MANAGEMENT'S DISCUSSION AND ANALYSIS

August 12, 2015

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the three and six-month periods ended June 30, 2015 and should be read in conjunction with our Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2014 as well as our unaudited interim condensed financial statements and accompanying notes for the three and six-month periods ended June 30, 2015 and 2014. Quarterly reports, the annual report and Supplemental Disclosure can be found under the "Investor Relations - Reports & Filings" section of our corporate website: http://corporate.yp.ca. Additional information, including our annual information form (AIF), can be found on SEDAR at www.sedar.com.

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Pages" and "YP" refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca), Yellow Pages Homes Limited (Yellow Pages NextHome), YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA), Bookenda Limited, formerly 4400348 Canada Inc. (Bookenda), YP Dine Solutions Limited (YP Dine), and 9059-2114 Québec Inc. and ByTheOwner Inc. (the latter two collectively ComFree/DuProprio)).

FORWARD-LOOKING INFORMATION

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance. This MD&A contains assertions about the objectives, strategies, financial condition, results of operations and businesses of YP. These statements are considered "forward-looking" because they are based on current expectations of our business, on the markets we operate in, and on various estimates and assumptions.

Forward-looking information and statements are based on a number of assumptions which may prove to be incorrect. In making certain forward-looking statements, we have made the following assumptions:

- that we will succeed in continuing to implement our business plan;
- that we will be able to attract and retain key personnel in key positions;
- that we will be able to introduce, sell and provision new products and services that will generate the anticipated return on investment (ROI) for customers;
- that the directories, digital media and advertising industries into which we sell our products and services will demonstrate strong demand for our products and services;
- that we will be able to grow traffic across our owned and operated digital properties at the currently anticipated rate;
- that the decline in print revenues will not materially accelerate beyond what is currently anticipated;
- that digital revenue growth will not be materially slower than what is currently anticipated;
- that we will be able to acquire new customers at the currently anticipated rate;
- that customer retention rates will not be materially lower than currently anticipated; and
- that general economic conditions will not materially deteriorate beyond currently anticipated levels.

Forward-looking information and statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the anticipated or expected results described in the forward-looking information and statements will occur.

When used in this MD&A, such forward-looking statements may be identified by words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "goal", "intend", "objective", "may", "plan", "predict", "seek", "should", "strive", "target", "will", "would" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as at the date of this MD&A. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Corporation, its business, results from operations and financial condition, including, but not limited to, the following risk factors discussed under the "Risks and Uncertainties" section of our MD&A for the year ended December 31, 2014, and those described in the "Risk Factors" section of our AIF:

- Substantial competition could reduce the market share of the Corporation;
- A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits;
- The inability of the Corporation to successfully enhance and expand its offering of digital and new media products;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions;
- The Corporation's substantial indebtedness could adversely affect its efforts to refinance ;
- Incremental contributions by the Corporation to its pension plans;
- Failure by either the Corporation or the Telco Partners (as defined herein) to fulfill the obligations set forth in the agreements between the Corporation and the Telco Partners;
- Failure by the Corporation to adequately protect and maintain its brands and trademarks, as well as third party infringement of such;
- Work stoppages and other labor disturbances;
- Challenge by tax authorities of the Corporation's position on certain income tax matters;
- The loss of key relationships or changes in the level or service provided by digital portals, search engines, individual websites, mobile manufacturers and Operating Systems providers;
- The failure of the Corporation's computers and communications systems;
- The Corporation's inability to attract and retain key personnel;
- The inability of the Corporation to develop information and technology systems and platforms required to execute the Corporation's Return to Growth Plan;
- The inability of the Corporation to realize operational efficiencies and costs savings across its operations;
- The Corporation might be required to record additional impairment charges;
- The inability of the Corporation to attract and retain customers;
- A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margin, such as websites, search engine optimization (SEO) and search engine marketing (SEM); and
- The Corporation's business depends on the usage of its online and mobile properties and failure to grow traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business.

Additional risks and uncertainties not currently known to management or that are currently deemed to be immaterial may also have a material adverse effect on the Corporation's business, financial position or financial performance. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws.

DEFINITIONS RELATIVE TO UNDERSTANDING OUR RESULTS

Income from Operations before Depreciation and Amortization, and Restructuring and Special Charges (EBITDA)

We report on our Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA). EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income from operations or net earnings in the context of measuring Yellow Pages' performance. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, taxes, interest payments, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 14 of this MD&A.

Free cash flow

Free cash flow is a non-IFRS measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flow from operating activities. Free cash flow is defined as cash flow from operating activities, as reported in accordance with IFRS, less an adjustment for capital expenditures. Free cash flow is not a standardized measure and is not comparable with that of other public companies.

This MD&A is divided into the following sections:

1. Our Business
2. Results
3. Liquidity and Capital Resources
4. Free Cash Flow
5. Critical Assumptions
6. Risks and Uncertainties
7. Controls and Procedures

1. OUR BUSINESS

OUR BUSINESS

Yellow Pages is a leading media and marketing solutions company in Canada, offering small and medium-sized enterprises (SMEs) services to help them connect with local consumers. The Company offers SMEs full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, which include products such as online and mobile priority placement on Yellow Pages' owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production and print advertising. Through its sales force of 1,100 media account consultants (MACs) and sales support staff, the Company serves approximately 248,000 local businesses across Canada. This large and primarily face-to-face sales force is broken down into various channels, each dedicated to offering customers a specialized level of service based on size and spend. Yellow Pages also caters to larger, national brands through its Mediative division, providing high-end, customizable digital marketing and performance media services to help these clients reach audiences Canada-wide.

