

Q1

Supplemental Disclosure

Period ended March 31, 2011

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This Supplemental Disclosure contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of Yellow Media Inc. These statements are considered “forward-looking” because they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions. 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 6 of our May 5, 2011 Management's Discussion and Analysis. This Supplemental Disclosure shall be read in connection with the May 5, 2011 Management's Discussion and Analysis.

1. Financial Highlights - Yellow Media Inc.

(in thousands of Canadian dollars - except share information)

Yellow Media Inc. announced in late March 2011 that it had reached a definitive agreement to sell Trader Corporation. As a result of this proposed divestiture, the results of the disposed business have been reclassified as discontinued operations. Accordingly, results of operations for the quarter ended March 31, 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 three-month periods ended | |
|---|-----------------------------------|-------------|
| | March 31, | |
| | 2011 | 2010 |
| Revenues | \$349,372 | \$339,684 |
| Operating costs | 159,337 | 141,112 |
| EBITDA ⁽¹⁾ | 190,035 | 198,572 |
| % Margin | 54.4% | 58.5% |
| Net earnings from continuing operations | 70,453 | 120,387 |
| Net (loss) earnings from discontinued operations, net of income taxes ⁽²⁾ | (105,042) | 6,732 |
| Basic (loss) earnings per share ⁽³⁾ attributable to common shareholders of Yellow Media Inc. | | |
| From continuing operations | 0.13 | 0.23 |
| Total | (0.08) | 0.25 |
| Diluted (loss) earnings per share ⁽³⁾ attributable to common shareholders of Yellow Media Inc. | | |
| From continuing operations | 0.11 | 0.20 |
| Total | (0.04) | 0.21 |
| Cash flow from operating activities from continuing operations | \$111,701 | \$127,689 |
| Free cash flow from continuing operations ⁽⁴⁾ | 99,844 | 118,516 |
| Adjusted earnings from continuing operations ⁽⁵⁾ | 116,975 | 136,929 |
| Adjusted earnings per common share from continuing operations ⁽⁵⁾ | 0.23 | 0.27 |
| Payout Ratio ⁽⁶⁾ | 70% | 74% |
| Weighted average number of common shares outstanding used in computing earnings (loss) per share ⁽⁷⁾ | | |
| Basic | 510,404,617 | 504,752,813 |
| Diluted | 665,199,416 | 619,026,583 |

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-month period ended March 31, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Please refer to Note 18 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-month period ended March 31, 201 and for the year ended December 31, 2010.

(1) Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges.

(2) Please refer to note 5 of the Q1 2011 Financial Statements.

(3) Comparative amounts are per Trust unit.

(4) Free Cash Flow from continuing operations is defined as cash flow from operating activities from continuing operations less capital expenditures.

(5) Please refer to section 10 of this document for a reconciliation of Adjusted Earnings.

(6) Based on the \$0.65/ common share annual dividend for 2011 and \$0.80/ common share annual dividend for 2010.

(7) Comparative amounts presented are Trust units.

2. Discontinued Operations - Vertical Media

(in thousands of Canadian dollars)

| For the three-month periods ended March 31, | | |
|---|-----------------|-----------------|
| | 2011 | 2010 |
| Revenues | \$60,648 | \$57,695 |
| EBITDA | 15,999 | 15,224 |
| % Margin | 26.4% | 26.4% |

3. Operational Key Performance Indicators

Excluding contribution of Canpages

Advertiser Count

Advertiser Count is the number of unique customers advertising through one of our properties during the reporting period.

| (in thousands) | Q1 | Q2 | Q3 | Q4 |
|----------------|------------|-----|-----|-----|
| 2011 | 358 | | | |
| 2010 | 377 | 371 | 368 | 365 |

Client Renewal

Customers who advertised with YPG in the previous period and have renewed their advertising in the current period.

| | Q1 | Q2 | Q3 | Q4 |
|-------------|------------|-----|-----|-----|
| 2011 | 88% | | | |
| 2010 | 88% | 88% | 88% | 88% |

Online Revenues

| (in millions) | | Q1 | Q2 | Q3 | Q4 |
|---------------|-------------------------|---------------|---------|---------|---------|
| 2011 | Revenues ⁽¹⁾ | \$83.2 | | | |
| | Penetration | 65% | | | |
| 2010 | Revenues ⁽¹⁾ | \$98.4 | \$107.7 | \$115.7 | \$123.4 |
| | Penetration | 64% | 65% | 65% | 65% |

Penetration: Number of YPG customers choosing to advertise online.

