MANAGEMENT'S DISCUSSION AND ANALYSIS

August 5, 2016

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, 2016 and 2015 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2015 and 2014, as well as our unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2016 and 2015. 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.

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), and Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively JUICE)).

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 currently anticipated levels;
- that investments in branding will evolve legacy perceptions and boost awareness of our digital media platforms and marketing solutions;
- that we will be able to acquire new customers at the currently anticipated rate and currently 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 print decline rates remain stable;
- 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 revenues and profitability across its 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 materially change from currently 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; 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;
- Declines in, or changes to, the real estate industry;
- 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 the Corporation's digital products with lower margin, 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's inability to realize cost savings;
- 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;
- Incremental contributions by the Corporation to its pension plans;
- Failure by either the Corporation or the Telco Partners 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 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 internet portals, search engines and individual websites;
- The failure of the Corporation's computers and communications systems; and
- The Corporation might be required to record additional impairment charges.

DEFINITIONS RELATIVE TO UNDERSTANDING OUR RESULTS

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

We report on our Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA). Adjusted 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. 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 15 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's interim condensed consolidated income statements. 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 flow from operating activities. Free cash flow is defined as cash flows 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 publicly traded companies. We consider free cash flow to be an important indicator of the performance of our business as it shows how much cash is available to repay debt and to make sound investment decisions. 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. 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

OUR BUSINESS

Yellow Pages is one of Canada's leading digital media and marketing solutions companies, providing local merchants, national brands and consumers with the tools required to help them interact and transact within today's digital economy.

Customer Offerings

Yellow Pages acts as a dedicated Chief Marketing Officer to approximately 244,000 small and medium-sized enterprises (SMEs) across Canada, offering full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions. These solutions include 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, in addition to video production and print advertising. The Company's customer base is serviced via an in-house network of over 1,000 sales professionals, each dedicated to realizing valuable digital marketing campaigns for local businesses across Canada.

The Company is actively strengthening its market positioning by introducing digital solutions that address the targeted needs of SMEs and consumers within key verticals. Acquired in July 2015, ComFree/DuProprio (CFDP) positions Yellow Pages as a leader in the Canadian consumer-to-consumer real estate marketplace, empowering homeowners by providing them with trusted media and expertise to sell their homes in a proven and cost-effective manner. Approximately 20% of all real estate listings and transactions in Quebec are represented through CFDP, and various initiatives are currently underway to grow adoption of the platform in Ontario. The Company is also leveraging its acquisition of Bookenda, which closed in December 2014, to enhance its value proposition to local restaurant owners. Serving over 590,000 customers on a weekly basis, Bookenda's reservation management system offers restaurants a comprehensive solution that allows them to manage bookings and orders, drive customer loyalty and grow market visibility, all at a competitive cost.

Yellow Pages' marketing solutions extend beyond SMEs to also address the national advertising needs of brands and publishers. The acquisition of JUICE in March 2016 positioned the Company as a notable national advertising agency. JUICE is a premium mobile advertising technology company whose proprietary Programmatic Direct and Real-Time Bidding platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers. By leveraging these proprietary programmatic technologies, a database of high-intent consumer data, a publisher network hosting over 15 billion impressions annually, and valuable relationships with a number of large national advertisers, Yellow Pages' national digital advertising programs enable brands and publishers to maximize revenue and reach across desktop and mobile platforms.

Consumer Offerings

Yellow Pages' owned and operated desktop, mobile and print properties continue to serve as effective marketplaces for Canadian merchants, brands and consumers. To help Canadians discover everything their neighbourhoods have to offer, 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;
- ComFree/DuProprio – Currently Quebec's leading real estate site 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;
- Yellow Pages NextHome – Provides Canadians with valuable information to help them make the right home buying, selling, and/or renting decision. Digital properties operating under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction;
- YP Dine™ – Digital property 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 ordering capabilities;
- Bookenda.com – A leading online transaction platform for users and merchants to easily interact and manage bookings and orders;
- dine.TO – Provides users in the Greater Toronto Area with an extensive database of online local restaurant listings, reviews, deals, playlists and events;
- YP Shopwise™ – Mobile application offering geo-localized deals and flyers, as well as access to product catalogues from local and national retailers;

- RedFlagDeals.com™ – Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums;
- 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.

