Management's Discussion and Analysis

May 10, 2017

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–month periods ended March 31, 2017 and 2016 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2016 and 2015, as well as our unaudited interim condensed consolidated financial statements for the three-month periods ended March 31, 2017 and 2016. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the "Investor Relations - Reports & Filings" section of our corporate website: http://corporate.yp.ca.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards (IFRS) for financial statements and is expressed in Canadian dollars, unless otherwise stated.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance.

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 (Bookenda), YP Dine Solutions Limited (YP Dine), 9059-2114 Québec Inc. and ByTheOwner Inc. (the latter two collectively ComFree/DuProprio), Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively JUICE), and 9778748 Canada Inc. (Totem)).

Forward-Looking Information

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 general economic conditions in Canada will not materially deteriorate beyond current levels;
- that investments in marketing and branding will evolve legacy perceptions and boost awareness of our digital media platforms and marketing solutions;
- that we will be able to maintain and grow our customer base and achieve anticipated Average Revenue per Customer (ARPC);
- that customer renewal rates, as well as our ability to upsell renewing customers, will not be materially lower than currently anticipated;
- that the decline in print revenues will remain at or below 25% per annum;
- that we will be able to introduce, sell and provision the new products and services that support our customer base and ARPC assumptions;
- that revenues and profitability across subsidiaries will not be materially lower than anticipated;
- that investments in new content and digital experiences across our owned and operated properties will protect digital audiences;
- that the revenue mix between our digital owned and operated, services and resale solutions will not differ materially from anticipated levels;
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant;
- that we will be able to realize efficiency gains in our cost structure; and
- that we will be able to attract and retain key personnel in key positions.

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 this MD&A, and those described in the "Risk Factors" section of our AIF:

- Substantial competition could reduce the market share of the Corporation;
- A prolonged economic downturn in principal markets 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 attract, retain and upsell customers;
- The inability of the Corporation to successfully enhance and expand its offering of digital and new media products;
- The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its national customers;
- A higher than anticipated proportion of revenues coming from lower margin products, such as services and resale;
- The Corporation's business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business;
- The Corporation might be required to record additional impairment charges;
- The Corporation's inability to realize cost savings;
- Failure by either the Corporation or the Telco Partners to fulfill their 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 labour disturbances;
- The Corporation's inability to attract and retain key personnel;
- 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 mapping applications and search engines;
- The failure of the Corporation's computers and communication systems;
- Declines in, or changes to, the real estate industry;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions;
- The Corporation's amount of debt and compliance with the covenants applicable under its debt instruments could adversely affect its efforts to refinance; and
- Incremental contributions by the Corporation to its pension plans.

As detailed in this MD&A, Yellow Pages announced its new go-to market strategy. As a result, the Corporation may be subject to the additional risk factors described below.

The inability of the Corporation to successfully execute on the Corporation's go-to market strategy on a timely basis could impair its ability to stabilize and grow revenues and earnings

In May 2017, the Corporation reviewed its go-to market business strategy and Return to Growth Plan to address structural challenges impeding its objective of a return to growth in total customer count, revenues and profitability, with a focus on five key initiatives directly aimed at supporting growth, namely reshaping the customer value proposition, implementing new ways of selling, redefining and improving the customer journey, continuing growth in subsidiaries, and building the future state of the business (the Plan). The Corporation's inability to execute on or delays in the execution of the Plan could impair its ability to stabilize and grow revenue and earnings, which might have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Delays or inability in implementing information and technology systems required to support the Corporation's go-to market strategy

The achievement of the Corporation's Plan requires the development of its digital media, mobile and online businesses. The customer preference for digital media, mobile and online products will likely accelerate as younger, more technologically savvy advertisers make up a greater portion of the Corporation's potential customer base. Moreover, the rapid technological evolution in the advertising industry is driving changes in user behaviour as users seek more control over the way in which they consume content. In order to succeed, the Corporation will need to invest significant resources in order to, among other things:

- accelerate the evolution of its existing products and services;
- develop in a timely manner compelling new digital media, mobile and online products and services that engage users across various platforms;
- attract and retain talent for critical positions;
- continue to transform its organization and operating model to grow its digital media, mobile and online businesses;
- continue to develop and upgrade its technologies and supporting processes to distinguish its products and services offering from those of its competitors; and
- sell advertising in significant markets and be a compelling choice for advertisers on mobile and online.

The Corporation cannot assure that it will be successful in achieving these and other necessary objectives in a timely manner or that the Plan will be successful. Delays or failure to adapt to new technology or delivery methods, or the choice of one technological innovation over another, may have an adverse impact on the Corporation's ability to compete effectively with its competitors or to achieve its Plan, which could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

Definitions Relative to Understanding Our Results

Adjusted EBITDA: Income from Operations before Depreciation and Amortization, Impairment of Intangible Assets and Restructuring and Special Charges

We report on our Income from operations before depreciation and amortization, impairment of intangible assets and restructuring and special charges (Adjusted EBITDA). Adjusted EBITDA is not a performance measure defined under IFRS and is not considered to be an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 17 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's interim condensed consolidated statements of income. We use Adjusted EBITDA to evaluate the performance of our business as it reflects its ongoing profitability. We believe that certain investors and analysts use Adjusted EBITDA to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Free cash flow