(1) Including contribution from Canpages and other acquired businesses since their respective acquisition dates. 2010 results include Vertical Media online revenues, while they are treated as discontinued operations in 2011.

Revenue Generating Units per Advertiser

RGU measures the number of product groups selected by advertisers. (Indicator of advertiser product portfolio)

| | Q1 | Q2 | Q3 | Q4 |
|-------------|-------------|------|------|------|
| 2011 | 1.70 | | | |
| 2010 | 1.70 | 1.70 | 1.70 | 1.70 |

Average Revenue Per Advertiser

Total Revenue of the last twelve months divided by the average advertiser base during the last twelve months.

| | Q1 | Q2 | Q3 | Q4 |
|-------------|----------------|---------|---------|---------|
| 2011 | \$3,444 | | | |
| 2010 | \$3,467 | \$3,459 | \$3,446 | \$3,430 |

Online Operational Metrics^{(1) (2)}

| (in millions) | | Q1 | Q2 | Q3 | Q4 |
|---------------|---------|------------|------|------|-----|
| 2011 | UUV | 9.5 | | | |
| | Reach % | 38% | | | |
| 2010 | UUV | 9.8 | 10.6 | 10.5 | 9.7 |
| | Reach % | 40% | 43% | 42% | 39% |

UUV: Unduplicated Unique Visitors.

(1) Source: comScore Media Metrix Canada.

(2) Including contribution from acquired businesses. 2010 results have been restated to exclude discontinued operations.

4. Operating Cost and Capital Expenditure Details

(in thousands of Canadian dollars)

| | For the three-month periods ended March 31, | | | |
|--|---|-------|-----------|-------|
| | 2011 | | 2010 | |
| Revenues | \$349,372 | | \$339,684 | |
| Expenses | | | | |
| Cost of Sales | 97,543 | 27.9% | 79,450 | 23.4% |
| General and Administrative ⁽¹⁾ | 61,794 | 17.7% | 61,662 | 18.2% |
| EBITDA | \$190,035 | | \$198,572 | |
| Acquisition of Capital Assets, Net of Lease Inducements | | | | |
| Sustaining Capital Expenditures ⁽²⁾ | 5,036 | | 3,432 | |
| Transition Capital Expenditures ⁽³⁾ | 1,341 | | 1,112 | |
| Growth Capital Expenditures ⁽⁴⁾ | 7,905 | | 5,131 | |
| Total | \$14,282 | | \$9,675 | |
| Adjustment to Reflect Expenditures on a Cash Basis | (2,425) | | (502) | |
| Acquisition of Capital Assets, Net of Lease Inducements | \$11,857 | | \$9,173 | |

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-month period ended March 31, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Please refer to Note 18 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-month period ended March 31, 2010 and for the year ended December 31, 2010.

⁽¹⁾ Includes pension and post-employment expenses.

⁽²⁾ Sustaining capital expenditures are related to ongoing operations to maintain the integrity of the infrastructure.

⁽³⁾ Transition capital expenditures represent funds set aside as pre-funded capital for purposes of integrating acquired businesses.

⁽⁴⁾ Growth capital expenditures are related to new initiatives.