STRATEGY AND CAPABILITY TO DELIVER RESULTS

Introduced in early 2014, the Return to Growth Plan (the Plan) sets out three main objectives to promote Yellow Pages' growth into a leading Canadian digital company: (1) enhance its value proposition to local merchants and national brands as it relates to effective digital marketing, (2) grow consumer awareness and usage of its network of digital media properties, and (3) strengthen the Company's digital brand perception among Canadians. As part of the Plan, the Company anticipates returning to a growth in its customer count by 2017, and ultimately, returning to a growth in revenues and profitability (Adjusted EBITDA) by 2018. Combined with the ongoing realization of operational efficiencies, the Plan is expected to deliver sufficient financial liquidity to fully deleverage the balance sheet in 2018.

Key quarterly highlights on the implementation and execution of Yellow Pages' Plan include:

- Digital Revenues – Consolidated digital revenues grew 22.4% year-over-year to reach $142.5 million for the second quarter ended June 30, 2016, representing 67.7% of consolidated revenues;
- Adjusted EBITDA – Adjusted EBITDA totalled $58.9 million, or 28% of revenues, for the second quarter ended June 30, 2016, relative to $61.6 million, or 30.1% of revenues, for the same period last year. Adjusted EBITDA for the second quarter ended June 30, 2016 declined 4.3% year-over-year, a significant improvement when compared to a year-over-year decline of 24.2% during the same period last year;
- Customer Count – The Company's customer count was 244,000 customers as at June 30, 2016, as compared to 248,000 customers as at June 30, 2015. This represents a net customer count decline of 4,000 year-over-year, a significant improvement when compared to 17,000 net customers lost during the same period last year;
- Digital Visits – Total digital visits (TDV) totalled 106.2 million for the quarter ended June 30, 2016, as compared to 116.4 million during the same period last year. Total digital visits 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; and
- Debt Repayment – The Company made a principal mandatory redemption payment of $36 million on its 9.25% senior secured notes on May 31, 2016, with principal mandatory redemption payments in 2016 expected to total approximately $100 million.

Yellow Pages reaffirms its 2016 guidance and anticipates delivering, for the year ending December 31, 2016, year-over-year pro forma digital revenue growth between 9% and 11% and an Adjusted EBITDA margin of approximately 28%.

Enhancing its Customer Value Proposition

The Company's customer count totalled 244,000 customers as at June 30, 2016, as compared to 248,000 customers as at June 30, 2015. This represents a net customer count decline of 4,000 year-over-year, a significant improvement from 17,000 net customers lost during the same period last year.

Growth in the customer count remains a critical driver in the Company's ability to deliver sustainable revenue and Adjusted EBITDA growth. Yellow Pages acquired 38,600 new customers during the twelve-month period ended June 30, 2016, exceeding the acquisition of 24,800 new customers during the same period last year. Various initiatives deployed over the course of the Plan have and will continue to drive accelerated levels of customer acquisition. Lead generation is growing, supported by increased self-prospecting among the Company's sales force, as well as the launch of business-to-business branding campaigns promoting the Company's digital marketing solutions to SMEs (see Strategy and Capability to Deliver Results: Extending Its Brand Promise). Yellow Pages also continues to actively approach new customer segments, providing SMEs in various verticals with offers designed to better address their targeted digital marketing needs. In support of lead conversion, various sales technologies are currently being implemented to grow the productivity and effectiveness of Yellow Pages' sales force. A dialer was introduced across Yellow Pages' call centers to automate the qualification and assignment of incoming customer leads. New customer facing tools are also being implemented, supported by proprietary data, competitive intelligence and fact-based selling techniques to help sales representatives evaluate and optimize customers' digital marketing campaigns.

The customer renewal rate was of 83% for the twelve-month period ended June 30, 2016, as compared to a renewal rate of 85% during the same period last year. The customer renewal rate was adversely impacted by accelerated levels of customer acquisition. Recently acquired customers are generally newly founded businesses that are smaller in size and hold a more digital-centric marketing profile, causing them to experience higher levels of churn relative to the Company's older customer cohorts. In an effort to protect customer renewal rates, Yellow Pages continues to actively improve the performance of its sales, customer service and digital fulfillment operations, while also providing these teams with enhanced tools to help them design and fulfill valuable digital marketing campaigns. Digital-only customers grew to 67,200, or 28% of the customer base as at June 30, 2016, up from 44,400, or 18% of the customer base as at the same period last year. Yellow Pages remains committed to protecting customer renewal rates by providing its customers with improved sales, fulfilment and customer experiences, in addition to an enhanced return on investment. With new platforms and processes being implemented, the Company is actively growing the efficiency and productivity of its customer-facing and digital fulfillment operations, while also providing these teams with the tools required to help them better design and fulfill digital marketing campaigns.