Yellow Pages owns and operates one of Canada's largest and richest databases of local merchant information. This content reaches audiences via a number of desktop and mobile properties, in addition to the Yellow Pages™ and Yellow Pages NextHome print publications. To help Canadians discover their local neighbourhoods and connect with local merchants, the Company's network of media properties is becoming increasingly specialized across the high value search verticals of real estate, retail and dining. A description of the Company's existing digital media properties is found below:

- YP™ – Available both online at YP.ca and as a mobile application, YP allows users to discover their local neighbourhoods through comprehensive merchant profiles and relevant editorial content;
- YP Shopwise™ – Mobile application offering geo-localized deals and flyers, as well as access to product catalogues from local and national retailers Canada-wide;
- RedFlagDeals.com™ – Canada's leading provider of online and mobile promotions, deals, coupons and shopping tools;
- ComFree/DuProprio (CFDP) – Currently the fourth most-visited network of real estate digital properties in Canada and Québec's leading real estate site, CFDP offers homeowners a proven, professional and cost effective service to market and sell their homes;
- YP Dine™ – Mobile application that allows users to discover, search for and book local restaurants based on time of day, mood, purpose and expert suggestions, in addition to offering online food ordering and delivery functionalities;
- Bookenda.com – Digital properties offering a leading online transaction platform for users and merchants to easily interact and manage bookings;
- dine.TO – Provides users in the Greater Toronto Area with an extensive database of online local restaurant listings, reviews, deals, playlists and events, as well as real-time online ordering capabilities;
- Yellow Pages NextHome – Provides Canadians with valuable information to help them make the right buying, selling, and/or renting decision. Digital properties operating under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information; and
- 411.ca – Digital directory service to help users find and connect with people and local businesses.

Dedicated digital properties will be launched in the home services and leisure verticals in the second half of 2015, providing Canadians with a greater repertoire of local content and transactional functionalities.

2. RESULTS

This section provides an overview of our financial performance during the second quarter of 2015 compared to the same period in 2014. We present several metrics to help investors better understand our performance. Some of these metrics are not measures recognized by IFRS. Definitions of these financial metrics are provided on page 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

OVERALL

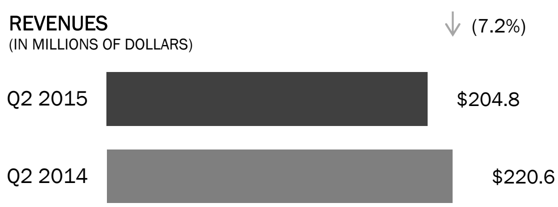
- Revenues decreased by $15.8 million or 7.2% to $204.8 million compared to the second quarter of 2014.
- Income from operations before depreciation and amortization and restructuring and special charges (EBITDA) decreased by $19.7 million or 24.2% to $61.6 million compared to the second quarter of 2014.
- Digital revenues represented 56.9% of consolidated revenues for the three-month period ended June 30, 2015, up from 49.1% for the same period in 2014.

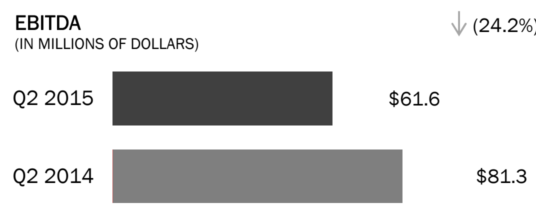
HIGHLIGHTS

(IN THOUSANDS OF CANADIAN DOLLARS– EXCEPT PER SHARE AND PERCENTAGE INFORMATION)

For the three-month periods ended June 30,	2015	2014
Revenues	$ 204,771	$ 220,579
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	$ 61,593	$ 81,261
EBITDA margin	30.1%	36.8%
Net earnings	$ 16,510	$ 27,551
Basic earnings per share	$ 0.62	$ 1.01
Cash flows from operating activities	$ 38,028	$ 57,823
Free cash flow[1]	$ 17,379	$ 42,083

[1] *Please refer to Section 4 for a reconciliation of free cash flow.*





PERFORMANCE RELATIVE TO BUSINESS STRATEGY

Yellow Pages is currently executing upon the Return to Growth Plan (the Plan) to accelerate its digital transformation, promote revenue and profitability growth, and help the Company gain a leadership position within Canada's local digital advertising market. The objective of the Plan is to return Yellow Pages to revenue and EBITDA growth, while also materially deleveraging the balance sheet, by 2018.

To promote successful implementation of Yellow Pages' Plan, the Company has identified the following key areas of focus for 2015:

- Extending its Brand Promise – Launch targeted advertising campaigns to increase digital brand awareness and perception among consumer audiences and SMEs, as well as underscore the brand's digital transformation;
- Strengthening its Media Assets – Deliver a superior user experience, improve the quality, completeness and relevance of its content, and introduce more verticalized digital search experiences in order to grow digital audiences, deliver improved ROI to SMEs' advertising on the Company's media, and protect Yellow Pages' long-term profitability;
- Enhancing its Customer Value Proposition – Provide valuable digital solutions, an improved sales experience, superior execution of clients' marketing campaigns, and enhanced customer service in order to accelerate customer acquisition and protect customer retention; and
- Gaining Efficiencies – Implement technologies that will optimize processes, streamline business operations and generate cost savings.

Extending its Brand Promise

Yellow Pages continues to invest in local advertising to grow awareness of the Company's digital properties and transform brand perception among Canadian consumers and SMEs. Following its success in the summer of 2014, the Company held its second annual Local Market Attack (LMA) campaign from May 18 through July 12, 2015 across Canada's largest urban centers. This multimedia campaign was executed in Canada's most populated urban markets, including Montreal, Toronto, Vancouver and Calgary, through visual takeovers in strategic media locations and channels. With over 250 advertisements created and customized for each market, the LMA campaign showcased the content and functionalities available on the YP application to help Canadians discover and transact within their local neighbourhoods.

