INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW MEDIA LIMITED

March 31, 2013

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars - unaudited)

	As at March 31, 2013	As at December 31, 2012
ASSETS		(audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 164,658	$ 106,807
Trade and other receivables	166,222	175,783
Prepaid expenses	9,425	8,693
Deferred publication costs	75,494	78,078
TOTAL CURRENT ASSETS	415,799	369,361
DEFERRED PUBLICATION COSTS	7,426	6,816
FINANCIAL AND OTHER ASSETS	14,999	14,928
INVESTMENTS IN ASSOCIATES	2,192	2,082
PROPERTY, PLANT AND EQUIPMENT	28,857	27,414
INTANGIBLE ASSETS	1,313,549	1,312,148
DEFERRED INCOME TAXES	7,566	23,727
TOTAL NON-CURRENT ASSETS	1,374,589	1,387,115
TOTAL ASSETS	$ 1,790,388	$ 1,756,476
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	$ 94,102	$ 87,935
Income tax payable	733	13,585
Provisions	54,270	60,212
Financial liabilities	22,053	22,033
Deferred revenues	40,378	42,219
Current portion of long-term debt (Note 4)	100,880	100,939
TOTAL CURRENT LIABILITIES	312,416	326,923
DEFERRED CREDITS	13,674	14,197
DEFERRED INCOME TAXES	10,572	10,341
INCOME TAX PAYABLE	44,640	34,382
POST-EMPLOYMENT BENEFITS	243,126	296,914
LONG-TERM DEBT (Note 4)	700,697	700,892
EXCHANGEABLE DEBENTURES (Note 5)	86,987	86,667
TOTAL NON-CURRENT LIABILITIES	1,099,696	1,143,393
TOTAL LIABILITIES	1,412,112	1,470,316
CAPITAL AND RESERVES	6,607,114	6,607,114
DEFICIT	(6,229,419)	(6,321,365)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS	377,695	285,749
NON-CONTROLLING INTERESTS	581	411
TOTAL EQUITY	378,276	286,160
TOTAL LIABILITIES AND EQUITY	$ 1,790,388	$ 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-month periods ended March 31,

(in thousands of Canadian dollars, except share and per share information - unaudited)

	2013	2012 (Revised – Note 2)
Revenues	$ 253,277	$ 289,073
Operating costs	137,799	144,199
Income from operations before depreciation and amortization, impairment of goodwill and restructuring and special charges	115,478	144,874
Depreciation and amortization	13,690	30,081
Impairment of goodwill (Note 3)	–	2,967,847
Restructuring and special charges (Note 6)	6,193	–
Income (loss) from operations	95,595	(2,853,054)
Financial charges, net (Note 9)	23,823	34,340
Earnings (loss) before dividends on Preferred shares, series 1 and 2, income taxes, and earnings from investments in associates	71,772	(2,887,394)
Dividends on Preferred shares, series 1 and 2	–	4,563
Earnings (loss) before income taxes and earnings from investments in associates	71,772	(2,891,957)
Provision for (recovery of) income taxes	18,417	(18,524)
Earnings from investments in associates	(110)	(1,612)
Net earnings (loss)	$ 53,465	$ (2,871,821)
Net earnings (loss) attributable to:		
Common shareholders of Yellow Media Limited[1]	$ 53,295	$ (2,871,808)
Non-controlling interests	170	(13)
	$ 53,465	$ (2,871,821)
Basic earnings (loss) per share attributable to common shareholders[1]	$ 1.91	$ (102.93)
Weighted average shares outstanding – basic earnings (loss) per share (Note 8)	27,955,077	27,955,077
Diluted earnings (loss) per share attributable to common shareholders[1]	$ 1.64	$ (102.93)
Weighted average shares outstanding – diluted earnings (loss) per share (Note 8)	33,601,085	27,955,077

[1] Included in net loss attributable to shareholders of Yellow Media Limited for the three-month period ended March 31, 2012 are net losses attributable to shareholders of Yellow Media 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-month periods ended March 31,

(in thousands of Canadian dollars - unaudited)

		2013		2012
				(Revised – Note 2)
Net earnings (loss)	$	53,465	$	(2,871,821)
Other comprehensive loss:				
Items that may be reclassified subsequently to net earnings (loss)				
Reclassification adjustment on derivatives designated as cash flow hedges in the period		–		(80)
Unrealized loss on available–for–sale investment in the period		–		(113)
Income taxes relating to items that may be reclassified subsequently		–		22
		–		(171)
Items that will not be reclassified subsequently to net earnings (loss)				
Actuarial gains (Note 7)		52,451		3,358
Income taxes relating to items that will not be reclassified subsequently		(13,800)		(789)
		38,651		2,569
Other comprehensive income		38,651		2,398
Total comprehensive income (loss)	$	92,116	$	(2,869,423)
Total comprehensive income (loss) attributable to:				
Common shareholders of Yellow Media Limited[1]	$	91,946	$	(2,869,410)
Non-controlling interests		170		(13)
	$	92,116	$	(2,869,423)