Free cash flow is a non-IFRS financial measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flows from operating activities. Free cash flow is defined as cash flows from operating activities, adjusted for the change in operating assets and liabilities, presented in the Operating Activities section of the Company's interim condensed consolidated statements of cash flows, less additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's interim condensed consolidated statements of cash flows. Free cash flow is not a standardized measure and is not comparable with that of other publicly traded companies. We consider free cash flow to be an important indicator of the performance of our business as it reflects the Company's ability to generate overall cash earnings and reflects the net cash generated available for debt repayment, acquisitions or other activities, such as share buybacks or dividends. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets as well as to evaluate a company's performance. The most comparable IFRS financial measure is cash flows from operating activities. Free cash flow for comparative periods presented has been restated to conform to this year's presentation, which includes an adjustment for the change in operating assets and liabilities. The change to this measure has been made to remove the movements in working capital items to better reflect the underlying performance of the business. Please refer to Section 4 – *Free Cash Flow* for a reconciliation of cash flows from operating activities to free cash flow.

Net debt

Net debt is a non-IFRS financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other publicly traded companies. We define net debt as current portion of long-term debt plus long-term debt and exchangeable debentures, less cash, as presented in Yellow Pages Limited's interim condensed consolidated statements of financial position. We consider net debt to be an important indicator of our financial leverage as it represents the amount of debt that is not covered by available cash. We believe that certain investors and analysts use net debt to determine a company's financial leverage. Net debt has no directly comparable IFRS financial measure; it is calculated using certain asset and liability categories from the interim condensed consolidated statements of financial position. Please refer to Section 3 – *Liquidity and Capital Resources* for a reconciliation of long-term debt, net of cash, to net debt.

This MD&A is divided into the following sections:

1. Our Business and Strategy and Capability to Deliver Results
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 and Strategy and Capability to Deliver Results

Our Business

Yellow Pages, one of Canada's leading digital media and marketing solutions companies, provides local businesses, national brands and consumers alike with targeted tools to interact and transact within today's digital economy.

Customer Offerings

Yellow Pages offers small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, as well as video production and print advertising. The Company's in-house network of approximately 900 dedicated sales professionals are responsible for providing effective digital marketing campaigns for local businesses across Canada, while also assisting the Company's customer base of 239,500 SMEs.

Yellow Pages marketing solutions also extend beyond SMEs, focusing on the national advertising needs of brands and publishers. JUICE, a premium mobile advertising technology company acquired in March 2016, in conjunction with the Company's Mediative division, has established the Company as a desktop and mobile national advertising agency. JUICE's proprietary Programmatic Direct and Real-Time Bidding platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers and by leveraging these proprietary programmatic technologies as well as a database of high-intent consumer data, a publisher network and strong relationships established with a number of large national advertisers, Yellow Pages national digital advertising programs allow brands and publishers to maximize revenue and reach across both desktop and mobile platforms.

Yellow Pages continues to actively strengthen its market positioning by introducing digital solutions that address the targeted needs of SMEs and consumers within key verticals.

Yellow Pages provides homeowners with trusted media and expertise to sell their homes in a proven and cost-effective manner via ComFree/DuProprio (CFDP), which positions Yellow Pages as a leader in the Canadian consumer-to-consumer real estate market. Approximately 20% of all real estate listings and sales in Quebec are represented through CFDP, and various initiatives are currently underway to grow adoption of the platform in Ontario.

The Company has enhanced its value proposition to local restaurant owners through Bookenda's reservation management system, offering restaurants a comprehensive solution which allows them to effectively manage reservations and orders, grow market visibility and boost customer loyalty, all at a competitive cost.

Consumer Offerings

Yellow Pages owned and operated media, which include desktop, mobile and print properties, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. Enabling Canadians to discover their neighbourhoods, the Company's network of media properties is becoming increasingly specialized across the services, real estate, dining and retail verticals. 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 and transact within their local neighbourhoods through comprehensive merchant profiles, relevant editorial content, reviews and booking functionalities;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;
- RedFlagDeals.com™ – Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums;
- ComFree/DuProprio – Currently Quebec's leading real estate digital destination and one of the top five most-visited networks of real estate digital properties in Canada, CFDP offers homeowners a professional and cost-effective service to market and sell their homes;
- YP Grocery™ – A mobile application that provides Canadian consumers with a tailored grocery and pharmacy shopping experience through unified lists, clippings, deals and a virtual loyalty card holder;
- YP Dine™ – A digital property allowing users to discover, search for and book local restaurants based on time of day, mood, purpose and expert suggestions, in addition to offering online ordering capabilities;

- Yellow Pages NextHome – Provides Canadians with helpful information in making informed home buying, selling, and/or renting decisions. Digital properties operating under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction;
- Bookenda.com – A leading online transaction platform for users and merchants to interact and manage bookings and orders;
- YP Shopwise™ – A mobile application offering geo-localized deals and flyers, as well as access to product catalogues from local and national retailers; and
- 411.ca – A digital directory service to help users find and connect with people and local businesses.

Strategy and Capability to Deliver Results

The Company recently undertook a review of its business strategy, aimed at addressing structural challenges impeding its objective of a return to growth in total customer count, revenues and profitability. As a result, Yellow Pages has updated its corporate strategy and Return to Growth Plan (the Plan) to best support its long-term growth as a digital-first business with a focus on five key initiatives directly aimed at supporting growth:

- Reshaping the customer value proposition;
- Implementing new ways of selling;
- Redefining and improving the customer journey;
- Continuing growth in subsidiaries; and
- Building the future state of the business.