Strengthening its Media Assets

Yellow Pages remains focused on improving the user experience across its existing digital properties, while also developing new digital media in presently underpenetrated search verticals. These initiatives serve to capture greater share of Canadian audiences, allowing Yellow Pages to deliver more qualified leads to current and prospective merchants advertising on its media. For the three-month period ended June 30, 2015, total digital visits, which measures the number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, C411, Bookenda and dine.TO online and mobile properties, grew to 108.2 million. This compares to 102.4 million visits made on the Company's network of digital properties during the same period last year, representing a year-over-year growth of 5.6%.

Yellow Pages' online and mobile properties are currently being enhanced to provide Canadians with an improved search experience, as well as richer content and functionalities to promote neighbourhood discovery and merchant interaction. In conjunction, this media is becoming increasingly verticalized to help address the targeted needs Canadians have when choosing and transacting with merchants across various search categories. During the second quarter of 2015, the homepages of YP.ca and the YP mobile application were redesigned to showcase trending searches, deals, city guides, business recommendations and merchant spotlights for each of the dining, shopping and real estate verticals. In addition, new functionalities were added on YP Shopwise, the Company's retail application, to help Canadians save time and money through mobile browsing and clipping of local flyers.

Real estate remains an important vertical for Yellow Pages, as it closely complements the Company's mission of championing neighbourhood economies. In addition, Yellow Pages' national presence and extensive database of business information makes it uniquely positioned to help Canadians choose the right neighbourhoods to live in. On July 1, 2015, Yellow Pages acquired CFDP for a purchase price of $50 million, growing the Company into a leading digital real estate marketplace. The acquisition extends Yellow Pages' reach of Canadian home buyers and sellers and provides the Company with the platforms and technologies required to better monetize consumer audiences within this vertical. Operating under the DuProprio and ComFree banners in Québec and the rest of Canada, respectively, CFDP offers homeowners a proven, professional and cost effective service to market and sell their properties. CFDP is currently the fourth most visited network of real estate properties in Canada and Québec's leading real estate site, holding a 17% share of the province's listings market.

Enhancing its Customer Value Proposition

Acquiring and retaining customers remain key drivers in Yellow Pages' ability to return to revenue and profitability growth. By accelerating customer acquisition and protecting customer renewal rates, the Company anticipates returning to a growth in customer count in 2017. 24,800 new customers were acquired during the twelve-month period ended June 30, 2015, up from 18,400 for the same period last year. The acquisition of new customers continues to be supported by a growing acquisition sales team, the introduction of sales incentive programs that encourage customer acquisition, dedicated advertising campaigns, as well as the launch of new digital solutions. New sales technologies currently being integrated within the Company's customer relationship management platform have also played a key role in improving the productivity of Yellow Pages' sales representatives and providing sales managers with the tools required to optimize lead assignment and conversion rates.

For the twelve-month periods ended June 30, 2015 and 2014, renewal among Yellow Pages' customers remained stable at 85%. Despite newly acquired customers churning at higher rates relative to the Company's historical customer base, the delivery of an improved end-to-end customer experience is allowing Yellow Pages to protect overall customer retention rates. The 360º Business Centre self-serve portal (http://businesscentre.yp.ca/) is continuously being enhanced to allow customers to manage and track the success of their marketing campaigns in real time. In addition, the Company's customer service and digital fulfillment teams are being equipped with improved technologies and processes to boost productivity, improve service levels and deliver higher quality digital solutions.

CUSTOMER ACQUISITION AND RENEWAL[1]

For the twelve-month periods ended June 30,	2015	2014
Customer count	**248,000**	265,000
New customers	**24,800**	18,400
Customer renewal rate	**85%**	85%

1 *YP core only, excludes the contribution of Mediative, 411.ca and Yellow Pages NextHome.*

Gaining Efficiencies

The Company is actively investing to streamline operations across the organization. A new print directory distribution model has been implemented to lower and better align distribution expenses with consumer usage. This new model eliminates systematic door-to-door distribution of Yellow Pages' print directories, allowing Canadians to pick up local directories from street boxes and retailer racks located in public areas with high circulation. Cost savings will also be generated from the decommissioning of information systems/information technology (ISIT) datacenters, as well as from legacy print publishing systems. In addition, various sales, customer service and digital fulfillment processes are being standardized and optimized to promote efficiencies across business functions.

CONSOLIDATED OPERATING AND FINANCIAL RESULTS
(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PER SHARE INFORMATION)

For the three and six-month periods ended June 30,	2015	2014	2015	2014
Revenues	$ 204,771	$ 220,579	$ 410,673	$ 443,782
Operating costs	143,178	139,318	278,294	267,900
Income from operations before depreciation and amortization and restructuring and special charges	61,593	81,261	132,379	175,882
Depreciation and amortization	20,212	18,146	38,884	36,350
Restructuring and special charges	2,551	6,784	4,553	9,899
Income from operations	38,830	56,331	88,942	129,633
Financial charges, net	16,131	19,453	30,855	38,865
Earnings before income taxes and loss (earnings) from investments in associates	22,699	36,878	58,087	90,768
Provision for income taxes	6,189	9,261	16,053	24,173
Loss (earnings) from investments in associates	–	66	–	(178)
Net earnings	$ 16,510	$ 27,551	$ 42,034	$ 66,773
Basic earnings per share	$ 0.62	$ 1.01	$ 1.57	$ 2.45
Diluted earnings per share	$ 0.54	$ 0.87	$ 1.36	$ 2.09
Total assets			$ 1,733,576	$ 1,727,894
Long-term debt (including current portion, excluding exchangeable debentures)			$ 473,498	$ 573,669
Exchangeable debentures			$ 89,698	$ 88,259