CUSTOMER ACQUISITION AND RENEWAL[1]

For the twelve-month periods ended June 30,	**2016**	2015
Customer count[2]	**244,000**	248,000
New customers	**38,600**	24,800
Customer renewal rate	**83%**	85%

[1] *YP only, excludes the contribution of Mediative, JUICE, 411.ca, Yellow Pages NextHome and CFDP.*

[2] *As at June 30.*

Strengthening its Media Assets

Total digital visits totalled 106.2 million for the quarter ended June 30, 2016, as compared to 116.4 million during the same period last year. TDV performance during the second quarter of 2016 remained adversely impacted by a change made to the layout of Google's mobile web search results pages in late 2015, which pushed organic results for all mobile web publishers lower on Google's search pages. Yellow Pages' leading ranking among Google's organic listings on mobile web, however, remained relatively unchanged despite this layout change, a reflection of the strong relevancy and quality of the Company's listings.

Offering improved user functionalities remains a key focus for Yellow Pages. New versions of the YP mobile application were launched on iOS and Android over the course of the quarter, now offering users a contextualized home page that provides them with relevant content and merchant information based on time of day, week and location. By providing Canadians with technologies that help them make smarter shopping decisions, the Company aims to create more engaged audiences, grow direct traffic, and deliver richer ROI for merchants advertising on Yellow Pages' digital media.

Extending its Brand Promise

Various multimedia campaigns were hosted during the second quarter of 2016 to improve brand perception and position Yellow Pages as a credible supplier of digital media and marketing solutions. From April 30, 2016 to May 8, 2016, Yellow Pages opened its own small business, *The Lemonade Stand,* in the Beaches neighbourhood of Toronto, Ontario. Using only Yellow Pages' digital marketing solutions and fulfilment professionals, the Company was able to promote and grow *The Lemonade Stand* from a nonexistent enterprise to a local hotspot. Over a two-week period, *The Lemonade Stand's* digital advertisements generated over 500,000 impressions and its website attracted 1,700 unique visitors, ultimately resulting in weekly sales of over $5,000. In an effort to highlight the impact that Yellow Pages' digital marketing programs have on the growth of local businesses, *The Lemonade Stand* was transformed into a national multimedia campaign to run until November 2016. The video campaign can be viewed at the following link: https://businesscentre.yp.ca/the-lemonade-stand.

On the consumer front, a campaign was recently launched to support awareness and adoption of Yellow Pages' dining application, YP Dine. The campaign places a spotlight on three animated characters (the heart, the brain and the stomach), who represent three key elements of the decision making process when choosing a restaurant. The multimedia campaign will run until December 2016 across key Canadian urban markets, and can be viewed at the Company's dedicated YP Dine Facebook page: https://www.facebook.com/ypdine/videos.

2. RESULTS

This section provides an overview of our financial performance during the second quarter of 2016 compared to the same period in 2015. 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.

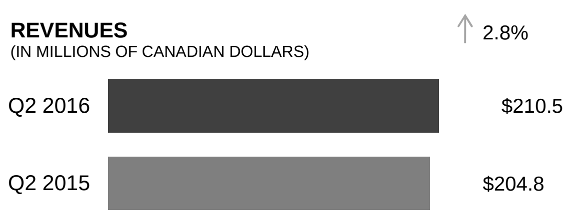
OVERALL

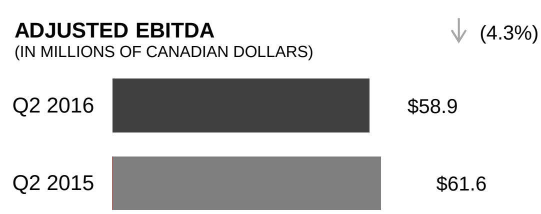
- Revenues increased by $5.7 million or 2.8% to $210.5 million for the second quarter of 2016 compared to the same period in 2015.
- Digital revenues grew 22.4% year-over-year to reach $142.5 million for the three-month period ended June 30, 2016. For the second quarter of 2016, digital revenues represented 67.7% of consolidated revenues, up from 56.9% for the same period in 2015.
- Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA) decreased by $2.7 million or 4.3% to $58.9 million for the second quarter of 2016 compared to the same period in 2015.

