INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW MEDIA LIMITED

March 31, 2014

Table of contents

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars - unaudited)

	As at March 31, 2014	As at December 31, 2013
ASSETS		(audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 194,420	$ 202,287
Trade and other receivables	138,914	142,446
Prepaid expenses	8,768	6,835
Deferred publication costs	69,661	71,018
TOTAL CURRENT ASSETS	411,763	422,586
DEFERRED PUBLICATION COSTS	7,191	7,378
FINANCIAL AND OTHER ASSETS	19,405	19,096
INVESTMENTS IN ASSOCIATES	3,024	2,780
PROPERTY, PLANT AND EQUIPMENT	27,694	29,489
INTANGIBLE ASSETS	1,306,536	1,310,494
DEFERRED INCOME TAXES	2,093	2,211
TOTAL NON-CURRENT ASSETS	1,365,943	1,371,448
TOTAL ASSETS	$ 1,777,706	$ 1,794,034
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	$ 79,710	$ 78,824
Income taxes payable	211	25,782
Provisions	44,300	70,632
Financial liability	18,472	18,472
Deferred revenues	31,941	34,145
Current portion of long-term debt (Note 3)	99,009	89,051
TOTAL CURRENT LIABILITIES	273,643	316,906
PROVISIONS	5,081	6,031
DEFERRED CREDITS AND OTHER	10,823	14,349
DEFERRED INCOME TAXES	31,241	31,535
INCOME TAXES PAYABLE	56,383	55,419
POST-EMPLOYMENT BENEFITS	198,038	178,948
LONG-TERM DEBT (Note 3)	548,319	558,417
EXCHANGEABLE DEBENTURES (Note 4)	88,250	87,934
TOTAL NON-CURRENT LIABILITIES	938,135	932,633
TOTAL LIABILITIES	1,211,778	1,249,539
CAPITAL AND RESERVES	6,601,635	6,604,971
DEFICIT	(6,035,707)	(6,060,476)
TOTAL EQUITY	565,928	544,495
TOTAL LIABILITIES AND EQUITY	$ 1,777,706	$ 1,794,034

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

For the three-month periods ended March 31, (in thousands of Canadian dollars, except share and per share information – unaudited)		2014		2013
Revenues	$	223,203	$	253,277
Operating costs		128,582		137,799
Income from operations before depreciation and amortization, and restructuring and special charges		94,621		115,478
Depreciation and amortization		18,204		13,690
Restructuring and special charges (Note 5)		3,115		6,193
Income from operations		73,302		95,595
Financial charges, net (Note 9)		19,412		23,823
Earnings before income taxes and earnings from investments in associates		53,890		71,772
Provision for income taxes		14,912		18,417
Earnings from investments in associates		244		110
Net earnings	$	39,222	$	53,465
Net earnings attributable to:				
Common shareholders of Yellow Media Limited	$	39,222	$	53,295
Non-controlling interests		–		170
	$	39,222	$	53,465
Basic earnings per share attributable to common shareholders	$	1.43	$	1.91
Weighted average shares outstanding – basic earnings per share (Note 7)		27,419,026		27,955,077
Diluted earnings per share attributable to common shareholders	$	1.22	$	1.64
Weighted average shares outstanding – diluted earnings per share (Note 7)		33,728,338		33,601,085

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, (in thousands of Canadian dollars – unaudited)	2014	2013
Net earnings	$ 39,222	$ 53,465
Other comprehensive (loss) income:		
Items that will not be reclassified subsequently to net earnings		
Actuarial (losses) gains (Note 6)	(19,672)	52,451
Income taxes relating to items that will not be reclassified subsequently	5,219	(13,800)
Other comprehensive (loss) income	(14,453)	38,651
Total comprehensive income	$ 24,769	$ 92,116
Total comprehensive income attributable to:		
Common shareholders of Yellow Media Limited	$ 24,769	$ 91,946
Non-controlling interests	–	170
	$ 24,769	$ 92,116

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31,

(in thousands of Canadian dollars – unaudited)

	Shareholders' Capital (Note 7)	Restricted Shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve
Balance, December 31, 2013	$ 4,029,869	$ (6,630)	$ 1,456	$ 3,633	$ 121,188	$ 2,457,053
Other comprehensive income	–	–	–	–	–	–
Net earnings for the period	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–
Stock options (Note 8)	–	–	–	–	258	–
Restricted shares vested (Note 8)	–	62	–	–	(62)	–
Restricted shares (Note 8)	–	(4,429)	–	–	817	–
Exchange of exchangeable debentures (Note 4)	19	–	–	(1)	–	–
Balance, March 31, 2014	**$ 4,029,888**	**$ (10,997)**	**$ 1,456**	**$ 3,632**	**$ 122,201**	**$ 2,457,053**

	Shareholders' Capital	Restricted Shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve
Balance, December 31, 2012	$ 4,029,869	$ –	$ 1,456	$ 3,633	$ 116,701	$ 2,457,053
Other comprehensive income	–	–	–	–	–	–
Net earnings for the period	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–
Balance, March 31, 2013	$ 4,029,869	$ –	$ 1,456	$ 3,633	$ 116,701	$ 2,457,053

[1] The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2013 - $1.3 million).

