INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW MEDIA LIMITED

June 30, 2013

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars - unaudited)

	As at June 30, 2013	As at December 31, 2012
ASSETS		(audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 198,377	$ 106,807
Trade and other receivables	153,288	175,783
Prepaid expenses	9,063	8,693
Deferred publication costs	73,889	78,078
TOTAL CURRENT ASSETS	434,617	369,361
DEFERRED PUBLICATION COSTS	7,337	6,816
FINANCIAL AND OTHER ASSETS	15,123	14,928
INVESTMENTS IN ASSOCIATES	2,248	2,082
PROPERTY, PLANT AND EQUIPMENT	29,970	27,414
INTANGIBLE ASSETS	1,313,346	1,312,148
DEFERRED INCOME TAXES	210	23,727
TOTAL NON-CURRENT ASSETS	1,368,234	1,387,115
TOTAL ASSETS	$ 1,802,851	$ 1,756,476
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	$ 84,704	$ 87,935
Income tax payable	3,755	13,585
Provisions	54,157	60,212
Financial liabilities	18,472	22,033
Deferred revenues	39,592	42,219
Current portion of long-term debt (Note 4)	144,691	100,939
TOTAL CURRENT LIABILITIES	345,371	326,923
DEFERRED CREDITS AND OTHER	13,846	14,197
DEFERRED INCOME TAXES	15,659	10,341
INCOME TAX PAYABLE	49,134	34,382
POST-EMPLOYMENT BENEFITS	219,439	296,914
LONG-TERM DEBT (Note 4)	630,557	700,892
EXCHANGEABLE DEBENTURES (Note 5)	87,305	86,667
TOTAL NON-CURRENT LIABILITIES	1,015,940	1,143,393
TOTAL LIABILITIES	1,361,311	1,470,316
CAPITAL AND RESERVES	6,607,411	6,607,114
DEFICIT	(6,165,871)	(6,321,365)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS	441,540	285,749
NON-CONTROLLING INTERESTS	–	411
TOTAL EQUITY	441,540	286,160
TOTAL LIABILITIES AND EQUITY	$ 1,802,851	$ 1,756,476

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

Interim Condensed Consolidated Income Statements

For the three and six-month periods ended June 30,
(in thousands of Canadian dollars, except share and per share information - unaudited)

	2013	2012	2013	2012
		(Revised – Note 2)		(Revised – Note 2)
Revenues	$ 243,183	$ 286,484	$ 496,460	$ 575,557
Operating costs	135,949	141,545	273,748	285,744
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	107,234	144,939	222,712	289,813
Depreciation and amortization	14,779	24,220	28,469	54,301
Impairment of goodwill (Note 3)	–	–	–	2,967,847
Restructuring and special charges (Note 6)	–	–	6,193	–
Income (loss) from operations	92,455	120,719	188,050	(2,732,335)
Financial charges, net (Note 10)	22,448	37,922	46,271	72,262
Loss on settlement of debt	–	5,487	–	5,487
Earnings (loss) before dividends on Preferred shares, series 1 and 2, income taxes, and earnings from investments in associates	70,007	77,310	141,779	(2,810,084)
Dividends on Preferred shares, series 1 and 2	–	4,563	–	9,126
Earnings (loss) before income taxes and earnings from investments in associates	70,007	72,747	141,779	(2,819,210)
Provision for (recovery of) income taxes	19,737	7,167	38,154	(11,357)
Earnings from investments in associates	(56)	(101)	(166)	(1,713)
Net earnings (loss)	$ 50,326	$ 65,681	$ 103,791	$ (2,806,140)
Net earnings (loss) attributable to:				
Common shareholders of Yellow Media Limited[1]	$ 50,326	$ 65,641	$ 103,621	$ (2,806,167)
Non-controlling interests	–	40	170	27
	$ 50,326	$ 65,681	$ 103,791	$ (2,806,140)
Basic earnings (loss) per share attributable to common shareholders[1]	$ 1.81	$ 2.15	$ 3.71	$ (100.78)
Weighted average shares outstanding – basic earnings (loss) per share (Note 8)	27,872,822	27,955,077	27,913,722	27,955,077
Diluted earnings (loss) per share attributable to common shareholders[1]	$ 1.55	$ 2.15	$ 3.19	$ (100.78)
Weighted average shares outstanding – diluted earnings (loss) per share (Note 8)	33,601,085	27,955,077	33,601,085	27,955,077