HIGHLIGHTS

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

For the three-month periods ended June 30,		**2016**		2015
Revenues	**$**	**210,487**	$	204,771
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	**$**	**58,931**	$	61,593
Adjusted EBITDA margin		**28%**		30.1%
Net earnings	**$**	**10,953**	$	16,510
Basic earnings per share	**$**	**0.41**	$	0.62
Cash flows from operating activities	**$**	**32,627**	$	38,028
Free cash flow	**$**	**19,724**	$	17,379





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

For the three and six-month periods ended June 30,	**2016**	2015	**2016**	2015
Revenues	**$ 210,487**	$ 204,771	**$ 414,114**	$ 410,673
Operating costs	**151,556**	143,178	**293,290**	278,294
Income from operations before depreciation and amortization, and restructuring and special charges	**58,931**	61,593	**120,824**	132,379
Depreciation and amortization	**25,440**	20,212	**50,299**	38,884
Restructuring and special charges	**1,519**	2,551	**5,777**	4,553
Income from operations	**31,972**	38,830	**64,748**	88,942
Financial charges, net	**15,950**	16,131	**30,146**	30,855
Earnings before income taxes	**16,022**	22,699	**34,602**	58,087
Provision for income taxes	**5,069**	6,189	**10,498**	16,053
Net earnings	**$ 10,953**	$ 16,510	**$ 24,104**	$ 42,034
Basic earnings per share	**$ 0.41**	$ 0.62	**$ 0.91**	$ 1.57
Diluted earnings per share	**$ 0.38**	$ 0.54	**$ 0.83**	$ 1.36

As at June 30,	**2016**	2015
Total assets	**$ 1,675,295**	$ 1,733,576
Long-term debt (including current portion, excluding exchangeable debentures)	**$ 371,192**	$ 473,498
Exchangeable debentures	**$ 91,303**	$ 89,698

ANALYSIS OF CONSOLIDATED OPERATING AND FINANCIAL RESULTS

Revenues

Revenues increased by 2.8% year-over-year to reach $210.5 million during the second quarter of 2016. This compares to $204.8 million for the same period last year. For the six-month period ended June 30, 2016, revenues increased by 0.8% to $414.1 million, as compared to $410.7 million for the same period last year. Revenue growth includes revenues generated by the newly acquired businesses, CFDP and JUICE on July 1, 2015 and March 17, 2016, respectively, partly offset by a decrease in print revenues. On a pro forma basis, which adjusts revenues for the full inclusion of CFDP and JUICE in 2015 as well as for the full inclusion of JUICE during the first quarter of 2016, revenues decreased 5% year-over-year for the three and six-month periods ended June 30, 2016.

Digital revenues grew 22.4% year-over-year to reach $142.5 million during the second quarter of 2016, or 67.7% of revenues. This compares to $116.4 million, or 56.9% of revenues, for the same period last year. For the six-month period ended June 30, 2016, digital revenues increased 19.5% to reach $274.1 million, or 66.2% of revenues, as compared to $229.3 million, or 55.8% of revenues for the same period last year. Included in digital revenues during the three and six-month periods ended June 30, 2016 were revenues generated by the newly acquired entities, CFDP and JUICE on July 1, 2015 and March 17, 2016, respectively. On a pro forma basis, digital revenues for the three and six-month periods ended June 30, 2016 increased 6% and 7% year-over-year, respectively.

Yellow Pages' local operations contributed favourably to pro forma digital revenue growth, a result of accelerated customer acquisition and an increase in digital spending among the Company's renewing customer base. For the twelve-month period ended June 30, 2016, 43% of renewing customers experienced a year-over-year increase in annual spending, as compared to 40% of customers over the same period last year. Pro forma digital revenue growth was also driven by a growing network of home sellers using CFDP's services in Quebec and Ontario, as well as by growth at the Company's national advertising operations (JUICE and Mediative).

Print revenues decreased 23% year-over-year and amounted to $68 million during the second quarter ended June 30, 2016. For the six-month period ended June 30, 2016, print revenues decreased 22.8% year-over-year and amounted to $140 million. Print revenue performance was adversely impacted by a decline in the number of print customers and the migration of print marketing spending to digital.