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

2014

Foreign currency translation	Capital and Reserves	Deficit	Equity attributable to shareholders	Total Equity
$ (1,598)	$ 6,604,971	$ (6,060,476)	$ 544,495	$ 544,495
–	–	(14,453)	(14,453)	(14,453)
–	–	39,222	39,222	39,222
–	–	24,769	24,769	24,769
–	258	–	258	258
–	–	–	–	–
–	(3,612)	–	(3,612)	(3,612)
–	18	–	18	18
$ (1,598)	**$ 6,601,635**	**$ (6,035,707)**	**$ 565,928**	**$ 565,928**

2013

Foreign currency translation	Capital and Reserves	Deficit	Equity attributable to shareholders	Non-controlling interests	Total Equity
$ (1,598)	$ 6,607,114	$ (6,321,365)	$ 285,749	$ 411	$ 286,160
–	–	38,651	38,651	–	38,651
–	–	53,295	53,295	170	53,465
–	–	91,946	91,946	170	92,116
$ (1,598)	$ 6,607,114	$ (6,229,419)	$ 377,695	$ 581	$ 378,276

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31,
(in thousands of Canadian dollars – unaudited)

	2014	2013
OPERATING ACTIVITIES		
Net earnings	$ 39,222	$ 53,465
Adjusting items		
Depreciation and amortization	18,204	13,690
Restructuring and special charges (Note 5)	3,115	6,193
Stock-based compensation expense	1,786	–
Earnings from investments in associates	(244)	(110)
Income taxes recognized in net earnings	14,912	18,417
Financial charges recognized in net earnings	19,412	23,823
Past service costs (Note 6)	–	(2,563)
Other non-cash items	(7,301)	2,915
Change in operating assets and liabilities	(13,582)	5,730
Funding of post-employment benefit plans in excess of costs	(2,644)	(1,791)
Restructuring and special charges paid (Note 5)	(12,495)	(3,161)
Income taxes paid, net	(34,476)	(16,042)
Interest paid	(14,999)	(13,978)
	10,910	86,588
INVESTING ACTIVITIES		
Acquisition of intangible assets and internally-generated software	(13,069)	(14,827)
Acquisition of property, plant and equipment	(1,139)	(4,083)
Other	–	161
	(14,208)	(18,749)
FINANCING ACTIVITIES		
Purchase of restricted shares (Note 8)	(4,429)	–
Repayment of long-term debt	(140)	(141)
Deferred consideration	–	(5,624)
Recapitalization costs	–	(4,223)
	(4,569)	(9,988)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,867)	57,851
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	202,287	106,807
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 194,420	$ 164,658
Cash and cash equivalents consist of:		
Cash	$ 117,520	$ 78,658
Banker's acceptances, term deposits and treasury bills	76,900	86,000
	$ 194,420	$ 164,658

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. DESCRIPTION

Yellow Media Limited, through its subsidiaries, operates print and digital media and offers marketing solutions in all the Provinces of Canada. References herein to Yellow Media Limited (or the "Company") represent the financial position, financial performance, cash flows and disclosures of Yellow Media Limited and its subsidiaries on a consolidated basis.

Yellow Media Limited's registered head office is located at 16, Place du Commerce, Montréal, Québec, Canada, H3E 2A5, and the Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "Y".

The Board of Directors (the "Board") approved the unaudited interim condensed consolidated financial statements for the three-month periods ended March 31, 2014 and 2013 and authorized their publication on May 8, 2014.

2. BASIS OF PRESENTATION AND UPCOMING REVISED STANDARDS

2.1. STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are the same as those applied by Yellow Media Limited in its financial statements as at and for the year ended December 31, 2013, except for the impact of the adoption of the standards, interpretations and amendments described below. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013.

2.2. STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED WITH AN EFFECT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

There are no new standards, interpretations and amendments adopted in the current period with an effect on the interim condensed consolidated financial statements.

