit-oriented publicly accountable entities for fiscal periods beginning on or after January 1, 2011. Our first annual IFRS financial statements will be for the year ending December 31, 2011 and will include the comparative period of 2010. Please refer to Note 19 of the accompanying financial statements for a summary of the differences between our financial statements previously prepared under Canadian GAAP and to those under IFRS.

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. It is applicable to financial assets and requires classification and measurement in either the amortised cost or the fair value category. 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, 2013, but is available for early adoption. Yellow Media Inc. has not fully assessed the impact of adopting IFRS 9; however, it anticipates that its impact will be limited.

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 31 (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.

7. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YPG's future business results and explains how YPG seeks to manage these risks.

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 which seek to manage the risks to which it may be exposed. Please refer to the MD&A for the year ended December 31, 2010 for a 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, 2010. For more information, please refer to the corresponding section in our MD&A for the year ended December 31, 2010.

8. Controls and Procedures

Management including the President and Chief Executive Officer and the Executive Vice President – Corporate Services and Chief Financial Officer have determined that there were no changes to the Corporation's internal controls over financial reporting during the quarter ended June 30, 2011 that have materially affected or are reasonably likely to materially affect, its internal controls over financial reporting.