Reshaping the Customer Value Proposition

The goal of the new customer value proposition is to acquire, retain and strengthen our customer relationships. The Company will reshape its customer value proposition, based on first-hand research conducted and input solicited from Canadian SMEs. The Company will structure its subsequent offering to directly address their critical needs in digital marketing.

Yellow Pages core offering will no longer be product centric, but rather provide content centric solutions for SMEs.

Due to fragmentation of the digital market, SMEs require synchronized content across more platforms to reach customers. The starting point is a basic business profile, including company name, expertise, address and contact information. From there, the SME can expand its business profile by adding more engaging content, such as a description of services, hours of operation, photos.

Yellow Pages acts as the SME's content hub and then will syndicate that content across other large digital ecosystems (i.e., Facebook, Google, Apple).

The offering will blend owned and operated products and digital services into a staircase of offerings with varying service levels (basic, plus, premium). The entry point will consist of a simple, affordable, content-driven solution to establish, amplify and manage an SME's business identity online. Once this is in place, an SME will then unlock a range of scalable marketing solutions to boost their visibility and manage their reputation in social media, an arena where SMEs clearly identify a critical need for assistance.

Many digital services and certain digital products, as well as print, will now only be available as add-ons to the main customer offering, creating upsell and upgrade incentives. By offering blended, tiered solutions, profitability will be more stable and sustainable.

Implementing New Ways of Selling

While Yellow Pages has successfully shifted skillsets and knowledge base of its sales teams over the last three years to meet the needs of a digital environment, the Company must now review the structure of its salesforce. This currently remains aligned with legacy structures. Yellow Pages requires greater flexibility to capture growth opportunities across customer segments, cost efficiencies and increase competitiveness. Additionally, the Company will place greater emphasis on acquiring and retaining high spend, high potential customers.

Redefining and Improving the Customer Journey

As expectations of a digital customer are for simple and seamless interactions, this is the customer journey and experience Yellow Pages will strive to create. The Company will align its tiered offering with five customer segments, divided by spend potential and critical marketing needs. Varying service models, product portfolios and touchpoints will be implemented for each customer segment, all with the goal of eliminating digital complexity and creating the customer experience that meets their critical needs. For low spend potential customers, Yellow Pages will develop and implement an automation/self-serve servicing model to offer greater flexibility for customers and allow the Company to place resources on high-spend, high-potential customers.

The Company will also introduce evergreen contracts, moving from an annual contract to a monthly subscription with a minimum commitment necessary with add-on offers. This is more aligned with the expectations of simplicity and flexibility of digital customers. It will also create lower barriers to entry, facilitating customer acquisition.

Completion of the implementation of these initiatives is expected in 2018.

Continuing Growth in Subsidiaries

JUICE will focus on expansion of its foothold in the U.S. market as well as evaluate the potential for expansion into markets outside North America in 2018. JUICE will also focus on developing new proprietary advertising technology addressing location data needs for marketers. The advertising technology company intends to monetize this technology by licensing it to digital marketing agencies as a software as a service (SaaS) product.

Mediative will focus on expanding the depth of its existing managed service relationships. It will also seek to develop new relationships with major Canadian retailers looking to develop media monetization strategies on their e-commerce offerings.

CFDP will focus on diversifying revenues through new product launches in its home market of Quebec, as well as geographic expansion in Ontario and Western Canada.

Building the Future State of the Business

In the near term, Yellow Pages will expand its customer offering to include services that facilitate commercial transactions to businesses, similar to the restaurant reservation capabilities in its YP Dine operations. Yellow Pages will look to integrate transaction-oriented solutions across its customer base addressing needs such as appointment scheduling and payment, making these services easily accessible and affordable to SMEs in Canada.

Key Analytics

The Company continues to focus on the continued long-term success of our digital-first business, with key analytics for the first quarter ended March 31, 2017 including:

- Digital Revenues – Consolidated digital revenues grew 2.4% year-over-year to reach $134.8 million for the first quarter ended March 31, 2017, representing 71.1% of consolidated revenues;
- Adjusted EBITDA – Adjusted EBITDA totalled $46.5 million, or 24.5% of revenues for the first quarter ended March 31, 2017, relative to $61.9 million or 30.4% of revenues for the same period last year;
- Customer Count – The Company's customer count was 239,500 customers as at March 31, 2017, as compared to 244,000 customers as at March 31, 2016. This represents a net customer count decline of 4,500 year-over-year, compared to 7,000 net customers lost during the same period last year; and
- Total Digital Visits – Total digital visits (TDV) totalled 149.9 million for the quarter ended March 31, 2017, as compared to 100.2 million during the same period last year, representing an increase of close to 50%, attributable to Yellow Pages syndicating listings and content across its owned and operated media properties and the Company's strong partnership network. TDV measures the number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, C411, Bookenda and dine.TO online and mobile properties, as well as visits made across the properties of the Company's application syndication partners.