2.3. STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED WITH NO EFFECT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following revised standards are effective for annual periods beginning on January 1, 2014 and their adoption has not had any impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

IFRIC 21 — *Levies*

On May 20, 2013, the International Accounting Standards Board ("IASB") issued IFRIC 21 — *Levies*, an interpretation on the accounting for levies imposed by governments. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation includes guidance illustrating how the interpretation should be applied. IFRIC 21 requires retrospective application.

IAS 32 — *Financial Instruments: Presentation in respect of Offsetting*

On December 16, 2011, the IASB and Financial Accounting Standards Board ("FASB") issued common disclosure requirements that are intended to help investors and other users better assess the effect or potential effect of offsetting arrangements on a company's financial position. As part of this project, the IASB clarified aspects of IAS 32 — *Financial Instruments: Presentation*. IAS 32 amendments require retrospective application.

Amendments to IAS 36 — *Impairment, Recoverable Amount Disclosures for Non-Financial Assets*

On May 29, 2013, the IASB issued *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36*). These narrow-scope amendments to IAS 36 — *Impairment of Assets*, address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments require retrospective application.

Amendments to IAS 39 — *Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting*

On June 27, 2013 the IASB issued *Amendments to IAS 39 — Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting*. These narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). Similar relief will be included in IFRS 9 — *Financial Instruments*. The amendments require retrospective application.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

2.4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Media Limited's accounting periods beginning on or after January 1, 2015. The new standard which is considered to be relevant to Yellow Media Limited's operations is as follows:

IFRS 9 — *Financial Instruments*

This new standard replaces the requirements in IAS 39 — *Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets and liabilities. IFRS 9 is the first part of a multi-phase project to replace IAS 39. The IASB intends to make further changes in financial instruments accounting, and has separated its project to amend IFRS 9 into three phases: classification and measurement, impairment methodology and hedge accounting. IFRS 9 introduces new requirements for classifying and measuring financial assets, new requirements on accounting for financial liabilities and includes a new general hedge accounting model. The IASB intends to expand IFRS 9 to add new requirements for impairment of financial assets measured at amortized cost and include limited amendments to the classification and measurement requirements.

The current version of IFRS 9 does not include a mandatory effective date but is available for early adoption. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. At its February 2014 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 would be no earlier than annual periods beginning on or after January 1, 2018. Yellow Media Limited continues to actively monitor this standard and to evaluate the impact this standard will have on the presentation of its consolidated financial statements.

3. LONG-TERM DEBT

The long-term debt is comprised of the following:

As at	March 31, 2014	December 31, 2013
Senior secured notes	$ 646,577	$ 646,577
Obligations under finance leases	751	891
	$ 647,328	$ 647,468
Less current portion[1]	99,009	89,051
Non-current portion	$ 548,319	$ 558,417

[1] The current portion of the repayment of the senior secured notes may vary subject to the Excess Cash Flow clause.

4. EXCHANGEABLE DEBENTURES

As at	March 31, 2014	December 31, 2013
Face value of exchangeable debentures	$ 107,485	$ 107,500
Less unaccreted interest	(19,235)	(19,566)
	$ 88,250	$ 87,934

During the first quarter of 2014, $15 thousand of exchangeable debentures at face value were exchanged for 787 common shares of Yellow Media Limited with a fair value of $19 thousand.

5. RESTRUCTURING AND SPECIAL CHARGES

During the first quarter of 2014, Yellow Media Limited recorded restructuring and special charges of $3.1 million (2013 - $6.2 million) related primarily to the termination of certain lease obligations as well as internal reorganizations. The majority of the charge recorded during the first quarter of 2013 related to the separation package of the Company's former President and Chief Executive Officer. For the three-month period ended March 31, 2014, Yellow Media Limited utilized $12.5 million of the restructuring and special charges provision (2013 - $3.2 million).

6. POST-EMPLOYMENT BENEFITS

Yellow Media Limited recorded an actuarial loss of $14.5 million in other comprehensive (loss) income, net of income taxes of $5.2 million, for the three-month period ended March 31, 2014 primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4.75% to 4.5% as well as a change in the mortality assumption, partially offset by a gain due to the plan assets' performance. Yellow Media Limited recorded an actuarial gain of $38.7 million, net of income taxes of $13.8 million, for the three-month period ended March 31, 2013 primarily as a result of an increase in the discount rate from 4% to 4.25% and a gain due to the plan assets' performance. During the first quarter of 2013, the Company amended the retirement and post-employment benefit plans for certain employees which resulted in negative past service costs of $2.6 million, which was included in operating costs.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

7. SHAREHOLDERS' CAPITAL

COMMON SHARES

	Number of Shares		Amount
Balance, December 31, 2013	27,955,077	$	4,029,869
Exchange of exchangeable debentures (Note 4)	787		19
Balance, March 31, 2014	27,955,864	$	4,029,888

WARRANTS

The Company has a total of 2,995,506 warrants outstanding as at March 31, 2014 and December 31, 2013.