[1] Included in the total comprehensive loss attributable to shareholders of Yellow Media Limited for the three-month period ended March 31, 2012 is total comprehensive 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 three-month periods ended March 31,
(in thousands of Canadian dollars - unaudited)

	Shareholders' Capital	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**

	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 income	–	–	–	–	–	–
Net loss for the period	–	–	–	–	–	–
Total comprehensive loss	–	–	–	–	–	–
Restricted shares	–	–	–	–	(116)	–
Balance, March 31, 2012	$ 3,554,715	$ (54,974)	$ 320,687	$ 7,423	$ 113,577	$ 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.

							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

							2012
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)
$ 144	$ 989	$ (1,598)	$ 6,398,132	$ (4,313,907)	$ 2,084,225	$ 802	$ 2,085,027
(113)	(58)	–	(171)	2,569	2,398	–	2,398
–	–	–	–	(2,871,808)	(2,871,808)	(13)	(2,871,821)
(113)	(58)	–	(171)	(2,869,239)	(2,869,410)	(13)	(2,869,423)
–	–	–	(116)	–	(116)	–	(116)
$ 31	$ 931	$ (1,598)	$ 6,397,845	$ (7,183,146)	$ (785,301)	$ 789	$ (784,512)

Interim Condensed Consolidated Statements of Cash Flows

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

	2013	2012
OPERATING ACTIVITIES		
Net earnings (loss)	$ 53,465	$ (2,871,821)
Adjusting items		
Depreciation and amortization	13,690	30,081
Impairment of goodwill	–	2,967,847
Past service costs	(2,563)	–
Earnings from investments in associates	(110)	(1,612)
Other non-cash items	(523)	(516)
Income taxes (recovery) recognized in net earnings (loss)	18,417	(18,524)
Financial charges recognized in net earnings (loss)	23,823	34,340
Change in operating assets and liabilities	12,200	(42,736)
Funding of post-employment benefit plans in excess of costs	(1,791)	(11,893)
Income taxes paid	(16,042)	(29,823)
Interest paid	(13,978)	(32,936)
	86,588	22,407
INVESTING ACTIVITIES		
Acquisition of intangible assets	(14,827)	(7,259)
Acquisition of property, plant and equipment	(4,083)	(1,108)
Other	161	183
	(18,749)	(8,184)
FINANCING ACTIVITIES		
Deferred consideration	(5,624)	(1,800)
Recapitalization costs	(4,223)	–
Repayment of long-term debt	(141)	(25,345)
Issuance of long-term debt	–	239,000
Other	–	(116)
	(9,988)	211,739
NET INCREASE IN CASH AND CASH EQUIVALENTS	57,851	225,962
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	106,807	84,186
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 164,658	$ 310,148
Cash and cash equivalents consist of:		
Cash	$ 78,658	$ 310,148
Short-term investments	86,000	–
	$ 164,658	$ 310,148

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-month periods ended March 31, 2013 and 2012 and authorized their publication on May 7, 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 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.

Impact of the application of the amendments to IAS 19 (Revised):

Impact on net earnings for the three-month period ended March 31, 2013:

Net earnings before application of amendments to IAS 19	$ 55,893
Differences (decreasing) increasing net earnings:	
Operating costs	(314)
Financial charges, net	(2,981)
Income taxes	867
Net earnings	$ 53,465

Impact on basic earnings per share for the three-month period ended March 31, 2013:

Basic earnings per share before application of amendments to IAS 19	$ 1.99
Amendments to IAS 19	(0.08)
Basic earnings per share	$ 1.91

Impact on other comprehensive income for the three-month period ended March 31, 2013:

Other comprehensive income before application of amendments to IAS 19	$ 36,223
Amendments to IAS 19	2,428
Other comprehensive income	$ 38,651

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

Impact on net loss for the year and three-month period ended:

	December 31, 2012	March 31, 2012
Net loss as previously reported	$ (1,954,005)	$ (2,869,252)
Differences (increasing) decreasing reported net loss:		
Operating costs	(1,220)	(1,143)
Financial charges, net	(9,703)	(2,215)
Income taxes	2,874	789
Net loss	$ (1,962,054)	$ (2,871,821)

Impact on basic loss per share for the year and three-month period ended:

	December 31, 2012	March 31, 2012
Basic loss per share as previously reported[1]	$ (70.66)	$ (102.84)
Amendments to IAS 19	(0.29)	(0.09)
Basic loss per share	$ (70.95)	$ (102.93)

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

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

Impact on other comprehensive (loss) income for the year and three-month period ended:

	December 31, 2012	March 31, 2012
Other comprehensive loss as previously reported	$ (17,460)	$ (171)
Differences decreasing reported other comprehensive loss:		
Actuarial gain, net of income taxes	8,049	2,569
Other comprehensive (loss) income	$ (9,411)	$ 2,398

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.