ANALYSIS OF CONSOLIDATED OPERATING AND FINANCIAL RESULTS

Revenues

Revenues decreased by 7.2% year-over-year to reach $204.8 million during the second quarter of 2015. This compares to $220.6 million for the same period last year. For the six-month period ended June 30, 2015, revenues decreased by 7.5% to $410.7 million, as compared to $443.8 million for the same period last year. Revenues remain principally impacted by an overall loss in customers, in addition to a decline in spending among the Company's larger customers. In response, the Company continues to invest in accelerating the annual run-rate of new customer acquisition and delivering an improved experience to current and prospective clients. Investments in customer acquisition and retention are geared to returning Yellow Pages to a growth in customer count by 2017, and ultimately growth in consolidated revenues in 2018.

Yellow Pages' customer count, excluding the contribution of Mediative, 411.ca and Yellow Pages NextHome, totalled 248,000 as at June 30, 2015. The Company continues to close the gap in customer count decline through initiatives geared at accelerating customer acquisition and protecting customer renewal rates (see Performance Relative to Business Strategy: Enhancing its Customer Value Proposition). The Company lost 17,000 customers during the twelve-month period ended June 30, 2015, down from a decline of 26,000 customers for the same period last year.

Digital revenues grew by 7.4% year-over-year to reach $116.4 million during the second quarter of 2015, as compared to $108.4 million for the same period last year. Digital revenues as a percentage of total revenues also increased, reaching 56.9% of consolidated revenues for the quarter ended June 30, 2015, as compared to 49.1% for the same period last year. Growth in digital revenues is driven by customer acquisition, the ongoing migration of customers' print spend towards Yellow Pages' digital solutions, and a growth in spending among the Company's renewing digital customers.

Digital-only customers grew to 44,400, or 18% of the customer base, as at June 30, 2015, up from 29,400, or 11% of the customer base at the same time last year, as the majority of new customers are presently only purchasing digital solutions. YP's online and mobile priority placement solutions continue to be the most adopted digital solutions by merchants, with penetration reaching 60% and 26%, respectively, as at June 30, 2015, as compared to 53% and 21%, respectively, at the same time last year. Customer penetration of the YP 360º Solution, defined as YP customers purchasing three product categories or more, also grew to 38.3% as at June 30, 2015, up from 32.9% for the same period last year.

Albeit declining, print revenue decline rates continue to show signs of stabilization. For the second quarter of 2015, print revenues decreased 21.3% year-over-year to reach $88.3 million. The Company has in place various initiatives targeted at protecting print revenue decline rates. Following its success in 2014, Yellow Pages continues to expand its Print Product Simplification (PPS) initiative to rural and urban markets nationwide. By increasing print advertisement sizes at little to no incremental cost to the customer, PPS serves to protect customer renewal, while also preserve content and usage of the print directory. PPS also simplifies the selling process for our MACs by reducing the number of print offers available for sale to Yellow Pages' print clients. In addition, the Company has enhanced front-of-book content contained in certain of its print directories to provide users with a magazine-like experience. In addition to a redesigned cover page, certain directories now include editorial content providing information on local events, attractions, and home, health and wellness tips.

CUSTOMER PENETRATION[1]

As at June 30,	2015	2014
Print	**82%**	89%
Owned and Operated Digital Media[2]	**64%**	62%
Online priority placement	**60%**	53%
Mobile priority placement	**26%**	21%
Legacy	**2%**	7%
Digital Services[3]	**10%**	9%

SPENDING DYNAMICS[1]

For the twelve-month periods ended June 30,	2015	2014
Amongst Renewing Customers[1]		
Increase in spending[4]		
Customer distribution	**40%**	26%
% of revenues	**31%**	29%
Stable spending[5]		
Customer distribution	**42%**	55%
% of revenues	**29%**	27%
Decrease in spending[6]		
Customer distribution	**18%**	19%
% of revenues	**40%**	44%
Average Revenue per Customer (ARPC)[7]	**$ 3,009**	$ 3,111

OPERATIONAL INDICATORS

As at June 30,	2015	2014
YP 360º Solution Penetration[1]	**38.3%**	32.9%
Digital-only customers[1]	**44,400**	29,400
Digital revenues (in thousands of Canadian dollars)[8]	**$ 116,425**	$ 108,353
Digital revenues as a percentage of total revenues[8]	**56.9%**	49.1%

1 *YP core only, excludes the contribution of Mediative, 411.ca and Yellow Pages NextHome.*

2 *Percentage of YP customers purchasing at least one Online Priority Placement, Mobile Priority Placement, Virtual Business Profile, HD Video, and/or Legacy product.*

3 *Percentage of YP customers purchasing at least one Website, SEO, SEM, Facebook Solution, and/or Smart Digital Display product.*

4 *Renewing YP customers experiencing an increase in spending over 5%, on a year-over-year basis.*

5 *Renewing YP customers experiencing an increase in spending between 0% and 5%, on a year-over-year basis.*

6 *Renewing YP customers experiencing a decrease in spending on a year-over-year basis.*

7 *The ARPC for the twelve-month period ended June 30, 2014 was restated to exclude the contribution of Mediative.*

8 *For the three-month periods ended June 30.*

EBITDA

EBITDA decreased by $19.7 million to $61.6 million during the second quarter of 2015 compared with $81.3 million for the same period in 2014. For the six-month period ended June 30, 2015, EBITDA decreased to $132.4 million compared with $175.9 million for the same period last year. Our EBITDA margin for the second quarter of 2015 was 30.1% compared to 36.8% for the second quarter of 2014 and reached 32.2% for the six-month period ended June 30, 2015 compared with 39.6% for the same period last year. The decrease in EBITDA for the three and six-month periods ended June 30, 2015 is due mainly to lower print revenues, a change in product mix and investments related to the Return to Growth Plan, partly offset by cost efficiencies.