[1] Included in net earnings (loss) attributable to shareholders of Yellow Media Limited for the three and six-month periods ended June 30, 2012 are net earnings (losses) attributable to shareholders of YPG Financing Inc. which was succeeded by Yellow Media Limited on December 20, 2012 when the recapitalization transaction was implemented.

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

For the three and six-month periods ended June 30,

(in thousands of Canadian dollars - unaudited)

	2013	2012	2013	2012
		(Revised – Note 2)		(Revised – Note 2)
Net earnings (loss)	$ 50,326	65,681	$ 103,791	$ (2,806,140)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings (loss)				
Reclassification adjustment on derivatives designated as cash flow hedges in the period	–	(81)	–	(161)
Unrealized loss on available–for–sale investment in the period	–	(177)	–	(290)
Income taxes relating to items that may be reclassified subsequently	–	22	–	44
	–	(236)	–	(407)
Items that will not be reclassified subsequently to net earnings (loss)				
Actuarial gains (losses) (Note 7)	20,660	(26,932)	73,111	(23,574)
Income taxes relating to items that will not be reclassified subsequently	(5,460)	7,089	(19,260)	6,300
	15,200	(19,843)	53,851	(17,274)
Other comprehensive income (loss)	15,200	(20,079)	53,851	(17,681)
Total comprehensive income (loss)	$ 65,526	45,602	$ 157,642	$ (2,823,821)
Total comprehensive income (loss) attributable to:				
Common shareholders of Yellow Media Limited[1]	$ 65,526	45,562	$ 157,472	$ (2,823,848)
Non-controlling interests	–	40	170	27
	$ 65,526	45,602	$ 157,642	$ (2,823,821)

[1] Included in the total comprehensive income (loss) attributable to shareholders of Yellow Media Limited for the three and six-month periods ended June 30, 2012 is total comprehensive income (loss) attributable to shareholders of YPG Financing Inc. which was succeeded by Yellow Media Limited on December 20, 2012 when the recapitalization transaction was implemented.

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

Interim Condensed Consolidated Statements of Changes in Equity (Deficiency)

For the six-month periods ended June 30,
(in thousands of Canadian dollars - unaudited)

	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	–	–	–	–	–	–
Stock options	–	–	–	–	101	–
Restricted shares	–	(2,405)	–	–	125	–
Dividend to non-controlling interest	–	–	–	–	–	–
Deferred consideration	–	–	–	–	2,476	–
Balance, June 30, 2013	**$ 4,029,869**	**$ (2,405)**	**$ 1,456**	**$ 3,633**	**$ 119,403**	**$ 2,457,053**

	Shareholders' Capital	Restricted Shares	Preferred Shares	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve
Balance, December 31, 2011	$ 3,554,715	$ (54,974)	$ 320,687	$ 7,423	$ 113,693	$ 2,457,053
Other comprehensive loss	–	–	–	–	–	–
Net loss for the period	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–
Stock options	–	–	–	–	121	–
Restricted shares	–	–	–	–	289	–
Deferred consideration	–	–	–	–	(2,476)	–
Balance, June 30, 2012	$ 3,554,715	$ (54,974)	$ 320,687	$ 7,423	$ 111,627	$ 2,457,053

[1] The equity component of the exchangeable and convertible debentures presented above is net of income taxes of $1.3 million (2012 - $2.7 million).