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 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).

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.

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.

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*, IAS 32 – *Financial Instruments: Presentation* and IAS 34 — *Interim Financial Reporting.* These amendments clarify various 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. Yellow Media Limited has not early adopted this standard and has not fully assessed the impact of adopting IFRS 9.

3. Impairment of goodwill /

During the first quarter of 2012, several new 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 updated 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.

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.

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

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:

			March 31, 2012
	Yellow Pages Group	**Other**	**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 /

	March 31, 2013	December 31, 2012
Senior secured notes	**$ 800,000**	$ 800,000
Obligations under finance leases	**1,577**	1,831
	801,577	801,831
Less current portion of long-term debt	**100,880**	100,939
	$ 700,697	$ 700,892

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

5. Exchangeable debentures /

	March 31, 2013	December 31, 2012
Face value of exchangeable debentures	$ 107,500	$ 107,500
Less unaccreted interest	(20,513)	(20,833)
Balance, end of period	$ 86,987	$ 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 relates to the separation package of the Company's President and Chief Executive Officer. For the three-month period ended March 31, 2013, Yellow Media Limited utilized $3.2 million of the restructuring and special charges provision.

7. Post-employment benefits /

Yellow Media Limited recorded an actuarial gain of $38.7 million in other comprehensive income, net of income taxes of $13.8 million, for the three-month period ended March 31, 2013 (2012 - $2.6 million net of income taxes of $0.8 million) primarily as a result of an increase in the discount rate used to measure post-employment obligations from 4% to 4.25% 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 $2.6 million which is included in operating costs for the three-month period ended March 31, 2013.

8. Shareholders' capital /

Common shares

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

Preferred Shares

Pursuant to the recapitalization transaction 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 March 31, 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 March 31,	
	2013	2012
Weighted average number of shares outstanding used in computing basic earnings (loss) per share	27,955,077	27,955,077
Dilutive effect of warrants	–	–
Dilutive effect of exchangeable debentures	5,646,008	–
Weighted average number of shares outstanding used in computing diluted earnings (loss) per share	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 the Company. As a result, the weighted average number of shares outstanding for the prior period has been adjusted to reflect the recapitalization transaction.

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

	For the three-month periods ended March 31,	
	2013	2012
Net earnings (loss) attributable to common shareholders of Yellow Media Limited	$ 53,295	$ (2,871,808)
Dividends to preferred shares series 3, 5 and 7 shareholders	–	(5,584)
Net earnings (loss) available to common shareholders of Yellow Media Limited used in the computation of basic earnings (loss) per share	53,295	(2,877,392)
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	1,803	–
Net earnings (loss) adjusted for dilutive effect	$ 55,098	$ (2,877,392)

For the three-month period ended March 31, 2013, the diluted earnings per share calculation did not take into consideration the potentially dilutive effect of the warrants as their impact was anti-dilutive. Yellow Media Limited did not calculate the diluted loss per share for the three-month period ended March 31, 2012 as the conversion of the dilutive instruments listed above would not be dilutive to the loss. The dividends to preferred shareholders for the three-month period ended March 31, 2012 were cumulative and unpaid.

9. Financial charges, net /

The significant components of the financial charges are as follows:

	For the three-month periods ended March 31,	
	2013	2012
Interest on long-term debt, exchangeable and convertible debentures	$ 20,420	$ 29,741
Interest income, standby fees and other financial charges, net	24	(134)
Amortization and write-off of deferred financing costs	–	2,258
Accreted interest on compound financial instruments and note receivable	249	108
Net interest on retirement benefit obligations	3,018	3,378
Revaluation of deferred consideration[1]	35	(884)
Foreign exchange loss (gain)	77	(127)
	$ 23,823	$ 34,340

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

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 consolidated statement of financial position as at March 31, 2013, classified using the fair value hierarchy:

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

	Level 1	Level 2	Level 3	Total
Financial asset or liability				
Investment – available for sale ("AFS")	$ –	$ –	$ 3,520	$ 3,520
Put options	–	–	(22,053)	(22,053)
Total	**$ –**	**$ –**	**$ (18,533)**	**$ (18,533)**

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.

11. 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.