Cost of sales increased by $4.7 million to $79.5 million during the second quarter of 2015 compared with $74.8 million for the same period in 2014 and increased by $6 million to $154.9 million during the six-month period ended June 30, 2015 compared with $148.9 million for the same period last year. The increase for the quarter and six-month period ended June 30, 2015 results mainly from investments to enhance the performance of our acquisition sales channel and customer support teams, expenses related to 411.ca, a company acquired in June 2014, as well as a change in product mix.

Gross profit margin decreased to 61.2% for the second quarter of 2015 compared to 66.1% for the same period last year and decreased to 62.3% for the six-month period ended June 30, 2015 compared to 66.4% for the same period last year. The decrease is primarily due to a decline in print revenues and a change in product mix.

General and administrative expenses decreased by $0.9 million to $63.7 million during the second quarter of 2015 compared with $64.6 million for the same period in 2014. General and administrative expenses increased by $4.4 million to $123.4 million during the six-month period ended June 30, 2015 compared with $119 million for the same period last year. The decrease for the three-month period ended June 30, 2015 is mainly caused by lower bad debt expense, partly offset by investments related to the implementation of new technologies, systems and processes related to the Return to Growth Plan. The increase for the six-month period ended June 30, 2015 is mainly attributable to investments related to the Company's digital transformation.

Depreciation and amortization

Depreciation and amortization increased to $20.2 million during the second quarter of 2015 compared to $18.1 million in the second quarter of 2014 and increased to $38.9 million for the six-month period ended June 30, 2015 compared with $36.4 million for the same period last year. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms as the Company executes its digital transformation.

Restructuring and special charges

During the three and six-month periods ended June 30, 2015, we recorded restructuring and special charges of $2.6 million and $4.6 million, respectively, (2014 - $6.8 million and $9.9 million, respectively) associated primarily with internal reorganizations and workforce reductions.

Financial charges

Financial charges decreased by $3.3 million to $16.1 million during the second quarter of 2015 compared with $19.5 million for the same period in 2014 and decreased by $8 million to $30.9 million during the six-month period ended June 30, 2015 compared to $38.9 million for the same period last year. The decrease is mainly attributable to a lower level of indebtedness. As at June 30, 2015, the effective average interest rate on our debt portfolio was 9% compared to 9.1% as at June 30, 2014.

Provision for income taxes

The combined statutory provincial and federal tax rates were 26.6% and 26.5% for the three and six-month periods ended June 30, 2015 and 2014, respectively. The Company recorded an expense of 27.3% and 27.6% of earnings for the three and six-month periods ended June 30, 2015, respectively. The difference between the effective and the statutory rates for the three and six-month periods ended June 30, 2015 is due to the non-deductibility of certain expenses for tax purposes.

The company recorded an expense of 25.1% and 26.6% of earnings for the three and six-month periods ended June 30, 2014, respectively. The difference between the effective and the statutory rates in the second quarter of 2014 is due to the gain on the business acquisition related to 411.ca of $3.6 million that is not taxable. For the six-month period ended June 30, 2014, the impact of the gain on the business acquisition was offset by certain expenses that are not deductible for tax purposes.

Earnings from investments in associates

On June 1, 2014, we acquired the remaining 70% interest in 411.ca, whose results are now consolidated within YP. During the second quarter of 2014, we recorded a loss of $0.1 million for the period from April 1, 2014 up to the acquisition date. For the six-month period ended June 30, 2014, we recorded earnings of $0.2 million.

Net earnings

We recorded net earnings of $16.5 million during the second quarter of 2015 compared with $27.6 million for the same period last year. For the six-month period ended June 30, 2015, net earnings decreased to $42 million from $66.8 million for the same period last year. The decrease for the quarter and for the six-month period ended June 30, 2015 is principally explained by lower EBITDA.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

QUARTERLY RESULTS

(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PER SHARE AND PERCENTAGE INFORMATION)

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 204,771**	$ 205,902	$ 215,319	$ 218,427	$ 220,579	$ 223,203	$ 237,951	$ 237,350
Operating costs	**143,178**	135,116	150,487	143,165	139,318	128,582	146,698	135,203
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	**61,593**	70,786	64,832	75,262	81,261	94,621	91,253	102,147
EBITDA margin	**30.1%**	34.4%	30.1%	34.5%	36.8%	42.4%	38.3%	43%
Depreciation and amortization	**20,212**	18,672	22,003	19,723	18,146	18,204	16,106	15,589
Restructuring and special charges	**2,551**	2,002	5,714	2,746	6,784	3,115	13,134	4,011
Income from operations	**38,830**	50,112	37,115	52,793	56,331	73,302	62,013	82,547
Net earnings	**16,510**	25,524	95,225	26,542	27,551	39,222	30,964	41,775
Basic earnings per share attributable to common shareholders	**$ 0.62**	$ 0.95	$ 3.53	$ 0.98	$ 1.01	$ 1.43	$ 1.11	$ 1.51
Diluted earnings per share attributable to common shareholders	**$ 0.54**	$ 0.81	$ 2.88	$ 0.84	$ 0.87	$ 1.22	$ 0.97	$ 1.30

Revenues decreased throughout the quarters, principally impacted by an overall loss of customers, as well as a decline in spending among our larger customers. Revenues for the fourth quarter of 2013 were favourably impacted by non-recurring print revenues.