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

Foreign currency translation	Capital and Reserves	Deficit	Equity attributable to shareholders	Non-controlling interests	Total Equity 2013
$ (1,598)	$ 6,607,114	$ (6,321,365)	$ 285,749	$ 411	$ 286,160
–	–	53,851	53,851	–	53,851
–	–	103,621	103,621	170	103,791
–	–	157,472	157,472	170	157,642
–	101	–	101	–	101
–	(2,280)	–	(2,280)	–	(2,280)
–	–	–	–	(83)	(83)
–	2,476	(1,978)	498	(498)	–
$ (1,598)	$ 6,607,411	$ (6,165,871)	$ 441,540	$ –	$ 441,540

Available for sale investment	Cash flow hedges	Foreign currency translation	Capital and Reserves	Deficit	Equity (Deficiency) attributable to shareholders	Non-controlling interests	Total Equity (Deficiency) (Revised – Note 2) 2012
$ 144	$ 989	$ (1,598)	$ 6,398,132	$ (4,313,907)	$ 2,084,225	$ 802	$ 2,085,027
(290)	(117)	–	(407)	(17,274)	(17,681)	–	(17,681)
–	–	–	–	(2,806,167)	(2,806,167)	27	(2,806,140)
(290)	(117)	–	(407)	(2,823,441)	(2,823,848)	27	(2,823,821)
–	–	–	121	–	121	–	121
–	–	–	289	–	289	–	289
–	–	–	(2,476)	–	(2,476)	–	(2,476)
$ (146)	$ 872	$ (1,598)	$ 6,395,659	$ (7,137,348)	$ (741,689)	$ 829	$ (740,860)

Interim Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30,
(in thousands of Canadian dollars - unaudited)

	2013	2012
OPERATING ACTIVITIES		
Net earnings (loss)	$ 103,791	$ (2,806,140)
Adjusting items		
Depreciation and amortization	28,469	54,301
Impairment of goodwill	–	2,967,847
Stock-based compensation expense	1,079	526
Past service costs	(7,138)	–
Earnings from investments in associates	(166)	(1,713)
Other non-cash items	(566)	(1,006)
Income taxes (recovery) recognized in net earnings (loss)	38,154	(11,357)
Financial charges recognized in net earnings (loss)	46,271	72,262
Change in operating assets and liabilities	24,032	(30,425)
Funding of post-employment benefit plans in excess of costs	(3,262)	(13,475)
Income taxes paid	(21,295)	(43,731)
Interest paid	(36,324)	(59,905)
	173,045	127,184
INVESTING ACTIVITIES		
Acquisition of intangible assets	(29,193)	(15,306)
Acquisition of property, plant and equipment	(7,748)	(1,606)
Business acquisition	(3,581)	–
Other	198	183
	(40,324)	(16,729)
FINANCING ACTIVITIES		
Deferred consideration	(5,624)	(1,800)
Recapitalization costs	(6,629)	(5,487)
Repayment of long-term debt	(26,360)	(50,703)
Issuance of long-term debt	–	239,000
Stock-based compensation	(2,405)	(116)
Other	(133)	–
	(41,151)	180,894
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,570	291,349
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	106,807	84,186
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 198,377	$ 375,535
Cash and cash equivalents consist of:		
Cash	$ 69,374	$ 375,535
Short-term investments	129,003	–
	$ 198,377	$ 375,535

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

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

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, results of operations, 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 is listed on the Toronto Stock Exchange ("TSX") under the symbol "Y".

The Board of Directors approved the unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2013 and 2012 and authorized their publication on August 8, 2013.

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, 2012, except for the impact of the adoption of the new 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, 2012.

2.2. Standards, interpretations and amendments adopted with an effect on the financial statements

IAS 19 (Revised) — *Employee Benefits*

Yellow Media Limited has applied the amendments to IAS 19 (Revised) – *Employee Benefits* effective for financial years beginning on or after January 1, 2013. Under the amendments, the main changes of this revised version are the elimination of the corridor approach and acceleration of past service costs recognition with all changes to the defined benefit obligation and plan assets recognized when they occur. These amendments did not impact the Company's financial results. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with the net interest amount which is calculated by applying the discount rate to the net defined benefit liability or asset and administration fees are now included in service costs. The effects of these amendments are illustrated below.