Customer Analytics[1]

As at March 31,	2017	2016
Customer count	**239,500**	244,000
Net new customers	**(4,500)**	(7,000)
Average Revenue per Customer (ARPC)[2]	**$ 2,631**	$ 2,876

[1] *YP only, excludes the contribution of Mediative, JUICE, 411.ca, Yellow Pages NextHome and CFDP.*
[2] *For the three-month periods ended March 31.*

Outlook

A discussion of management's expectations as to our outlook for 2017 is contained in our press release dated May 10, 2017, under the section Outlook. The press release is available on SEDAR at www.sedar.com and under the "News – Press Releases" section of our corporate website: http://corporate.yp.ca.

2. Results

This section provides an overview of our financial performance during the first quarter of 2017 compared to same period in 2016. 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.

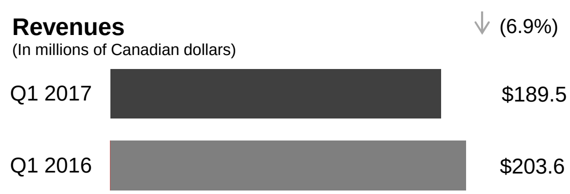
Overall

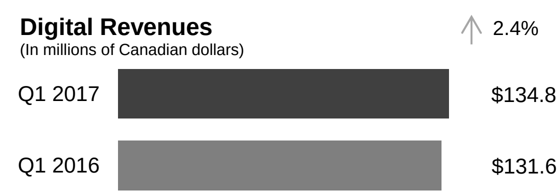
- Revenues decreased by $14.1 million or 6.9% to $189.5 million for the first quarter of 2017 compared to the same period in 2016.
- Digital revenues grew 2.4% year-over-year to reach $134.8 million for the three-month period ended March 31, 2017. For the first quarter ended March 31, 2017, digital revenues accounted for 71.1% of consolidated revenues, up from 64.6% for the same period in 2016.
- Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA) decreased by $15.4 million or 24.9% to $46.5 million for the first quarter of 2017 compared to the same period in 2016.

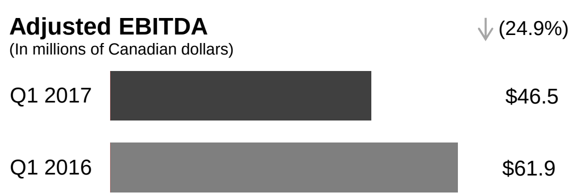
Highlights

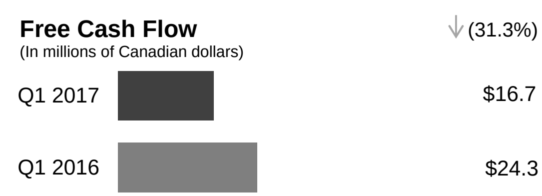
(In thousands of Canadian dollars, except per share and percentage information)

For the three-month periods ended March 31,		**2017**		2016
Revenues	**$**	**189,508**	$	203,627
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	**$**	**46,475**	$	61,893
Adjusted EBITDA margin		**24.5%**		30.4%
Net earnings	**$**	**658**	$	13,151
Basic earnings per share	**$**	**0.02**	$	0.49
Cash flows from operating activities	**$**	**13,782**	$	24,248
Free cash flow	**$**	**16,670**	$	24,254









Consolidated Operating and Financial Results

(In thousands of Canadian dollars, except per share and percentage information)

For the three-month periods ended March 31,	2017	% of Revenues	2016	% of Revenues
Revenues	**$ 189,508**		$ 203,627	
Cost of sales, excluding employee benefits, payroll taxes and incentives	**82,341**	**43.4%**	78,771	38.7%
Gross profit	**107,167**	**56.6%**	124,856	61.3%
Information systems and information technology, excluding employee benefits, payroll taxes and incentives	**12,243**	**6.5%**	15,409	7.6%
Marketing, general and administrative, excluding employee benefits, payroll taxes and incentives	**32,144**	**17.0%**	29,135	14.3%
Employee benefits, payroll taxes and incentives	**16,305**	**8.6%**	18,419	9.0%
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	**46,475**	**24.5%**	61,893	30.4%
Depreciation and amortization	**25,780**	**13.6%**	24,859	12.2%
Restructuring and special charges	**7,286**	**3.8%**	4,258	2.1%
Income from operations	**13,409**	**7.1%**	32,776	16.1%
Financial charges, net	**11,330**	**6.0%**	14,196	7.0%
Earnings before income taxes and loss from investment in an associate	**2,079**	**1.1%**	18,580	9.1%
Provision for income taxes	**1,062**	**0.6%**	5,429	2.7%
Loss from investment in an associate	**359**	**0.2%**	–	–
Net earnings	**$ 658**	**0.3%**	$ 13,151	6.5%
Basic earnings per share	**$ 0.02**		$ 0.49	
Diluted earnings per share	**$ 0.02**		$ 0.45	

As at	March 31, 2017	December 31, 2016
Total assets	**$ 1,076,398**	$ 1,099,937
Long-term debt (including current portion, excluding exchangeable debentures)	**$ 309,992**	$ 310,028
Exchangeable debentures	**$ 92,630**	$ 92,174
Total long-term debt to total assets	**37.4%**	36.6%

Analysis of Consolidated Operating and Financial Results

Revenues

Revenues for the first quarter ended March 31, 2017 decreased by 6.9% year-over-year and amounted to $189.5 million as compared to $203.6 million for the same period last year. Revenue decline is due to lower print revenues.

