

Yellow Media Inc. Reports Third-Quarter 2011 Financial Results

- Company focused on the execution of its 360 Solution digital strategy
- Annualized online revenues of approximately \$350 million representing more than 27% of total revenues
- Company strengthens its capital structure through debt reduction

Montréal (Québec), November 3, 2011 — Yellow Media Inc. (TSX: YLO) released third quarter results today, strengthening its capital structure and making progress on its transformation to a digital media and marketing solutions company.

Yellow Media closed the sale of Trader Corporation in July 2011. As a result of this divestiture, results of the disposed business were reclassified as discontinued operations. Accordingly, results of operations for the quarter and nine months ended September 30, 2011 exclude the results of the disposed business while the prior period income statement and cash flows have been restated to reflect this change.

For the quarter ending September 30, 2011, the Company recorded both a net loss and a net loss from continuing operations of \$2.8 billion as a result of a goodwill impairment charge of \$2.9 billion. This impairment charge is a non-cash item and does not affect the Company's operations, its liquidity, its cash flow from operating activities, its bank credit agreement or its note indentures. Net earnings from continuing operations before the impairment charge was \$74.6 million compared to \$65.6 million for the same period in 2010.

Net earnings per share from continuing operations before the impairment charge was \$0.14 compared to net earnings per share from continuing operations of \$0.12 for the same quarter last year. Adjusted earnings per common share from continuing operations for the quarter was \$0.07 versus \$0.19 last year.

Revenues decreased 9.1% from \$355.9 million to \$323.4 million resulting from lower print revenues as well as lower revenues associated with Canpages and our US operations. This was partly offset by higher organic online revenues and revenues generated from Mediative. Online revenues for the third quarter of 2011 were \$87.3 million or approximately \$350 million on an annualized basis, representing growth of 26.4% versus last year. Online revenues now represent more than 27% of total revenues compared to 20% in the third quarter of 2010.

Income from operations before the impairment charge was \$127.7 million for the quarter compared to \$126.7 million for the third quarter of 2010. EBITDA for the quarter declined from \$193.2 million to \$166.0 million and EBITDA margin for the third quarter was 51.3% compared to 54.3% for the same period last year. The decrease is mainly attributable to print revenue pressure, higher costs associated with Mediative and Canpages as well as investment in the support of our transformation.

“Our industry is undergoing a major transformation. We recognize these challenges but remain confident that our 360 strategy will assist us in extending our franchise to digital media” said Marc P. Tellier, President and Chief Executive Officer of Yellow Pages Group. “The Board, the management team and all our employees are focused on the execution of our transformation to a digital media and marketing solutions company.”

Continued Progress on the Yellow Pages 360° Solution

During the quarter, the Company continued to reinforce its position as a leading performance media and marketing solutions provider by focusing on the deployment of the Yellow Pages 360° Solution (www.yellowpages.ca/360). This unique value proposition is a key element of its digital transformation, enabling customers to get unprecedented visibility with online, mobile and print media platforms, and access to various services such as web site development, search engine marketing and search engine optimization.

As part of its 360° Solution, the Company recently introduced Yellow Pages Analytics™, a detailed reporting platform offering advertisers access to enhanced reporting providing them with valuable insight on the performance of their YPG campaign.

Another key component of the YPG 360° Solution is mobile. YPG’s mobile strategy revolves around improving the mobile user experience in order to create increased value for our advertisers. The Company continues to leverage its local content and add richer and deeper business content on merchants in order to increase engagement from Canadian mobile users. YPG’s mobile applications have been downloaded more than 3.0 million times, with YellowPages.ca mobile business searches now representing over 30% of YPG’s overall digital searches.