2013

Impact on net earnings:

	For the three-month period ended June 30, 2013	For the six-month period ended June 30, 2013
Net earnings before application of amendments to IAS 19	$ 52,750	$ 108,643
Differences (decreasing) increasing net earnings:		
Operating costs	(314)	(628)
Financial charges, net	(2,981)	(5,962)
Income taxes	871	1,738
Net earnings	$ 50,326	$ 103,791

Impact on basic earnings per share:

	For the three-month period ended June 30, 2013	For the six-month period ended June 30, 2013
Basic earnings per share before application of amendments to IAS 19	$ 1.90	$ 3.88
Amendments to IAS 19	(0.09)	(0.17)
Basic earnings per share	$ 1.81	$ 3.71

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

Impact on diluted earnings per share:

	For the three-month period ended June 30, 2013	For the six-month period ended June 30, 2013
Diluted earnings per share before application of amendments to IAS 19	$ 1.62	$ 3.34
Amendments to IAS 19	(0.07)	(0.15)
Diluted earnings per share	$ 1.55	$ 3.19

Impact on other comprehensive income:

	For the three-month period ended June 30, 2013	For the six-month period ended June 30, 2013
Other comprehensive income before application of amendments to IAS 19	$ 12,776	$ 48,999
Amendments to IAS 19	2,424	4,852
Other comprehensive income	$ 15,200	$ 53,851

2012

Impact on net earnings (loss):

	For the three-month period ended June 30, 2012	For the six-month period ended June 30, 2012
Net earnings (loss) as previously reported	$ 67,694	$ (2,801,558)
Differences (decreasing) increasing reported net earnings (loss):		
Operating costs	(305)	(1,448)
Financial charges, net	(2,426)	(4,641)
Income taxes	718	1,507
Net earnings (loss)	$ 65,681	$ (2,806,140)

Impact on basic and diluted earnings (loss) per share:

	For the three-month period ended June 30, 2012	For the six-month period ended June 30, 2012
Basic and diluted earnings (loss) per share as previously reported[1]	$ 2.22	$ (100.62)
Amendments to IAS 19	(0.07)	(0.16)
Basic and diluted earnings (loss) per share	$ 2.15	$ (100.78)

1 After consideration for the impact of the implementation of the recapitalization on the weighted average number of shares outstanding during the prior periods.

Impact on other comprehensive loss:

	For the three-month period ended June 30, 2012	For the six-month period ended June 30, 2012
Other comprehensive loss as previously reported	$ (22,092)	$ (22,263)
Differences decreasing reported other comprehensive loss:		
Actuarial gain, net of income taxes	2,013	4,582
Other comprehensive loss	$ (20,079)	$ (17,681)

There is no impact on equity (deficiency) as at December 31, 2012, June 30, 2012 and January 1, 2012.

Reconciliation of cash flows:

Given that the adoption of IAS 19 (Revised) did not have an impact on the total operating, investing or financing cash flows, no specific reconciliation is presented for cash flows.

IFRS 7 (Revised) — *Financial Instruments: Disclosures*

On December 16, 2011, the International Accounting Standards Board ("IASB") and Financial Accounting Standards Board ("FASB") issued common disclosure requirements that are intended to help investors and other users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. The new requirements are set out in *Disclosures-Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). New required interim note disclosures have been included in these interim condensed consolidated financial statements. The IFRS 7 amendments are effective for financial years beginning on or after January 1, 2013.

IFRS 13 — *Fair Value Measurement*

IFRS 13 is a new standard that defines fair value and requires disclosures about fair value measurements. It applies prospectively from the beginning of the annual period in which it is adopted. New required interim note disclosures have been included in these interim condensed consolidated financial statements. The IFRS 13 is effective for financial years beginning on or after January 1, 2013.