Digital revenues grew 2.4% year-over-year to reach $134.8 million during the first quarter of 2017, or 71.1% of revenues. This compares to $131.6 million, or 64.6% of revenues, for the same period last year. Digital revenue growth for the quarter is mainly attributable to revenues generated from JUICE. For the twelve-month period ended March 31, 2017, 47% of renewing customers experienced a year-over-year increase in annual spending, as compared to 42% of customers over the same period last year.

Print revenues decreased 24% year-over-year and amounted to $54.7 million during the first quarter of 2017, adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital.

Customer Penetration[1]

As at March 31,	2017	2016
Print	**66%**	75%
Owned and Operated Digital Media[2]	**70%**	67%
Online priority placement	**61%**	61%
Mobile priority placement	**26%**	27%
Digital Services[3]	**11%**	10%

Operational Indicators

As at March 31,	2017	2016
Digital-only customers[1]	**80,700**	60,500
Digital revenues (in thousands of Canadian dollars)[4]	**$ 134,788**	$ 131,599
Digital revenues as a percentage of total revenues[4]	**71.1%**	64.6%

1 *YP only, excludes the contribution of Mediative, JUICE, 411.ca, Yellow Pages NextHome and CFDP.*
2 *Percentage of YP customers purchasing at least one Online Priority Placement, Mobile Priority Placement, NetSync, Content, Video, and/or Legacy product.*
3 *Percentage of YP customers purchasing at least one PresenceExtended, Website, Search Engine Optimization (SEO), Search Engine Marketing (SEM), Facebook Solution, and/or Smart Digital Display product*
4 *For the three-month periods ended March 31*.

Cost of Sales

Cost of sales include selling costs as well as customer experience and delivery costs. Selling costs increased by $3.0 million for the first quarter of 2017 to $42.1 million as compared to the first quarter of 2016 due principally to the acquisition of JUICE on March 17, 2016, partially offset by lower selling costs in line with lower revenues. Customer experience and delivery costs increased by $0.5 million to $40.3 million for the three-month period ended March 31, 2017 compared to the same period last year, due primarily to a change in product mix, partly offset by cost saving initiatives.

Gross Profit

Gross profit margin decreased to $107.2 million, or 56.6%, for the first quarter in 2017 compared to $124.9 million, or 61.3%, for the first quarter in 2016. The decrease is primarily due to a change in product mix and the acquisition of JUICE, which operates at a lower gross profit margin relative to Yellow Pages prior to the acquisition, partly offset by operational efficiencies in selling and customer experience and delivery costs.

Information Systems and Information Technology

Information systems and information technology (ISIT) expenses decreased by $3.2 million to $12.2 million during the first quarter of 2017 compared to $15.4 million for the first quarter of 2016. The decrease for the quarter is mainly attributable to cost savings generated from various cost containment initiatives, including savings resulting from the new print publishing platform as well as contract optimizations.

Marketing, General and Administrative Expenses

Marketing, general and administrative expenses increased by $3.0 million to $32.1 million for the three-month period ended March 31, 2017 compared to $29.1 million for the same period in 2016. The increase for the quarter is due primarily to non-recurring expenses associated with the Company's updated corporate strategy as well as expenses attributable to JUICE.

Employee Benefits, Payroll Taxes and Incentives

Employee related expenses decreased by $2.1 million and amounted to $16.3 million during the first quarter of 2017 as compared to $18.4 million for the same period in 2016. The decrease is due mainly to lower headcount and fluctuations in our stock price as it relates to our deferred share unit plan.

Adjusted EBITDA

Adjusted EBITDA decreased by $15.4 million to $46.5 million during the first quarter of 2017, compared to $61.9 million during the first quarter of 2016. Our Adjusted EBITDA margin for the first quarter of 2017 was 24.5% compared to 30.4% for the first quarter of 2016. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the first quarter ended March 31, 2017 was mostly impacted by a change in product mix and lower print revenues, partly offset by cost saving initiatives. The decline in the Adjusted EBITDA margin was also impacted by the acquisition of JUICE in March 2016, which operates at a lower Adjusted EBITDA margin relative to Yellow Pages prior to the acquisition.

Depreciation and Amortization

Depreciation and amortization increased to $25.8 million for the three-month period ended March 31, 2017 compared to $24.9 million for the three-month period ended March 31, 2016. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms as the Company implements its digital evolution as well as amortization of the intangible assets related to the acquisition of JUICE. In addition, subsequent to the impairment testing performed as at December 31, 2016, we revised the useful life of the non-competition agreements to reflect the revised period over which benefits are expected to be incurred. As a result, the expected decrease in the amortization of the non-competition agreements resulting from the impairment charge taken in 2016 was offset by the shortened useful life.

Restructuring and Special Charges

During the first quarter of 2017, we recorded restructuring and special charges of $7.3 million associated primarily with internal reorganizations and workforce reductions. During the first quarter of 2016, we recorded restructuring and special charges of $4.3 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with the acquisition of JUICE.

Financial Charges

Financial charges decreased by $2.9 million to $11.3 million during the first quarter of 2017 compared to $14.2 million for the same period last year. The decrease is primarily due to a lower level of indebtedness. As at March 31, 2017, the effective average interest rate on our debt portfolio was 8.9% (2016 – 9%).

Provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.9% and 26.7% for the three-month periods ended March 31, 2017 and 2016, respectively. The Company recorded an expense of $1.1 million for the first quarter of 2017 compared to $5.4 million for the same period in 2016. The Company recorded an expense of 51.1% and 29.2% for the three-month periods ended March 31, 2017 and 2016, respectively.

The difference between the effective and the statutory rates during the first quarters in 2017 and 2016 is due to the non-deductibility of certain expenses for tax purposes. During the first quarter of 2017, the effective income tax rate was further impacted by lower earnings before income taxes as compared to the first quarter of 2016, with expenses that are not deductible remaining relatively stable year-over-year.

Loss from Investment in an Associate

On October 3, 2016, we acquired a 50% ownership in 9778730 Canada Inc., which owns 100% of Coupgon Inc., a digital coupon solutions provider. We recorded a loss from our investment in an associate in the amount of $0.4 million during the first quarter ended March 31, 2017.

Net Earnings

We recorded net earnings of $0.7 million during the first quarter of 2017 compared with $13.2 million for the same period last year. The decrease for the year is explained principally by lower Adjusted EBITDA and higher restructuring and special charges.

Summary of Consolidated Quarterly Results

Quarterly Results

(In thousands of Canadian dollars, except per share and percentage information)

	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$ 189,508**	$ 202,723	$ 201,142	$ 210,487	$ 203,627	$ 208,505	$ 210,593	$ 204,771
Operating costs	**143,033**	145,305	144,193	151,556	141,734	144,007	146,783	143,178
Income from operations before depreciation and amortization, impairment of intangible assets and restructuring and special charges (Adjusted EBITDA)	**46,475**	57,418	56,949	58,931	61,893	64,498	63,810	61,593
Adjusted EBITDA margin	**24.5%**	28.3%	28.3%	28.0%	30.4%	30.9%	30.3%	30.1%
Depreciation and amortization	**25,780**	27,745	26,838	25,440	24,859	20,792	21,161	20,212
Impairment of intangible assets	**–**	600,000	–	–	–	–	–	–
Restructuring and special charges	**7,286**	7,493	9,691	1,519	4,258	17,168	9,113	2,551
Income (loss) from operations	**13,409**	(577,820)	20,420	31,972	32,776	26,538	33,536	38,830
Net earnings (loss)	**658**	(431,583)	3,774	10,953	13,151	5,866	13,155	16,510
Basic earnings (loss) per share	**$ 0.02**	$ (16.35)	$ 0.14	$ 0.41	$ 0.49	$ 0.22	$ 0.49	$ 0.62
Diluted earnings (loss) per share	**$ 0.02**	$ (16.35)	$ 0.14	$ 0.38	$ 0.45	$ 0.21	$ 0.44	$ 0.54

Revenues decreased throughout the quarters principally impacted by an overall loss of customers, a decline in print spending among renewing customers, partially offset by an increasing number of digital customers. Revenues, starting in the third quarter of 2015, were favourably impacted by the acquisition of CFDP on July 1, 2015. Revenues, starting in the second quarter of 2016, were also favourably impacted by the acquisition of JUICE on March 17, 2016.

Operating costs over the quarters have remained relatively stable despite workforce reductions, cost savings initiatives and declining revenues due to the acquisitions of CFDP on July 1, 2015 and JUICE on March 17, 2017, as well as changes in the product mix.

Adjusted EBITDA margins remained relatively stable from the second quarter of 2015 to the first quarter of 2016, as print revenue declines, changes in the product mix, investments related to the Plan, and the acquisition of CFDP were offset by cost savings initiatives and lower employee related expenses. The Adjusted EBITDA margin decreased starting in the second quarter of 2016 as a result of the acquisition of JUICE. The Adjusted EBITDA margin in the first quarter of 2017 was further impacted by a change in product mix.

Depreciation and amortization expense remained relatively stable throughout 2015. Depreciation and amortization expense increased in 2016 in connection with the deployment of platforms and applications related to the Company's digital evolution. Amortization was further increased starting in the second quarter of 2016 due to the amortization of intangible assets related to the acquisition of JUICE. Subsequent to the impairment testing performed as at December 31, 2016, the Company revised the useful life of the non-competition agreements, which offset the expected decrease in the amortization of the non-competition agreements.

The Company's restructuring and special charges mainly relate to workforce optimization, cost structure realignment and acquisition activities associated with its evolution from a print centric business to a digital centric organization. The Plan contemplates continued transitional costs as the Company executes on its corporate strategy.

Our net earnings for the first quarter of 2017 was unfavourably impacted by lower Adjusted EBITDA and higher restructuring and special charges. Our net loss for the fourth quarter of 2016 was due to an impairment loss of $600 million related to certain of our intangible assets. Our net earnings for the fourth quarter of 2015 and the third quarter of 2016 were negatively impacted by higher restructuring charges resulting from internal reorganizations and workforce reductions.

