

Yellow Media Inc. to Support Business Transformation through Debt Reduction

- Company provides clarity on common share dividend
- Sale of Trader Corporation completed
- Company focused on organic execution and debt pay down

Montréal (Québec), August 4, 2011 — Yellow Media Inc. (TSX: YLO) released second quarter results today, further demonstrating management's commitment to invest in its business transformation and ensure it maintains its leadership position in Canada.

In order to improve the financial risk profile and capital position of the Company, the Board of Yellow Media Inc. (Yellow Media) has decided to reduce cash dividends to common shareholders from \$0.65 to \$0.15 annually.

In an effort to increase focus on its core business and strengthen its balance sheet, Yellow Media announced the sale of Trader Corporation to Apax Partners on March 25, 2011. This transaction was completed on July 28, 2011 for a purchase consideration of \$708 million, net of expenses and estimated working capital, fees and other adjustments.

Proceeds from this divestiture combined with savings from the reduction in dividends on common shares will be used to pay down debt obligations and to reinvest in the business.

As a result of this divestiture, the Company has reclassified the results of the disposed business as discontinued operations. Accordingly, results of operations for the first six months ended June 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 ended June 30, 2011, the Company recorded a net loss from continuing operations of \$20.7 million compared to net earnings of \$53.0 million for the same quarter in 2010, resulting primarily from a loss of \$50.5 million related to the investment in Ziplocal. The Company reported a net loss of \$14.3 million for the quarter compared to earnings of \$52.0 million for the prior year.

Net loss per share from continuing operations was \$0.05 compared to net earnings per share of \$0.09 for the same quarter last year. Adjusted earnings per common share from continuing operations for the quarter was \$0.17 versus \$0.27 last year.

Revenues decreased 4.8% from \$360.1 million to \$342.7 million resulting from lower print revenues as well as lower revenues associated with our US operations. This was partly offset by higher organic online revenues and revenues generated from Mediative and Canpages. Online revenues for the second quarter of 2011 were \$85.9 million or approximately \$345 million on an annualized basis, representing growth of 33% versus last year. Online revenues now represent more than 25% of total revenues compared to 18% in the second quarter of 2010.

Income from operations was \$110.6 million for the quarter compared to \$143.8 million in the second quarter of 2010. EBITDA for the quarter declined from \$204.0 million to \$176.5 million and EBITDA margin for the second quarter was 51.5% compared to 56.6% 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 launch of our 360° Solution. The Company also recorded an unusual bad debt expense of \$5 million during the quarter.

"We continue to make progress on YPG's digital transformation", said Marc P. Tellier, President and Chief Executive Officer of Yellow Media. "Our primary focus is now on the execution of our 360° Solution, which is designed to deliver a better customer experience from the moment of sale through fulfillment of the actual product. We expect improving sales of our 360° Solution to contribute to results in the fourth quarter."

YPG launched its new compelling value proposition to Canadian businesses during the first quarter of 2011. The Yellow Pages 360° Solution (www.yellowpages.ca/360) integrates all of YPG's existing services (online, mobile and print) and offers a single-point access to Canada's largest local search networks. These solutions are tailored to the individual advertiser and include new high-demand services such as website creation and management, and search engine marketing and optimization.

The Company continues to invest in its business transformation, through traffic and distribution partnerships, a renewed commitment to branding and promotion, expanded capabilities to service advertisers, as well as enhancements to the online and mobile user experience.

During the quarter, YPG went live with a completely redesigned Canada411.ca. Canada411.ca is the most frequented and trusted source of information to Find People and now includes results aggregated from the leading social media networks of Facebook®, Twitter® and LinkedIn®.

In July, the Company launched its first two mobile products: Brand Filter, enabling national businesses to showcase their brand in relevant commonly-searched categories and Sponsored Placement, allowing businesses to place themselves at the top of the list for any mobile search results generated by users.

YPG continues to develop partnerships and distribution agreements to increase traffic to advertisers, ensuring their businesses appear in major online and social networking destinations. This is done in several ways, notably through the YellowAPI Developer Program which funds the development of mobile applications or web properties driving back to local advertisers. The Company also entered into partnerships with Skype (Free Call service to connect Skype users to local business for free) and foursquare to generate more leads to online advertisers.

Wall2Wall Media

Following the sale of Trader, Yellow Media created a new division entirely focused on its real estate portfolio. The new division called Wall2Wall Media (W2W) manages 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 and décor markets.

Normal Course Issuer Bid

In order to maximize funds available for debt paydown, the Company has decided to suspend activity under its normal course issuer bid for common shares. The Company will continue to be active in repurchasing its first preferred shares in order to manage the profile of its maturing obligations.