2.3. Standards, interpretations and amendments adopted with no effect on the financial statements

The following revised standards are effective for annual periods beginning on January 1, 2013 and their adoption has not had any impact on the amounts reported or disclosures made in these financial statements but may affect the accounting for future transactions, arrangements or disclosures in the Company's 2013 annual consolidated financial statements:

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. IFRS 11 — *Joint Arrangements*, and IFRS 12 – *Disclosure of Interests in Other Entities* and the related amendments to IAS 27 — *Consolidated and Separate Statements* and IAS 28 – *Investments in Associates* (the "package of five") are adopted at the same time. Yellow Media Limited reviewed its investments in associates and concluded the adoption of IFRS 10 did not have an impact on the financial statements.

IFRS 11 — *Joint Arrangements*

IFRS 11 supersedes IAS 31— *Interests in Joint Ventures*, and SIC-13 — *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. 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 joint ventures, namely the equity method.

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.

IAS 16 — *Property Plant and Equipment*, IAS 32 – Financial Instruments and IAS 34 – *Interim Financial Reporting*

In May 2012, the IASB also issued amendments to IAS 16 — *Property, Plant and Equipment* and IAS 32 – *Financial Instruments: Presentation*. These amendments clarify various disclosure requirements. IAS 34 — *Interim Financial Reporting* added new disclosure requirements.

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, 2014. Yellow Media Limited has not early adopted these standards and has not fully assessed the impact of adopting them. Those which are considered to be relevant to Yellow Media Limited's operations are as follows:

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

On December 16, 2011, the IASB and FASB issued common disclosure requirements that are intended to help investors and other users to 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*. The amendments to IAS 32 address inconsistencies in current practice when applying the requirements. The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

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*. IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9, amended in October 2010, includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 – *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability and the elimination of the cost exemption for derivative liabilities to be settled by delivery of unquoted equity instruments.

IFRS 9 will be 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, 2015, however is available for early adoption.

3. Impairment of goodwill /

During the first quarter of 2012, several events and circumstances were identified which indicated that the Company's assets may be impaired. This included a significant change in revenue trends impacting the Company's long-term revenue mix, an update of its five-year plan taking into account the lower than expected revenue performance, and external factors such as the sale by AT&T's directory business in the United States.

As a result of these internal and external sources of information, management concluded that there were indicators that the Company's assets may have been impaired, requiring the Company to perform an impairment analysis. Following the completion of an impairment analysis during the first quarter of 2012, the Company recorded a goodwill impairment charge of $2,967.8 million.

Goodwill was tested for impairment at the lowest level within the Company at which the goodwill is monitored for internal management purposes; the Directories segment (Group of cash generating units ("CGU"s)), the only operating segment of the Company. A CGU is a business operation.

The recoverable amount resulting in the goodwill impairment charge of $2,967.8 million was determined based on the value in use approach using a discounted cash flow model. The significant key assumptions included forecasted cash flows based on updated financial plans prepared by management covering a five-year period taking into consideration the minimum liquidity requirements of the Company. The discounted cash flow model was established using discount rates ranging from 10% to 20% (pre-tax rates ranging from 12.4% to 25.5%), which assumed a cost of equity between 13% and 14%, a cost of debt between 10% and 10.5% and terminal growth rates ranging from -10% to 3.5%. The forecasted cash flows also incorporated forecasted print revenue rate declines per annum between 14% to 23% and online revenue growth rates per annum between 11% to 27%. As discussed above, this impairment charge was the result of a combination of factors, including a significant change in revenue trends, lower-than-expected growth of online revenues and higher than expected print revenue pressure. It also took into consideration the challenges and the execution risk associated with this business and the industry in which the Company operates in and the inherent difficulties in long-term forecasting as the Company transforms itself. This impairment charge did not affect the Company's operations, its liquidity, its cash flows from operating activities, its bank credit agreement or its note indentures.