Our EBITDA margin decreased throughout the quarters reflecting declining print revenues and the loss of margin from a change in product mix. Starting in the second quarter of 2014, our EBITDA was also negatively impacted by an increasing level of investments related to the Plan. Our EBITDA margin increased in the first quarter of 2015, principally related to the timing of various investments related to the execution of the Company's digital transformation as well as a favourable non-cash benefit of $3.5 million related to amendments to our pension and post-retirement benefit plans.

Operating costs in the fourth quarter of 2013 were negatively impacted by non-recurring legal provisions and a sales tax assessment, while these costs in the first quarter of 2014 were favourably impacted by a non-recurring benefit associated with the positive outcome of a litigation. Operating costs in the first quarter of 2015 were positively impacted by a non-cash benefit of $3.5 million related to amendments to our pension and post-retirement benefit plans.

Depreciation and amortization increased quarter-over-quarter, with the exception of the first quarter of 2015, as a result of increased capital expenditures in connection with the deployment of platforms related to the Company's digital transformation. The decrease in the first quarter of 2015 is mainly due to certain intangible assets being fully amortized.

As a result of our business transformation from a print centric to a digital centric organization and the progressive rebuilding of our foundation, we initiated workforce reductions and cost containment initiatives resulting in restructuring and special charges over the quarters.

Our net earnings for the fourth quarter of 2014 were positively impacted by a recovery of income taxes of $84.8 million related to the cancellation of certain income tax liabilities following the settlement of tax assessments.

3. LIQUIDITY AND CAPITAL RESOURCES

This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

FINANCIAL POSITION

CAPITAL STRUCTURE

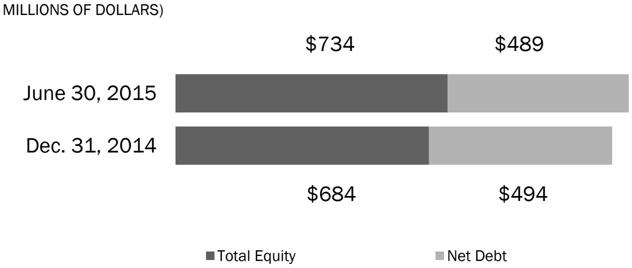
(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PERCENTAGE INFORMATION)

As at	June 30, 2015	December 31, 2014
Cash, excluding restricted cash	$ 74,430	$ 102,776
Senior secured notes	$ 472,805	$ 507,014
Exchangeable debentures	89,698	88,959
Obligations under finance leases	693	897
Net debt, net of cash[1]	$ 488,766	$ 494,094
Equity	734,174	684,180
Total capitalization	$ 1,222,940	$ 1,178,274
Net debt to total capitalization	40%	41.9%

NET DEBT[1] TO LATEST TWELVE MONTH EBITDA RATIO[2]

CAPITAL STRUCTURE

(IN MILLIONS OF DOLLARS)



As at June 30, 2015, and excluding the $50 million of cash placed in trust until the closing of the acquisition of CFDP on July 1, 2015, Yellow Pages had $488.8 million of net debt, compared to $494.1 million as at December 31, 2014.

The net debt to Latest Twelve Month EBITDA[1,2] ratio as at June 30, 2015 was 1.8 times compared to 1.6 times as at December 31, 2014. The increase is mainly due to the $50 million of cash placed in trust related to the acquisition of CFDP.

Asset-Based Loan

In August 2013, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, entered into a five-year $50 million asset-based loan (ABL) expiring in August 2018. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is secured by a first priority lien over the receivables of the Company. The ABL is subject to an availability reserve of $5 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at June 30, 2015, the Company had $4.2 million of letters of credit issued and outstanding. As such, $40.8 million of the ABL was available as at June 30, 2015. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

As at June 30, 2015, the Company was in compliance with all covenants under the loan agreement governing the ABL.

1 *Net debt is a non-IFRS measure defined as long-term external debt, net of cash, as reported in accordance with IFRS.*

2 *Latest twelve month income from operations before depreciation and amortization and restructuring and special charges, (Latest Twelve Month EBITDA). Latest Twelve Month EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 3 for a definition of EBITDA.*

Senior Secured Notes

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $800 million of 9.25% senior secured notes (the Senior Secured Notes) maturing November 30, 2018. Interest on the Senior Secured Notes is payable in cash, quarterly in arrears, in equal instalments on the last day of February, May, August and November of each year.

To date, the Company repaid $327.2 million of its Senior Secured Notes, thereby reducing the balance from $800 million to $472.8 million as at June 30, 2015. The Company repaid $153.4 million in 2013, $139.6 million in 2014 and $34.2 million during the second quarter of 2015.

As at June 30, 2015, the Company was in compliance with all covenants under the indenture governing the Senior Secured Notes.

Mandatory Redemption

Pursuant to the indenture governing the Senior Secured Notes, the Company is required to use an amount equal to 75% of its consolidated Excess Cash Flow for the immediately preceding six-month period ending March 31 or September 30, as applicable, to redeem on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2013, the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof from holders on a pro rata basis, subject to the Company maintaining a minimum cash balance, including availability on the ABL, of $75 million immediately following the mandatory redemption payment. The $75 million minimum cash balance condition is subject to a reduction in certain cases provided in the indenture governing the Senior Secured Notes. Excess Cash Flow, as defined in the indenture governing the Senior Secured Notes, means the aggregate cash flow from operating activities adjusted for, among other things, payments relating to interest, taxes, long-term employee compensation plans, certain pension plan contribution payments and the acquisition of property and equipment and intangible assets. For purposes of determining the consolidated Excess Cash Flow, deductions for capital expenditures and information systems/information technology expenses are each subject to an annual deduction limit of $50 million. Under other circumstances, the Company may also have to make additional repayments on the Senior Secured Notes (refer to the indenture governing the Senior Secured Notes).