5. Consolidated Capitalization

(in millions of Canadian dollars)

| Reported Basis | Mar. 31, 2011 | Dec. 31, 2010 |
|---|----------------|----------------|
| Medium Term Notes | \$1,655 | \$1,656 |
| Credit Facilities | 250 | 250 |
| Commercial Paper | 263 | 295 |
| Obligations Under Capital Leases | 6 | 8 |
| Note Payable | - | 12 |
| Total Third-Party Debt | 2,174 | 2,222 |
| Cash and Cash Equivalents | 34 | 69 |
| Total Net Third-Party Debt | \$2,140 | \$2,153 |
| Exchangeable and Convertible Instruments ⁽¹⁾ | 285 | 319 |
| Preferred Shares, Series 1 and 2 | 447 | 447 |
| Equity Attributable to Shareholders of Yellow Media Inc. | 5,139 | 5,216 |
| Non-Controlling Interests ⁽²⁾ | 50 | 53 |
| Total Capitalization | \$8,062 | \$8,187 |
| Average Interest Rate on Debt at Period End | 5.4% | 5.4% |
| EBITDA / Annualized Interest Charges ⁽³⁾ | 6.7x | 6.8x |
| Net Debt / EBITDA ⁽³⁾ | 2.6x | 2.6x |
| Net Debt / Equity Attributable to Shareholders of Yellow Media Inc. | 0.4x | 0.4x |

⁽¹⁾ On March 31, 2011 Yellow Media Inc. exercised its redemption right applicable to one quarter of the principal amount of the Mandatory Exchangeable Promissory Notes (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. As of May 5, 2011, \$70.8 million principal amount of Notes remain outstanding.

⁽²⁾ Represents non-controlling interest relating to Mediative LP and Dealer.com.

⁽³⁾ Net Debt includes Convertible Debentures; latest Twelve Month EBITDA represents 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 and includes discontinued operations.

6. Preferred Shares

(in millions of Canadian dollars)

- As of March 31, 2011, Yellow Media Inc. had five series of preferred shares outstanding:

| | Principal Amount Outstanding | Structure | Rate | Maturity |
|----------|---------------------------------|-----------------|-------|----------------------------------|
| Series 1 | \$282.0 | Fixed Rate | 4.25% | December 31, 2012 ⁽¹⁾ |
| Series 2 | \$171.0 | Fixed Rate | 5.00% | June 30, 2017 ⁽¹⁾ |
| Series 3 | \$207.5 | 5-yr Rate Reset | 6.75% | Perpetual |
| Series 5 | \$125.0 | 5-yr Rate Reset | 6.90% | Perpetual |
| Series 7 | \$4.0 | Fixed Rate | 5.00% | Perpetual |

Instruments Features

• **Cumulative Redeemable Preferred Shares, Series 1 & 2⁽²⁾**

- The Preferred Shares Series 1 are redeemable by the issuer at a decreasing premium for cash on or after March 31, 2012, or by the issuance of shares of Yellow Media Inc. between March 31, 2012 and December 31, 2012. The Preferred Shares Series 1 are also retractable for cash at the holder's option on or after December 31, 2012.
- The Preferred Shares Series 2 are redeemable by the issuer at a decreasing premium for cash on or after June 30, 2012, or by the issuance of shares of Yellow Media Inc. between June 30, 2012 and June 30, 2017. The Preferred Shares Series 2 are also retractable for cash at the holder's option on or after June 30, 2017.

• **Rate Reset Preferred Shares, Series 3 & 5⁽³⁾**

- The Preferred Shares Series 3 dividend rate will be reset on September 30, 2014 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.17%. The Series 3 Preferred Shares will be redeemable by the issuer on or after September 30, 2014. Holders of the Series 3 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, Series 4, on September 30, 2014 and on September 30 every five years thereafter. Holders of the Series 4 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.17%. The Series 3 & 5 shares are included in equity attributable to shareholders of Yellow Media Inc.
- The Preferred Shares Series 5 dividend rate will be reset on June 30, 2015 and every five years thereafter at a rate equal to the 5-year Government of Canada bond yield plus 4.26%. The Series 5 Preferred Shares will be redeemable by the issuer on or after June 30, 2015. Holders of the Series 5 Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, Series 6, on June 30, 2015 and on June 30 every five years thereafter. Holders of the Series 6 Preferred Shares will be entitled to receive cumulative quarterly floating dividends at a rate equal to the three-month Government of Canada Treasury Bill yield plus 4.26%. The Series 5 shares are included in equity attributable to shareholders of Yellow Media Inc.