The recoverable amount of each CGU was determined based on the value-in-use approach. These calculations used cash flow projections based on financial plans prepared by management covering a five-year period. Cash flows beyond the periods of the plan were extrapolated using the long-term growth rates stated below. The allocation of intangible assets and goodwill as at March 31, 2012 by CGU or group of CGUs, prior to the impairment charge and the key assumptions used for value-in-use calculations for March 31, 2012 are presented below:

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

	Yellow Pages Group	Other	March 31, 2012 Total
Intangible assets by CGUs			
Trademarks and domain names	$ 1,058,309	$ 32,533	$ 1,090,842
Trademarks and domain names with finite lives	$ 7,100	$ 1,298	$ 8,398
Non-competition agreements and logos	$ 451,731	$ 8,984	$ 460,715
Customer - related intangible assets	$ –	$ 3,036	$ 3,036
Software	$ 74,975	$ 3,133	$ 78,108
Goodwill	n/a	n/a	$ 2,967,847[1]
Key assumptions :			
Terminal growth rate			
March 31, 2012	-10% – 2.50%	3.50%	-10% – 3.50%
Discount rate – post-tax			
March 31, 2012	10% – 19%	16.5% – 20%	10% – 20%
Discount rate – pre-tax			
March 31, 2012	12.4% – 24.1%	20.7% – 25.5%	12.4.% – 25.5%

[1] Prior to the impairment charge of $2,967.8 million as discussed above.

4. Long-term debt /

	June 30, 2013	December 31, 2012
Senior secured notes	$ 773,927	$ 800,000
Obligations under finance leases	1,321	1,831
	775,248	801,831
Less current portion of long-term debt[1]	144,691	100,939
	$ 630,557	$ 700,892

[1] The current portion of the repayment of senior secured notes may vary subject to the excess cash flow clause.

On May 31, 2013, Yellow Media Limited made a mandatory redemption payment of $26.1 million on the senior secured notes.

5. Exchangeable debentures /

	June 30, 2013	December 31, 2012
Face value of exchangeable debentures	$ 107,500	$ 107,500
Less unaccreted interest	(20,195)	(20,833)
Balance, end of period	$ 87,305	$ 86,667

6. Restructuring and special charges /

During the first quarter of 2013, we recorded restructuring and special charges of $6.2 million. The majority of this amount related to the separation package of the Company's President and Chief Executive Officer. For the three and six-month periods ended June 30, 2013, Yellow Media Limited utilized $4.7 million and $7.9 million, respectively of the restructuring and special charges provision.

7. Post-employment benefits /

Yellow Media Limited recorded an actuarial gain of $15.2 million in other comprehensive income, net of income taxes of $5.5 million, for the three-month period ended June 30, 2013 and an actuarial gain of $53.9 million net of income taxes of $19.3 million for the six-month period ended June 30, 2013 (2012 – loss of $19.8 million net of income taxes of $7.1 million and $17.3 million net of income taxes of $6.3 million for the three and six-month periods, respectively) primarily as a result of an increase in the discount rate used to measure post-employment obligations from 4.25% to 4.5% in the second quarter of 2013 and from 4% to 4.25% in the first quarter of 2013 and a gain due to assets' performance. In addition, the Company amended the retirement and post-employment benefit plans for certain employees which resulted in negative past service costs of $4.6 million and $7.1 million which is included in operating costs for the three and six-month periods ended June 30, 2013, respectively (2012 –nil).

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

8. Shareholders' capital /

Common shares

	Number of Shares	Amount
Balance, December 31, 2012 and June 30, 2013	27,955,077	$ 4,029,869

Preferred Shares

Pursuant to the recapitalization transaction which was completed on December 20, 2012, the preferred shares, Series 3, 5 and 7 were cancelled.

Warrants

The Company has a total of 2,995,506 warrants outstanding as at June 30, 2013 (2,995,506 - December 31, 2012).