The Company was required to make minimum annual aggregate mandatory redemption payments of $125 million for 2014 and 2015 combined. The Company made mandatory redemption payments of $139.6 million in 2014, thereby exceeding the $125 million minimum aggregate mandatory redemption payment. As such, it has completed its minimum aggregate mandatory redemption payments and is only required to use an amount equal to 75% of its consolidated Excess Cash Flow to redeem on a semi-annual basis the Senior Secured Notes going forward.

Optional Redemption

The Company may redeem all or part of the Senior Secured Notes at its option, upon not less than 30 nor more than 60 days prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2017, 105% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2017, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

Exchangeable Debentures

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $107.5 million of senior subordinated exchangeable debentures (the Exchangeable Debentures) due November 30, 2022.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% per annum, for the applicable interest period, if the Company makes a Payment in Kind (PIK) election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

As at June 30, 2015, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable at the holder's option into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions.

Optional Redemption

The Company may, at any time on or after the date on which all of the Senior Secured Notes have been repaid in full, redeem all or part of the Exchangeable Debentures at its option, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

CREDIT RATINGS

DBRS LIMITED	STANDARD AND POOR'S RATING SERVICES
B (low)/Issuer rating – positive trend	B/Corporate credit rating – stable outlook
B (low)/Credit rating for Senior Secured Notes	BB-/Credit rating for Senior Secured Notes
CCC/Credit rating for Exchangeable Debentures	CCC+/Credit rating for Exchangeable Debentures

Liquidity

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient liquidity to fund capital expenditures, working capital requirements and current obligations, including the mandatory repayments on the Senior Secured Notes. As at August 11, 2015, the Company had approximately $88.3 million of cash and $40.8 million available under the ABL.

Options

On December 20, 2012, as part of the implementation of Yellow Pages' 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 (the Participants) of Yellow Pages 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 Pages through the transition and transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan.

The stock options expire approximately seven years after the grant date and Participants are required to hold 25% of the common shares received pursuant to the exercise of the stock options until the Participants meet the ownership guidelines which apply to their respective position.

Share data

As at August 12, 2015, outstanding share data was as follows:

OUTSTANDING SHARE DATA

As at	August 12, 2015	June 30, 2015	December 31, 2014
Common shares outstanding	28,018,419	28,018,419	27,976,661
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,498	2,995,498	2,995,506
Stock options outstanding[2]	672,550	672,550	480,200

[1] *As at August 12, 2015, Yellow Pages had $107.1 million principal amount of Exchangeable Debentures outstanding, which amount is exchangeable into 5,624,422 common shares of Yellow Pages Limited at an exchange price of $19.04, subject to adjustment for specified transactions pursuant to the indenture governing the Exchangeable Debentures.*

[2] *Included in the stock options outstanding balance of 672,550 as at August 12, 2015 and June 30, 2015 are 123,500 stock options exercisable as at those same dates. There were no stock options exercisable as at December 31, 2014.*

SOURCES AND USES OF CASH

(IN THOUSANDS OF CANADIAN DOLLARS)

For the six-month periods ended June 30,		2015		2014
Cash flows from operating activities				
Cash flows from operations	$	106,960	$	76,475
Change in operating assets and liabilities		(6,098)		(7,742)
	$	100,862	$	68,733
Cash flows used in investing activities				
Additions to intangible assets	$	(35,172)	$	(27,197)
Acquisition of property and equipment		(3,419)		(2,751)
Business acquisition		(852)		(22,698)
Cash placed in trust		(50,000)		—
Proceeds from the settlement of a note receivable		—		14,100
	$	(89,443)	$	(38,546)
Cash flows used in financing activities				
Repayment of long-term debt	$	(34,413)	$	(73,799)
Purchase of restricted shares		(5,775)		(12,450)
Issuance of common shares upon exercise of stock options		423		—
	$	(39,765)	$	(86,249)

Cash flows from operating activities

Cash flows from operations

Cash flows from operations increased by $30.5 million from $76.5 million for the six-month period ended June 30, 2014 to $107 million for the same period in 2015. Cash flows generated from income taxes increased by $70 million, mainly due to net income taxes received of $25.6 million during the first quarter of 2015 as a result of a tax settlement covering prior years, compared to net income taxes paid of $44.4 million during the six-month period ended June 30, 2014 relative to the 2013 taxation year for which no installments had been made. This amount was offset by lower cash EBITDA of $39.5 million.

Change in operating assets and liabilities

The change in operating assets and liabilities for the six-month period ended June 30, 2015 generated an outflow of $6.1 million compared with $7.7 million for the same period last year. The outflows for the six-month periods ended June 30, 2015 and 2014 are due principally to the payment of variable compensation, partially offset by the improved collection experience of our trade receivables.

Cash flows used in investing activities

Cash used in investing activities amounted to $89.4 million for the six-month period ended June 30, 2015 compared with $38.5 million for the same period last year. During the first six months of 2015, we invested in software development and ISIT equipment in the amount of $35.2 million and $3.4 million, respectively, as compared to $27.2 million and $2.8 million, respectively, spent during the same period last year. Capital expenditures incurred in the first six months of 2014 and 2015 are related to the ongoing operations required to maintain the integrity of the infrastructure as well as the development and implementation of new technology and software aimed at new initiatives as we continue our transformation to become a leading local digital company in Canada.

During the second quarter of 2015, we entered into a share purchase agreement to acquire all the shares of the CFDP network for a purchase price of $50 million. Upon execution of the purchase agreement, $50 million of cash was placed in trust until the closing of the transaction, which occurred on July 1, 2015. During the second quarter of 2014, we acquired the remaining interest in 411.ca for a net consideration of $22.7 million.