• **Cumulative Exchangeable Preferred Shares, Series 7⁽³⁾**

- On February 9, 2010, in connection with the acquisition of RedFlagDeals.com, Yellow Media Inc. issued 1,300,000 cumulative exchangeable first preferred shares, Series 7 at a price of \$7.50 per share as payment to the vendors for the acquisition by way of a private placement. Holders of the Series 7 shares are entitled to receive fixed cumulative preferential cash dividends in an amount equal to \$0.375 per Series 7 share per annum, yielding 5% per annum, payable quarterly. The Series 7 shares are exchangeable into shares of Yellow Media Inc. at the option of the holders of the Series 7 shares and at a ratio of one preferred share for one share or newly tradable security, regardless of the market price of such shares or newly tradable security of the successor company. On or after January 1, 2012, the 300,000 Series 7 shares held in escrow may be exchanged, subject to certain time-based and performance conditions. The Series 7 shares are included in equity attributable to shareholders of Yellow Media Inc.

⁽¹⁾ Date of retraction at the option of the holders.

⁽²⁾ Please refer to note 9 of the Q1 2011 Financial Statements.

⁽³⁾ Please refer to the Consolidated Statement of Equity of the Q1 2011 Financial Statements.

7. Credit Facilities & Liquidity Discussion

(in millions of Canadian dollars)

- As of March 31, 2011, Yellow Media Inc. had in place a senior unsecured credit facility totaling \$1 billion:

| | | Amount | Structure | Final Maturity | Use | Drawn Pricing |
|---------------------------|-----------|---------|---------------------------------------|----------------|---|---------------|
| Principal Credit Facility | Tranche 1 | \$750.0 | Revolving Facility 3-year term | Feb. 2013 | General Corporate Purposes & CP Backup | BA + 2.5% |
| | Tranche 2 | \$250.0 | Non-Revolving Facility 3-year term | Feb. 2013 | General Corporate Purposes | BA + 2.5% |

- As of March 31, 2011, Yellow Media Inc. had total available liquidity of \$521.0 million:

| | Limit | Drawn | Available |
|--|------------------|----------------|----------------|
| Principal Credit Facility | \$1,000.0 | 250.0 | \$750.0 |
| Commercial Paper | - | 263.0 | (263.0) |
| Cash and Cash Equivalents ⁽¹⁾ | - | - | 34.0 |
| TOTAL | \$1,000.0 | \$513.0 | \$521.0 |
| TOTAL - NET OF RESTRICTED CASH | | | \$485.4 |

⁽¹⁾ Includes \$35.6 million of restricted cash.

8. Cash Interest Expense Obligations

(in thousands of Canadian dollars)

| Debt Components | March 31, 2011 | | Interest / Dividend Basis | Maturity Date |
|---|---------------------|---------------------|----------------------------------|--|
| | Reported Basis | Notional Balances | | |
| Medium Term Notes (MTN) ⁽¹⁾ | | | Fixed Rates | |
| 4-year Notes maturing 2013 - Series 9 | \$130,000 | \$130,000 | 6.50% | July 10, 2013 |
| 4.5-year Notes maturing 2013 - Series 8 | 125,000 | 125,000 | 6.85% | December 3, 2013 |
| 10-year Notes maturing 2014 - Series 2 | 297,500 | 297,500 | 5.71% | April 21, 2014 |
| 5-year Notes maturing 2015 - Series 7 | 260,000 | 260,000 | 7.30% | February 2, 2015 |
| 10-year Notes maturing 2016 - Series 4 | 387,363 | 387,363 | 5.25% | February 15, 2016 |
| 15-year Notes maturing 2019 - Series 3 | 121,219 | 121,219 | 5.85% | November 18, 2019 |
| 10-year Notes maturing 2020 - Series 10 | 300,000 | 300,000 | 7.75% | March 2, 2020 |
| 30-year Notes maturing 2036 - Series 5 | 40,504 | 40,504 | 6.25% | February 15, 2036 |
| Fair value adjustment of hedged item | 6,772 | | | |
| Deferred financing costs | (13,132) | | | |
| Convertible Debentures ⁽²⁾ | 182,626 | 182,626 | 6.25% | October 1, 2017 |
| Credit Facilities | 250,000 | 250,000 | BA + Margin | \$750M Revolving February 18, 2013 |
| | | | BA + Margin | \$250M Non-Revolver February 18, 2013 |
| Commercial Paper Facility | 263,000 | 263,000 | BA + Margin | n.a. |
| Cash and Cash Equivalents | (33,981) | (33,981) | Overnight/Banker's Acceptance | n.a. |
| Obligations Under Capital Leases | 5,833 | 5,833 | | n.a. |
| Net Debt | \$ 2,322,704 | \$ 2,329,064 | | |