Earnings (loss) per share

The following table reconciles the net earnings (loss) attributable to shareholders and the weighted average number of shares outstanding used in computing basic earnings (loss) per share to weighted average number of shares outstanding used in computing diluted earnings (loss) per share:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2013	2012	2013	2012
Weighted average number of shares outstanding used in computing basic earnings (loss) per share	27,872,822	27,955,077	27,913,722	27,955,077
Dilutive effect of restricted shares	82,255	–	41,355	–
Dilutive effect of exchangeable debentures	5,646,008	–	5,646,008	–
Weighted average number of shares outstanding used in computing diluted earnings (loss) per share	33,601,085	27,955,077	33,601,085	27,955,077

Pursuant to the implementation of the recapitalization transaction on December 20, 2012, the common shares of YPG Financing Inc. were exchanged for new common shares of Yellow Media Limited. As a result, the weighted average number of shares outstanding for the prior period has been adjusted to reflect the implementation of the recapitalization transaction.

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2013	2012	2013	2012
Net earnings (loss) attributable to common shareholders of Yellow Media Limited	$ 50,326	$ 65,641	$ 103,621	$ (2,806,167)
Dividends to preferred shares series 3, 5 and 7 shareholders	–	(5,584)	–	(11,168)
Net earnings (loss) available to common shareholders of Yellow Media Limited used in the computation of basic earnings (loss) per share	50,326	60,057	103,621	(2,817,335)
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	1,815	–	3,618	–
Net earnings (loss) adjusted for dilutive effect	$ 52,141	$ 60,057	$ 107,239	$ (2,817,335)

For the three and six-month periods ended June 30, 2013, the diluted earnings per share calculation did not take into consideration the potentially dilutive effect of the warrants and options as their impact was anti-dilutive. Yellow Media Limited did not calculate the diluted loss per share for the three and six-month periods ended June 30, 2012 as the warrants and exchangeable debentures listed above were issued pursuant to the recapitalization transaction which was completed on December 20, 2012. In addition, the options were issued during the second quarter of 2013. The dividends to preferred shareholders for the three and six-month periods ended June 30, 2012 were cumulative and unpaid.

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9. 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

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 has granted a fixed dollar incentive amount to Participants and credited such Participants with a number of restricted share units (“RSUs”) and/or performance share units (“PSUs”), as applicable, corresponding to the relevant fixed dollar incentive amount divided by the volume weighted average trading price (“VWAP”) of the common shares of Yellow Media Limited on the TSX for the post grant fair value, defined as the 5 trading days immediately preceding the date of the determination of the relevant fixed dollar incentive amount. 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 from time to time 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 from time to time by the Board of Directors. The PSUs for which the performance targets have not been achieved shall automatically be forfeited and cancelled. 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, as the case may be, common shares, net of applicable taxes and contributions to government sponsored plans. 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, net of applicable taxes and contributions to government sponsored plans.

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.

During the three-month period ended June 30, 2013, an amount of $5.1 million representing 434,699 RSUs and PSUs were granted and 70,329 PSUs were set aside for a possible payout of up to 150%, at a VWAP of $10.12.

During the three-month period ended June 30, 2013, 209,400 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 $2.4 million and are restricted for the purpose of funding of the RSU and PSU Plan.

The following table summarizes the status of the RSU and PSU grants during the six-month period ended June 30, 2013:

		June 30, 2013
		Number of RSUs and PSUs
	RSU	PSU
Outstanding, beginning of period	–	–
Granted	294,030	140,669
Vested	–	–
Forfeited	(2,371)	–
Outstanding, end of period	**291,659**	**140,669**
Weighted average remaining life	**2.6 years**	**2.6 years**

Deferred Share Unit Plan

On June 12, 2013, as part of the implementation of a revised Board of Director compensation structure, Yellow Media Limited adopted a deferred share unit plan (the “DSU Plan”) and each Director of Yellow Media Limited was granted a one-time deferred share unit (“DSU”) award of $75,000, for joining the Board of Directors, such grant representing a total amount of $675,000, or a total amount of 58,532 DSUs at a grant price of $11.53. The 58,532 DSUs vested immediately upon being granted. The Company shall settle the vested DSUs when a director leaves the Board.