Mediative

This division, launched a year ago, is a leading North American integrated advertising and digital marketing company. Mediative has extensive experience in developing innovative and unique marketing solutions for national companies. During the quarter, the company was selected as the top company in Canada in two Performance Solution categories by TopSEOs. TopSEOs is an independent authority on search vendors which evaluates and ranks the best vendors in the Internet Marketing community. Mediative was chosen as the top Enterprise SEO Services as well as Integrated Search company. Mediative is now serving the marketing needs of some of the biggest brands in North America such as WalMart, FutureShop, Sears and Disney among others. It is also one of Canada’s leading ad display network, managing the ad inventory of over 600 web sites such as Best Buy, Martha Stewart, Sears, FutureShop and Toys ‘R Us.

Elimination of Dividends on Common shares

As disclosed on September 28, 2011, Yellow Media's Board of Directors decided to eliminate future dividends on its common shares. This decision is in compliance with the amendments that the Company has agreed to make to its principal credit agreement and will improve its financial profile and capital position. The \$0.025 dividend per common share that was previously declared by the Company and announced on August 4, 2011 was paid on October 17, 2011 to shareholders of record at the close of business on September 30, 2011. Cash retained from elimination of these dividends will be used to reduce indebtedness and reinvest in the business.

Capital Structure

During the quarter, Yellow Media repaid a total amount of \$500 million of its bank indebtedness and the committed size of the revolving term loan was reduced from \$750 million to \$250 million. The committed size of the non-revolving term loan remains unchanged at \$250 million. As a result, the new principal \$500 million senior unsecured credit facility will consist of a \$250 million revolving tranche and a \$250 million non-revolving tranche, each maturing on February 18, 2013.

As at September 30, 2011, YPG had approximately \$1.7 billion of net debt, or \$2.2 billion including preferred shares, Series 1 and 2, and convertible debt instruments. Net debt to Latest Twelve Month EBITDA ratio as of September 30, 2011 was 2.5 times compared to 2.9 times last quarter and 2.6 times as of December 31, 2010. During the third quarter, the Company reduced its total indebtedness by approximately \$700 million including the repayment of \$238 million principal amount of Medium Term Notes and the reduction of its bank indebtedness as discussed above.

Investor Conference Call

Yellow Media Inc. will hold an analyst and media call at 2:00 pm (Eastern Time) on November 3, 2011 to discuss the third quarter of 2011 results. The call may be accessed by dialing (416) 340-8018 within the Toronto area, or 1 866 223-7781 outside of Toronto. The call will be simultaneously webcast on the Company's web site at <http://www.ypg.com/en/investors/financial-reports/2011/quarterly-reports/third-quarter>.

The conference call will be archived in the Investor Center of the site at www.ypg.com. A playback of the call can also be accessed from November 3 to November 11, 2011 by dialing (905) 694-9451 from within the Toronto area, or 1 800 408-3053 outside Toronto. The conference passcode is **7214585**.

About Yellow Media Inc.

Yellow Media Inc. (TSX: YLO) is Canada's #1 Internet company through its network of companies that include Yellow Pages Group and Canpages. Yellow Media Inc. owns and operates some of Canada's leading properties and publications including Yellow Pages™ directories, YellowPages.ca™, Canada411.ca™, RedFlagDeals.com, and LesPAC.com. Its online destinations reach approximately 9.4 million unique visitors monthly and its mobile applications for finding local businesses and deals have been downloaded over 3.0 million times. 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. For more information, visit www.ypg.com.

Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of the Company. These statements are forward-looking as they are based on our current expectations, as at November 3, 2011, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ 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, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in section 6 of our November 3, 2011 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available, as a result of future events or for any other reason.

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Financial Highlights

(in thousands of Canadian dollars - except share information)