⁽¹⁾ Please refer to note 7 of the Q1 2011 Financial Statements.

⁽²⁾ Value of the exchange option classified as equity on the balance sheet. Accretion not included in the cash interest expense.

9. Taxes

(in millions of Canadian dollars)

- The following table presents key income tax assumptions applicable to Yellow Media Inc.

| | 2011E | 2012E |
|--|-------|-------|
| Cash Outflows Expected from Income Taxes | \$40 | \$250 |
| Effective Tax Rate Assumptions | ~28% | ~27% |

- From a cash flow perspective, Yellow Media Inc. is expected to begin paying normalized cash taxes starting in 2013, as 2012 is a double taxation year.

Note: Yellow Media Inc. is subject to taxation in numerous jurisdictions. Significant judgement is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Media Inc. maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Yellow Media Inc. reviews the adequacy of these provisions at each balance sheet date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

10. Adjusted Earnings from Continuing Operations

(in thousands of Canadian dollars - except share information)

| | For the three-month periods ended | |
|---|-----------------------------------|------------------|
| | March 31, | |
| | 2011 | 2010 |
| Net earnings from continuing operations | \$70,453 | \$120,387 |
| Attributable to non-controlling interest | 167 | - |
| Dividends to preferred shareholders | (5,710) | (5,698) |
| Net earnings from continuing operations, available to common shareholders of Yellow Media Inc. | \$64,910 | \$114,689 |
| Add: | | |
| Amortization of Intangible Assets ⁽¹⁾ | 40,533 | 15,282 |
| Acquisition - Related Costs ⁽¹⁾ | 579 | 2,534 |
| Restructuring and Special Charges ⁽¹⁾ | - | - |
| Other ⁽¹⁾ | 8,901 | 777 |
| Deferred Income Taxes | 2,052 | 3,647 |
| Adjusted Earnings from Continuing Operations | \$116,975 | \$136,929 |
| Adjusted Earnings per Common Share from Continuing Operations | \$0.23 | \$0.27 |
| Weighted Average Number of Common Shares Outstanding (in Millions) | 510.4 | 504.8 |

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-month period ended March 31, 2010 have been restated to reflect our adoption of IFRS, effective from January 1, 2010. Please refer to Note 18 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-month period ended March 31, 2010 and for the year ended December 31, 2010.

⁽¹⁾ Items are net of income taxes, using the combined statutory Provincial and Federal tax rate of 27.9% (29.9% for Q1 2010). See additional disclosure on the various adjustments in the Adjusted Earnings from Continuing Operations section in our May 5, 2011 Management's Discussion and Analysis.

11. Depreciation and Amortization

(in millions of Canadian dollars)

Over the next two years, depreciation and amortization expenses are expected to be as follows:

| | 2011E | 2012E |
|--------------------------------------|--------------|-------------|
| Depreciation | \$11 | \$11 |
| Amortization | \$150 | \$78 |
| Depreciation and Amortization | \$161 | \$89 |