During the three and six-month periods ended June 30, 2013, an expense of $1 million was recorded in the consolidated income statement in relation to the RSU and PSU Plan as well as the DSU Plan.

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

Stock Options

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 transition and 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. On May 6, 2013, 376,000 options were granted to selected employees of Yellow Media Limited.

		June 30, 2013
	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	–	–
Granted	376,000	$ 10.12
Forfeited	–	$ 10.12
Outstanding, end of period	376,000	$ 10.12
Exercisable, end of period	–	–

The fair value of the options granted during the year is $3.67 per option. 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 are:

- Grant date share price: $8.66
- Exercise price: $10.12
- Expected volatility: 40%
- Vesting period: 3 years
- Contractual life: 7 years
- Risk-free interest rate: 1.94%
- Weighted average remaining life: 6.84 years

An expense of $0.1 million was recorded during the three and six-month periods ended June 30, 2013 in relation to the Stock Option Plan.

10. Financial charges, net /

The significant components of the financial charges are as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2013	2012	2013	2012
Interest on long-term debt, exchangeable and convertible debentures	$ 19,833	$ 30,264	$ 40,253	$ 60,005
Interest income, standby fees and other financial charges, net	(663)	(1,142)	(639)	(1,276)
Amortization and write-off of deferred financing costs	–	2,228	–	4,486
Accreted interest on compound financial instruments and note receivable, net	244	215	493	323
Net interest on retirement benefit obligations	3,019	3,378	6,037	6,756
Revaluation of deferred consideration[1]	(1)	2,954	34	2,070
Foreign exchange loss (gain)	16	25	93	(102)
	$ 22,448	$ 37,922	$ 46,271	$ 72,262

[1] Deferred consideration of nil (December 31, 2012 - $5.6 million) is presented in Trade and other payables due to its short-term maturity.

(all tabular amounts are in thousands of Canadian dollars, except share information - unaudited)

11. 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 consolidated statement of financial position as at June 30, 2013, classified using the fair value hierarchy:

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

Yellow Media Limited's AFS 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.

Fair values:

The fair value of trade and other receivables and trade and other payables is approximately equal to their carrying values due to their short-term maturity.

The following schedule represents the carrying values and the fair values of other financial instruments:

		June 30, 2013
	Carrying Value	Fair Value
Other assets – investment – AFS[1]	$ 3,520	$ 3,520
Note receivable[1]	$ 11,553	$ 11,553
Put options (Financial liabilities)	$ 18,472	$ 18,472
Long-term debt due within one year	$ 144,691	$ 147,849
Long-term debt	$ 630,557	$ 644,382
Exchangeable debentures	$ 87,305	$ 91,375

[1] The aggregate of these assets of $15.1 million as at June 30, 2013 is included in Financial and other assets on the Consolidated Statements of Financial Position.

12. Comparative figures /

Yellow Media Limited applied the amendments to IAS 1 in its financial statements as at and for the years ended December 31, 2012 and 2011, in advance of the effective date, as permitted. The amendments were applied retrospectively, and hence the presentation of items of other comprehensive income for the comparative period in these interim financial statements has been modified to reflect the changes. Upon closing of the recapitalization transaction in the fourth quarter of 2012, $5.5 million of recapitalization costs recorded in the second quarter of 2012 was reclassified to loss on settlement of debt. The change in presentation of recapitalization costs and income from operations was made to conform to the December 31, 2012 presentation.

13. Subsequent event /

On August 7, 2013, Yellow Media Limited entered into a five-year asset-based loan for $50 million. The loan has a first priority lien over the receivables of Yellow Media Limited and will be used for general corporate purposes.