Yellow Media Inc.	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2011	2010	2011	2010
Revenues	\$323,441	\$355,949	\$1,015,551	\$1,055,751
(Loss) income from operations	(\$2,772,299)	\$126,729	(\$2,524,815)	\$441,106
Net (loss) earnings from continuing operations	(\$2,806,099)	\$65,597	(\$2,756,344)	\$238,937
Basic (loss) earnings per share from continuing operations attributable to common shareholders of Yellow Media Inc.	(\$5.52)	\$0.12	(\$5.42)	\$0.44
Cash flow from operating activities from continuing operations	\$43,985	\$122,526	\$243,609	\$415,992
EBITDA ¹	\$165,998	\$193,223	\$532,509	\$595,773
EBITDA margin ¹	51.3%	54.3%	52.4%	56.4%
Adjusted earnings from continuing operations ¹	\$37,079	\$93,349	\$199,300	\$338,913
Weighted average number of common shares outstanding	509,752,238	501,815,664	511,591,101	503,333,857
Adjusted earnings per common share from continuing operations	\$0.07	\$0.19	\$0.39	\$0.67
Dividends on common shares	\$40,360	\$100,402	\$207,345	\$302,088
Dividends declared per common share	\$0.08	\$0.20	\$0.40	\$0.60
Payout ratio	114%	105%	103%	90%

Note: The financial information presented herein has been prepared on the basis of International Financial Reporting Standards (IFRS) for interim financial statements. The amounts in this table for the three and nine-month periods ended September 30, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Please refer to Note 20 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 three and nine-month periods ended September 30, 2010.

Non-IFRS Measures¹

In order to provide a better understanding of the results, the Company uses the term EBITDA, defined as income from operations before depreciation and amortization, impairment of goodwill and intangible assets, acquisition-related costs and restructuring and special charges. Management believes this measure is reflective of ongoing operations. The Company also uses the term Adjusted earnings from continuing operations, defined as net (loss) earnings from continuing operations available to common shareholders excluding amortization of intangible assets attributable to shareholders, non-cash financial charges, non-cash income taxes and non-recurring items such as acquisition-related costs, restructuring and special charges, impairment of goodwill and intangible assets, and impairment of investment in associate, where all adjustments except non-cash income taxes and impairment of goodwill and intangible assets are net of the income tax effect thereon calculated at the statutory income tax rate. These terms do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. Management believes EBITDA and Adjusted earnings from continuing operations to be important measures as they allow management to assess the performance of the ongoing business. The table below is a reconciliation of Adjusted earnings from continuing operations to the most comparable IFRS financial measures:

Adjusted earnings from continuing operations

(in thousands of Canadian dollars - except share information)

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2011	2010	2011	2010
Net (loss) earnings from continuing operations	(\$2,806,099)	\$65,597	(\$2,756,344)	\$238,937
Attributable to non-controlling interest	84	13	441	13
Dividends to preferred shareholders	(5,583)	(5,780)	(16,955)	(17,257)
Net (loss) earnings from continuing operations available to common shareholders of Yellow Media Inc.	(\$2,811,598)	\$59,830	(\$2,772,858)	\$221,693
Amortization of intangibles assets ^{1,3}	25,359	25,917	102,286	64,894
Impairment of goodwill and intangibles assets ⁴	2,880,677	-	2,880,677	-
Acquisition-related costs ^{2,3}	358	1,374	5,431	17,882
Restructuring and special charges ³	-	11,346	8,571	17,639
Financial charges ³	7,436	24,663	68,451	71,761
Interest paid	(49,226)	(38,915)	(120,554)	(110,189)
Impairment of investment in associate ³	-	-	36,392	-
Non-cash income taxes	(15,927)	9,134	(9,096)	55,233
Adjusted earnings from continuing operations	\$37,079	\$93,349	\$199,300	\$338,913
Weighted average number of common shares outstanding	509,752,238	501,815,664	511,591,101	503,333,857
Adjusted earnings per common share from continuing operations ³	\$0.07	\$0.19	\$0.39	\$0.67
Dividends on common shares	\$40,360	\$100,402	\$207,345	\$302,088
Dividends declared per common share	\$0.08	\$0.20	\$0.40	\$0.60
Payout ratio	114%	105%	103%	90%

¹Represents amortization of intangible assets attributable to shareholders.

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

³Items are net of income taxes using the combined statutory provincial and federal tax rate of 27.9% (29.9% for 2010).

⁴Item is net of income taxes of \$19.3 million.