3. Liquidity and Capital Resources

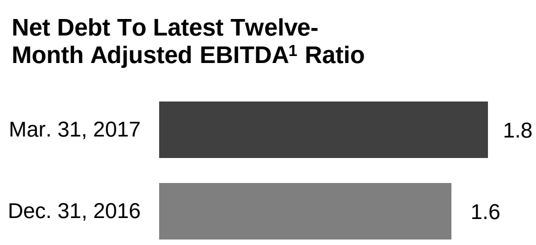
This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

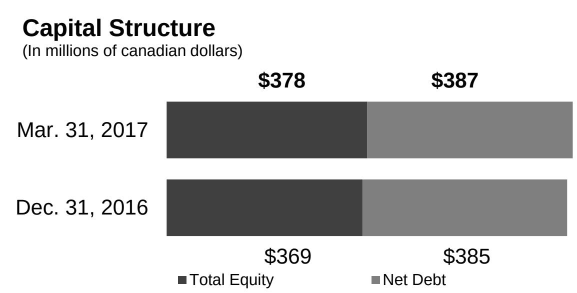
Financial Position

Capital Structure

(In thousands of Canadian dollars, except percentage information)

As at		March 31, 2017		December 31, 2016
Cash	$	**15,718**	$	17,260
Senior secured notes	$	**309,669**	$	309,669
Exchangeable debentures		**92,630**		92,174
Obligations under finance leases		**323**		359
Net debt	$	**386,904**	$	384,942
Equity		**378,467**		368,904
Total capitalization	$	**765,371**	$	753,846
Net debt to total capitalization		**50.6%**		51.1%





As at March 31, 2017, Yellow Pages had $386.9 million of net debt, compared to $384.9 million as at December 31, 2016.

The net debt to Latest Twelve-Month Adjusted EBITDA[1] ratio as at March 31, 2017 was 1.8 times compared to 1.6 times as at December 31, 2016. The increase is mainly due to lower Adjusted EBITDA.

[1] *Latest twelve-month income from operations before depreciation and amortization, impairment of intangible assets and restructuring and special charges (Latest Twelve-Month Adjusted EBITDA). Latest Twelve-Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 4 for a definition of Adjusted EBITDA.*

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. Interest is calculated based either on the BA Rate or the Prime Rate plus an applicable margin. 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 March 31, 2017, the Company had $7.1 million of letters of credit issued and outstanding under the ABL. As such, $42.9 million of the ABL was available as at March 31, 2017.

As at March 31, 2017, the Company was in compliance with all covenants under the loan agreement governing the ABL.

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.

The Company repaid a total of $490.3 million since December 20, 2012 of its Senior Secured Notes, thereby reducing the balance from $800 million to $309.7 million as at March 31, 2017.

As at March 31, 2017, 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, 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, subject to certain conditions. The $75 million minimum cash balance condition is subject to a reduction in certain cases as 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 anticipates making a payment of $15 million on May 31, 2017.

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.

The Senior Secured Notes mature on November 30, 2018. Commencing on May 31, 2017, the Senior Secured Notes can be repaid at par. The Company is currently working with advisors to initiate a refinancing transaction in the coming months.

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 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 March 31, 2017, 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 (high)/Issuer rating – stable outlook	B/Corporate credit rating – stable outlook
BB (low)/Credit rating for Senior Secured Notes	BB-/Credit rating for Senior Secured Notes
B (low)/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 in the short term and the long term to fund capital expenditures, working capital requirements and current obligations, and service its outstanding debt obligations. As at May 10, 2017, the Company had approximately $30.9 million of cash and $43 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

Outstanding Share Data

As at	May 10, 2017	March 31, 2017	December 31, 2016
Common shares outstanding	28,075,306	28,075,306	28,075,304
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,486	2,995,486	2,995,488
Stock options outstanding[2]	630,950	630,950	630,950

[1] *As at May 10, 2017, 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 630,950 as at May 10, 2017 and March 31, 2017 are 366,500 stock options exercisable as at those respective dates. Included in the stock options outstanding balance of 630,950 as at December 31, 2016 are 186,550 stock options exercisable as at that date.*

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the three-month periods ended March 31,		2017		2016
Cash flows from operating activities				
Cash flows from operations	**$**	**31,528**	$	39,679
Change in operating assets and liabilities		**(17,746)**		(15,431)
	$	**13,782**	$	24,248
Cash flows used in investing activities				
Additions to intangible assets	**$**	**(9,577)**	$	(15,070)
Additions to property and equipment		**(5,281)**		(355)
Investment in an associate		**(330)**		–
Business acquisition		–		(35,271)
Other		**(100)**		–
	$	**(15,288)**	$	(50,696)
Cash flows used in financing activities				
Repayment of long-term debt	**$**	**(36)**	$	(80)
Purchase of restricted shares		–		(5,786)
Issuance of common shares upon exercise of stock options		–		115
	$	**(36)**	$	(5,751)

Cash flows from operating activities

Cash flows from operations

Cash flows from operations decreased by $8.2 million from $39.7 million for the first quarter of 2016 to $31.5 million for the same period in 2017. Cash flows from operations in 2017 were impacted by lower cash Adjusted EBITDA of $19.3 million, partially offset by lower restructuring and special charges payments as well as lower interest paid.

Change in operating assets and liabilities

The change in operating assets and liabilities for the first quarter ended March 31, 2017 generated an outflow of $17.7 million compared to $15.4 million for the same period last year. The outflow for the quarters ended March 31, 2017 and 2016 are due principally to the payment of variable compensation.