Total capital expenditures for 2015 are expected to range between $70 and $75 million.

Cash flows used in financing activities

Cash used in financing activities amounted to $39.8 million during the six-month period ended June 30, 2015 compared to $86.2 million for the same period last year. During the second quarter of 2015, we repaid $34.2 million of the Senior Secured Notes compared to $73.5 million for the same period last year. During the first six months of 2015, we purchased common shares of Yellow Pages Limited on the open market to fund the Restricted Share Unit and Performance Share Unit Plan at a cost of $5.8 million compared to $12.5 million during the same period last year. During the first six months of 2015, 41,750 stock options were exercised for cash proceeds of $0.4 million.

FINANCIAL AND OTHER INSTRUMENTS

(See Note 22 of the Audited Consolidated Financial Statements of the Company for the year ended December 31, 2014).

The Company's financial instruments consist of cash, trade and other receivables, trade and other payables, long-term debt and Exchangeable Debentures.

Derivative Instruments

There is no carrying value of embedded derivatives as at June 30, 2015. The carrying value is calculated, as is customary in the industry, using discounted cash flows based on quarter-end market rates.

4. FREE CASH FLOW

FREE CASH FLOW
(IN THOUSANDS OF CANADIAN DOLLARS)

For the three and six-month periods ended June 30,	2015	2014	2015	2014
Cash flow from operating activities	$ 38,028	$ 57,823	$ 100,862	$ 68,733
Capital expenditures, net of lease inducements	20,649	15,740	38,591	29,948
Free cash flow	$ 17,379	$ 42,083	$ 62,271	$ 38,785

5. CRITICAL ASSUMPTIONS

When we prepare our consolidated financial statements in accordance with IFRS, we must make certain estimates and assumptions about our business. These estimates and assumptions in turn affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements.

Our critical assumptions and accounting estimates have not changed since the release of our MD&A for the year ended December 31, 2014. These critical assumptions and estimates relate to intangible assets, property and equipment employee future benefit and income taxes. Please refer to Section 5 – Critical Assumptions of our MD&A for the year ended December 31, 2014.

ACCOUNTING STANDARDS

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Pages Limited's accounting periods beginning on or after January 1, 2016. The new standards which are considered to be relevant to Yellow Pages Limited's operations are as follows:

Amendments to IAS 16 — *Property, Plant and Equipment, and IAS 38 — Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization*

In May 2014, the International Accounting Standards Board (IASB) issued Amendments to International Accounting Standard (IAS) 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization* to clarify that the use of revenue-based methods to calculate depreciation is not appropriate as revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the related asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption may be rebutted in certain limited circumstances. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016.

The Amendments to IAS 16 and IAS 38 are not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IAS 1 — ***Presentation of financial statements***

In December 2014, the IASB issued amendments to IAS 1 — *Presentation of financial statements* as part of its initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 clarify the existing presentation and disclosure requirements as they relate to materiality, subtotals and disaggregation. The amendments also provide additional guidance on the application of professional judgement to disclosure requirements when preparing the notes to the financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2016. Yellow Pages Limited continues to evaluate the impact these amendments will have on its interim condensed consolidated financial statements.

IFRS 15 — *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 — *Revenue from Contracts with Customers*. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 — *Revenue* and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the company satisfies a performance obligation.

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2017 with earlier adoption permitted. The IASB has decided to defer the effective date of IFRS 15 to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. Yellow Pages Limited continues to evaluate the impact this standard will have on its interim condensed consolidated financial statements.

IFRS 9 — *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 — *Financial Instruments*. IFRS 9 replaces the requirements in IAS 39 — *Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets and liabilities. The new standard introduces a single classification and measurement approach for financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements and results in a single impairment model being applied to all financial instruments. IFRS 9 also modified the hedge accounting model to incorporate the risk management practices of an entity.

Additional disclosures will also be required under the new standard. The new standard will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted. Yellow Pages Limited continues to evaluate the impact this standard will have on its interim condensed consolidated financial statements.

6. RISKS AND UNCERTAINTIES

Please refer to the Risks and Uncertainties section of our MD&A for the year ended December 31, 2014 and our Annual Information Form dated March 25, 2015 for a complete description of the risk factors to which the Company may be exposed, including, for example, "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition".

On July 1, 2015, Yellow Pages acquired CFDP, growing the Corporation into a leading digital real estate marketplace. As a result of the acquisition, the Corporation has a greater presence in the real estate listing business and may be subject to the additional risk factor described below.

Declines in, or changes to, the real estate industry could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The CFDP business and financial performance are affected by the health of, and changes to, the residential real estate industry. Home-buying patterns are sensitive to economic conditions and tend to decline or grow more slowly during economic downturns. A decrease in home purchases could lead to reductions in CFDP user traffic and reductions in the purchase of package offerings by home sellers. In addition, CFDP may become subject to rules and regulations in the real estate industry that may restrict or complicate CFDP's ability to deliver its products. These changes could harm CFDP's business and operating results. Declines or disruptions in the real estate market or increases in mortgage interest rates could reduce demand for CFDP's products and could harm its business and operating results. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Understanding and managing risks are important parts of YP's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YP, our Board and senior management analyze risks in three major categories:

1. Strategic risks - which are primarily external to the business;
2. Financial risks - generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and
3. Operational risks - related principally to risks across key functional areas of the organization.

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Our risks and uncertainties have not changed since the release of our MD&A for the year ended December 31, 2014. For more information, please refer to the corresponding section in our MD&A for the year ended December 31, 2014.

7. CONTROLS AND PROCEDURES

There were no changes to the Corporation's internal controls over financial reporting that occurred during the period beginning on April 1, 2015 and ended on June 30, 2015 that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.