EARNINGS PER SHARE

The following tables reconcile the weighted average number of shares outstanding used in computing basic earnings per share to weighted average number of shares outstanding used in computing diluted earnings per share as well as the net earnings attributable to common shareholders to the net earnings adjusted for any dilutive effect:

	For the three-month periods ended March 31,	
	2014	2013
Weighted average number of shares outstanding used in computing basic earnings per share	27,419,026	27,955,077
Dilutive effect of restricted share units and performance share units	536,362	–
Dilutive effect of stock options	127,729	–
Dilutive effect of exchangeable debentures	5,645,221	5,646,008
Weighted average number of shares outstanding used in computing diluted earnings per share	33,728,338	33,601,085

	For the three-month periods ended March 31,			
		2014		2013
Net earnings available to common shareholders of Yellow Media Limited used in the computation of basic and diluted earnings per share	$	39,222	$	53,295
Impact of assumed conversion of exchangeable debentures, net of applicable taxes		1,821		1,803
Net earnings adjusted for dilutive effect	$	41,043	$	55,098

For the three-month periods ended March 31, 2014 and 2013, the diluted earnings per share calculation did not take into consideration the potentially dilutive effect of the warrants as they are not dilutive.

8. STOCK-BASED COMPENSATION PLANS

Yellow Media Limited's stock-based compensation plans consist of restricted share units, performance share units, deferred share units and stock options of Yellow Media Limited.

Restricted Share Unit and Performance Share Unit Plan

2013

On May 6, 2013, Yellow Media Limited adopted a restricted share unit and performance share unit plan (the "RSU and PSU Plan") to reward the key employees and officers of Yellow Media Limited (the "Participants"). Following the implementation of the RSU and PSU Plan, Yellow Media Limited granted to Participants a number of restricted share units ("RSUs") and/or performance share units ("PSUs"), as applicable. The RSUs are time-based awards and will vest upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant; or such other period not exceeding 36 months determined by the Board of Directors. The PSUs are performance-based awards and will vest upon confirmation by the Board of Directors of the achievement of specified performance targets and upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant; or such other period not exceeding 36 months determined by the Board of Directors. The PSUs for which the performance targets have not been achieved shall automatically be forfeited and cancelled.

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Pursuant to the terms of the RSU and PSU Plan, if the RSU and PSU Plan is funded, Participants will receive, upon vesting of the RSUs and PSUs, common shares of the Company, with certain exceptions. In the event the RSU and PSU Plan is unfunded, Yellow Media Limited will pay to the Participant an amount in cash, equivalent to the number of RSUs or PSUs that have vested.

The number of PSUs that vest could potentially reach up to one-and-a-half times the actual number of PSUs awarded if the actual performance reaches the maximum level of performance targets.

2014

As at March 31, 2014, 63,858 common shares restricted for the PSUs were set aside for a possible payout of up to 150%.

During the three-month period ended March 31, 2014, 177,089 common shares of Yellow Media Limited were purchased on the open market of the TSX by the trustee appointed under the RSU and PSU Plan at a cost of $4.4 million and are restricted for the purpose of funding the RSU and PSU Plan. The total number of common shares of Yellow Media Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 627,290 as at March 31, 2014.

The following table summarizes the status of the RSU and PSU grants during the three-month period ended March 31, 2014:

For the three-month period ended March 31,		2014
Number of RSUs and PSUs	RSUs	PSUs
Outstanding, beginning of period	252,655	131,776
Granted	181,252	–
Vested	(4,281)	–
Forfeited	(11,964)	(4,051)
Outstanding, end of period	417,662	127,725
Weighted average remaining life	1.75	1.75

Deferred Share Unit Plan

2013

On June 12, 2013, as part of the implementation of a revised Board of Directors compensation structure, Yellow Media Limited adopted a deferred share unit plan (the "DSU Plan"). The DSU Plan was amended in October 2013 to provide for the participation by eligible employees as designated by the Board. The Company shall settle the vested DSUs in cash or in common shares of the Company at its discretion when a Director leaves the Board or an eligible employee ceases employment with the Company.