Baseline Dividend and Capital Structure

After careful consideration and analysis, in order to improve its financial risk profile and capital position, the Board of Yellow Media has decided it is in the long term best interest of the Company and its stakeholders to reduce cash dividends to common shareholders from \$0.65 to \$0.15 annually.

Yellow Media is now targeting a baseline dividend of \$0.15 annually, which represents a prudent dividend level. This new level of payout should provide sufficient financial flexibility to Yellow Media while it transitions its business online.

The Company has decided to move from a monthly to a quarterly dividend payment. For the remaining two months of the third quarter of 2011, a dividend of \$0.025 will be payable on October 17, 2011 to shareholders of record on September 30, 2011. 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.

“Given our focus on transitioning our business online, a reduction in cash dividends to shareholders is the right decision and in the best interest of the Company”, said Marc P. Tellier, President and Chief Executive Officer of Yellow Media. “The recent closing of the sale of Trader Corporation combined with a reduction in cash dividends to shareholders will enable us to meaningfully reduce debt, augment our liquidity and capital resources to fund our business plan.”

Yellow Media is committed to improving its financial profile through further debt reduction by pursuing a prudent financial policy and by maintaining a capital structure that provides flexibility through diverse funding sources and timing of its debt maturities.

Management’s current focus is to ensure a strong financial foundation upon which to execute the Company’s digital transformation. Yellow Media expects to achieve stronger credit protection measures through sustained cash flow generation and deleveraging of its balance sheet, and now targets net debt to EBITDA on a sustained basis of approximately 2 times compared with 2.8 to 3.2 times currently.

Outlook

The development and execution of Yellow Media’s corporate strategy and operating plans continue to be guided by the Company’s vision of being Canada’s leading performance media and marketing solutions company, bringing local consumers and businesses together via its network of mobile, web and print properties.

In building a full-serve business model for SMEs, the Company continues to leverage its salesforce, brand and content. In addition, the Company continues to pursue investments in new product introduction aimed at accelerating its transition to online and mobile. The Company’s new framework for the balance of 2011 and full-year 2012 requires a sharper focus on the provisioning of new services for its customers, renewed commitment to branding and promotion and additional investments in traffic and distribution partnerships.

As the Company transforms its business, uncertainty surrounding whether and when new product introductions will compensate for the declining trend in print revenues may cause Yellow Media’s actual results to be different than expectations. As a result, the Company has withdrawn guidance for the current fiscal year. The Company has also decided to discontinue providing annual revenue, EBITDA and earnings guidance.

The Company’s focus is to manage the transformation of the business for the long term. Management remains committed to high levels of disclosure and transparency to investors, and will show visibility on recent and expected trends in key operating metrics, product/revenue mix, product life cycle, EBITDA margins, capital expenditures, restructuring, special charges and other notable items impacting results of operations.

Yellow Media anticipates growing online revenues to 50% of total revenues by the end of 2014. Through successful integration and cost containment initiatives, the Company’s EBITDA margins should stabilize at approximately 50% over the next three years.

Investor Conference Call

Yellow Media Inc. will hold an analyst and media call at 1:00 pm (Eastern Time) on August 4, 2011 to discuss the second quarter of 2011 results. The call may be accessed by dialing (416) 695-6616 within the Montréal area, or 1 800 355-4959 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/second-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 August 4 to August 12, 2011 by dialing (905) 694-9451 from within the Toronto area, or 1 800 408-3053 outside Toronto. The conference passcode is **2127253**.

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 9.2 million unique visitors monthly and its mobile applications for finding local businesses and deals have been downloaded over 2.5 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 August 4, 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 August 4, 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 June 30,		For the six-month periods ended June 30,	
	2011	2010	2011	2010
Revenues	\$342,738	\$360,118	\$692,110	\$699,802
Income from operations	\$110,620	\$143,798	\$247,484	\$314,377
Net (loss) earnings from continuing operations	(\$20,698)	\$52,953	\$49,755	\$173,340
Basic (loss) earnings per share from continuing operations attributable to common shareholders of Yellow Media Inc.	(\$0.05)	\$0.09	\$0.08	\$0.32
Cash flow from operating activities from continuing operations	\$87,923	\$165,777	\$199,624	\$293,466
EBITDA ¹	\$176,476	\$203,978	\$366,511	\$402,550
EBITDA margin ¹	51.5%	56.6%	53.0%	57.5%
Adjusted earnings from continuing operations ¹	\$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	\$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%

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 six-month periods ended June 30, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. 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 three and six-month periods ended June 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, 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, deferred income taxes and non-recurring items such as acquisition-related costs, restructuring and special charges, and impairment of investment in associate, where all adjustments except deferred income taxes 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 June 30,		For the 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 intangibles 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	\$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%

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.

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

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