Cash flows used in investing activities

Cash used in investing activities amounted to $15.3 million for the three-month period ended March 31, 2017 compared with $50.7 million for the same period last year. During the first quarter of 2017, we invested in software development in the amount of $9.6 million and leasehold improvements and office equipment associated with office relocations in the amount of $5.3 million, as compared to software development of $15.1 million and ISIT equipment of $0.4 million, during the same period last year. Capital expenditures incurred during the first quarters of 2016 and 2017 are related to investments required to maintain the integrity of our infrastructure as well as the development and implementation of new technologies and software aimed at accelerating our evolution into Canada's leading local digital company. The level of investments is decreasing year-over-year as we are progressing in our evolution. During the first quarter of 2016, we acquired the net assets of JUICE for a purchase price of $35.3 million.

Cash flows used in financing activities

Cash used in financing activities amounted to $36 thousand for the three-month period ended March 31, 2017 compared to $5.8 million for the same period last year. During the first quarter of 2016, 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.

Financial and Other Instruments

(See Note 22 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2016 and 2015).

The Company's financial instruments primarily consist of cash, trade and other receivables, trade and other payables, long-term debt, Exchangeable Debentures and derivatives designated as cash flow hedges.

There is no carrying value of embedded derivatives as at March 31, 2017. 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

(In thousands of Canadian dollars)

For the three-month periods ended March 31,		**2017**		2016[1]
Cash flows from operating activities	**$**	**13,782**	$	24,248
Change in operating assets and liabilities		**17,746**		15,431
Capital expenditures		**(14,858)**		(15,425)
Free cash flow	**$**	**16,670**	$	24,254

[1] *Free cash flow for the first quarter of 2016 has been restated to conform to this year's presentation, which includes an adjustment for change in operating assets and liabilities.*

5. Critical Assumptions

When we prepare our interim condensed 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 years ended December 31, 2016 and 2015. These critical assumptions and estimates relate to intangible assets, goodwill, property and equipment, employee future benefits, and income taxes. Please refer to Section 5 – *Critical Assumptions* of our MD&A for the years ended December 31, 2016 and 2015.

Accounting Standards

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption has not had any impact on the amounts in our interim condensed consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IAS 7 – ***Statement of Cash Flows***

In January 2016, the International Accounting Standards Board (IASB) published amendments to International Accounting Standard (IAS) 7 – *Statement of Cash Flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value.

Amendments to IFRS 12 – ***Disclosure of Interest in Other Entities***

In December 2016, the IASB issued amendments to IFRS 12 – *Disclosure of Interest in Other Entities* as part of its 2014-2016 Annual Improvements Cycle. The amendment clarifies that the requirement to disclose summarised financial information does not apply for interests in subsidiaries, associates or joint ventures which are classified, or included in a disposal group that is classified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

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, 2018. The new standards which are considered to be relevant to Yellow Pages Limited's operations are as follows:

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, 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.

On April 12, 2016, the IASB published the final clarifications to IFRS 15. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments do not change the underlying principles of the standard yet clarify how the principles should be applied.

The adoption of IFRS 15 is expected to have an impact on the timing of recognition of revenues for print products as well as the deferral of related publication costs and the inclusion of required disclosures in the interim condensed consolidated financial statements of Yellow Pages Limited. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15 and progress made to date is consistent with management's planned timeline. Management expects to complete this evaluation prior to the fourth quarter of 2017.

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. IFRS 9 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRS 16 – ***Leases***

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Based on its preliminary assessment, Yellow Pages Limited has identified lease contracts, mainly for rental properties, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations before depreciation and amortization, restructuring and special charges, with an equivalent combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management is in the process of quantifying the accounting impact of the adoption of IFRS 16 and progress made to date is consistent with management's planned timeline.

Amendments to IFRS 2 – ***Share-based Payment***

In June 2016, the IASB published amendments to IFRS 2 – *Share-based Payment*. The amendments clarify that the accounting for the effects of vesting and non-conditions on cash-settled share-based payments follow the same approach as for equity-settled share-based payments. The amendments also clarify the classification of share-based payment transactions with net settlement features as well as requiring additional disclosures for these transactions. They are effective for annual periods beginning on or after January 1, 2018, applied prospectively, with earlier adoption permitted. The amendments to IFRS 2 are not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRIC 22 – ***Foreign Currency Transactions and Advance Consideration***

In December 2016, the IASB issued an interpretation paper IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

6. Risks and Uncertainties

Please refer to the Risks and Uncertainties section of our MD&A for the years ended December 31, 2016 and 2015 and our Annual Information Form dated March 23, 2017 for a complete description of the risks factors to which the Corporation 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 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".

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 years ended December 31, 2016 and 2015, except as described in the Forward-Looking Information section of this MD&A. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2016 and 2015.

7. Controls And Procedures

As a public entity, we must take every step to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of YP. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

The evaluation of the design and effectiveness of DC&P (as defined in National Instrument 52-109) was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They concluded that the Company's DC&P were effective, as at March 31, 2017.

Internal Control over Financial Reporting (ICFR)

The design and effectiveness of ICFR (as defined in National Instruments 52-109) were evaluated under the supervision of the President and Chief Executive Officer and Chief Financial Officer. Based on the evaluations, they concluded that the Company's ICFR was effective, as at March 31, 2017.

During the quarter beginning on January 1, 2017 and ended on March 31, 2017, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.