2014

During the first quarter of 2014, the Company granted to Directors and eligible employees of Yellow Media Limited 44,947 DSUs which vest over a period of twelve months, ending on December 31, 2014, bringing the total number of DSUs granted and outstanding to 145,504 as at March 31, 2014.

During the three-month period ended March 31, 2014, an expense of $1.5 million (2013 - $nil) was recorded in the consolidated income statement in relation to the RSU and PSU Plan as well as the DSU Plan. As at March 31, 2014, a liability of $2.8 million (as at December 31, 2013 - $2.1 million) related to the DSU Plan is recorded in trade and other payables.

Stock Options

2013

On December 20, 2012, as part of the implementation of Yellow Media Limited's recapitalization transaction, a new stock option plan (the "Stock Option Plan") was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees of Yellow Media Limited who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Media Limited through the transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Media Limited. A maximum of 1,290,612 options may be granted under the Stock Option Plan.

2014

On February 25, 2014, 183,200 options were granted to selected employees. These options vest 50% in February 2016, 25% in February 2017 and 25% in February 2018.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

For the three-month period ended March 31,		2014
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	376,000	$10.12
Granted	183,200	$24.65
Forfeited	–	–
Outstanding, end of period	559,200	$14.88
Exercisable, end of period	–	–

Options were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the options granted. Key inputs into the valuation model were:

- Weighted average grant date share price: $14.13
- Weighted average exercise price: $14.88
- Weighted average expected volatility: 37%
- Contractual life: 7 years
- Weighted average risk-free interest rate: 2.09%
- Weighted average remaining life: 6.4 years

An expense of $0.3 million was recorded for the three-month period ended March 31, 2014 (2013 - $nil) in relation to the Stock Option Plan.

9. FINANCIAL CHARGES, NET

The significant components of the financial charges are as follows:

	For the three-month periods ended March 31,	
	2014	2013
Interest on long-term debt and exchangeable debentures	$ 17,102	$ 20,420
Net interest on the defined benefit obligation	2,062	3,018
Interest (income) expense, standby fees and other financial charges, net	(580)	24
Other, net	828	361
	$ 19,412	$ 23,823

10. FAIR VALUE

FAIR VALUE HIERARCHY

The three levels of fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated statements of financial position as at March 31, 2014 and December 31, 2013, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Investment – available for sale[1]	$ –	$ –	$ 3,520	$ 3,520
Put option (financial liability)	–	–	(18,472)	(18,472)
Total	$ –	$ –	$ (14,952)	$ (14,952)

[1] *The investment – available for sale is included in Financial and other assets in the interim condensed consolidated statements of financial position.*

There were no transfers of levels within the fair value hierarchy for the three-month period ended March 31, 2014.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

Yellow Media Limited's available for sale investment is comprised of a privately held equity security and is carried at fair value based on estimates that are based on market rates prevailing at the statement of financial position date.

The fair value of the put option is the difference between the price to acquire the remaining ownership interest in an associate, which is based on a fixed multiple of adjusted earnings, income taxes, depreciation and amortization, and the fair value of the investment in an associate, using similar assumptions as those used for the online products of Yellow Pages Group, as described in Note 4 – Impairment of goodwill, intangible assets and property, plant and equipment of the consolidated financial statements of Yellow Media Limited for the year ended December 31, 2013. Actual performance of the investment in an associate or changes in its fair value may affect the fair value of the put option.

FAIR VALUES:

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and the current portion of provisions are approximately equal to their carrying values due to their short-term maturity.

The fair values of the senior secured notes and the exchangeable debentures are evaluated based on quoted market prices at the statement of financial position date. The fair value of the note receivable and accrued interest is based on valuation techniques using interest rates that the Company could currently obtain on the market for similar items, conditions and maturities.

These estimates are significantly affected by the assumptions including the amount and timing of estimated future cash flows and discount rates, all of which reflect varying degrees of risk.

The following schedule represents the carrying value and the fair values of other financial instruments not measured at fair value in the interim condensed consolidated statements of financial position:

					March 31, 2014
	Level		Carrying Value		Fair Value
Note receivable and accrued interest[1]	3	$	15,002	$	14,285
Long-term debt due within one year	1	$	99,009	$	104,620
Long-term debt	1	$	548,319	$	579,482
Exchangeable debentures	1	$	88,250	$	142,189

[1] *The note receivable and accrued interest are included in Financial and other assets in the interim condensed consolidated statements of financial position.*

11. COMPARATIVE FIGURES

Yellow Media Limited reclassified certain items in the interim condensed consolidated statements of cash flows in the cash flows from operating activities section for the comparative period last year to conform to the current year's presentation. This reclassification had no impact on the total cash flows from operating activities.