CUSTOMER PENETRATION[1]

As at June 30,	2016	2015
Print	**72%**	82%
Owned and Operated Digital Media[2]	**68%**	64%
Online priority placement	**62%**	60%
Mobile priority placement	**27%**	26%
Digital Services[3]	**10%**	10%

SPENDING DYNAMICS[1]

For the twelve-month periods ended June 30,	2016	2015
Amongst Renewing Customers[1]		
Increase in spending[4]		
Customer distribution	**43%**	40%
% of revenues	**32%**	31%
Stable spending[5]		
Customer distribution	**39%**	42%
% of revenues	**26%**	29%
Decrease in spending[6]		
Customer distribution	**18%**	18%
% of revenues	**42%**	40%
Average Revenue per Customer (ARPC)	**$ 2,817**	$ 3,009

OPERATIONAL INDICATORS

As at June 30,	2016	2015
Digital-only customers[1]	**67,200**	44,400
Digital revenues (in thousands of Canadian dollars)[7]	**$ 142,469**	$ 116,425
Digital revenues as a percentage of total revenues[7]	**67.7%**	56.9%

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 *Renewing YP customers experiencing an increase in spending of 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 *For the three-month periods ended June 30.*

Adjusted EBITDA

Adjusted EBITDA decreased by $2.7 million to $58.9 million during the second quarter of 2016, compared with a decline of $19.7 million to $61.6 million for the same period in 2015. This represents a year-over-year decline of 4.3% during the second quarter of 2016, as compared to a year-over-year decline of 24.2% during the second quarter of 2015. For the six-month period ended June 30, 2016, Adjusted EBITDA decreased to $120.8 million compared to $132.4 million for the same period last year. Our Adjusted EBITDA margin for the second quarter of 2016 was 28% compared to 30.1% for the second quarter of 2015 and amounted to 29.2% for the six-month period ended June 30, 2016 compared to 32.2% for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three and six-month periods ended June 30, 2016 was mostly impacted by lower print revenues and a change in product mix, partly offset by cost saving initiatives. The decline in the Adjusted EBITDA margin was also impacted by the acquisition of JUICE, which operates at a lower Adjusted EBITDA margin relative to Yellow Pages prior to the acquisition.

Cost of sales increased by $7.1 million to $86.8 million during the second quarter of 2016, as compared to $79.7 million for the same period in 2015 and increased by $10 million to $165.5 million during the six-month period ended June 30, 2016 compared to $155.5 million for the same period last year. The increase for the quarter and six-month period ended June 30, 2016 is due principally to the acquisitions of CFDP and JUICE on July 1, 2015 and March 17, 2016, respectively, as well as a change in product mix, partly offset by cost savings generated from print optimization initiatives.

Gross profit margin decreased to 58.7% for the second quarter of 2016 compared to 61.1% for the second quarter in 2015 and decreased to 60% for the six-month period ended June 30, 2016 compared to 62.1% for the same period last year. The decrease is primarily due to a change in product mix and the acquisitions of CFDP and JUICE, which operate at a lower gross profit margin relative to Yellow Pages prior to the acquisitions, partly offset by operational efficiencies.

General and administrative expenses increased by $1.3 million to $64.7 million during the second quarter of 2016 compared to $63.4 million for the same period in 2015 and increased by $5 million to $127.8 million for the six-month period ended June 30, 2016 compared to $122.8 million for the same period last year. The increase for the quarter and six-month period ended June 30, 2016 is mainly attributable to expenses associated with CFDP and JUICE, partly offset by cost savings associated with the corporate realignment implemented in the third and fourth quarters of 2015.

Depreciation and amortization

Depreciation and amortization increased to $25.4 million during the second quarter of 2016 compared to $20.2 million during the second quarter in 2015 and increased to $50.3 million for the six-month period ended June 30, 2016 compared to $38.9 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 implements its digital transformation as well as amortization of the intangible assets related to the acquisition of JUICE.

Restructuring and special charges

During the three and six-month periods ended June 30, 2016, we recorded restructuring and special charges of $1.5 million and $5.8 million, respectively, associated primarily with workforce reductions, internal reorganizations and transaction costs associated with the acquisition of JUICE. 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, associated primarily with internal reorganizations and workforce reductions.

Financial charges

Financial charges decreased by $0.2 million to $16 million during the second quarter of 2016 compared to $16.1 million for the same period in 2015 and decreased by $0.7 million to $30.1 million for the six-month period ended June 30, 2016 compared to $30.9 million for the same period last year. The decrease is due to a lower level of indebtedness, partially offset by sales taxes resulting from the settlement of a sales tax assessment relating to financing costs and foreign currency losses. As at June 30, 2016 and 2015, the effective average interest rate on our debt portfolio was 9%.

Provision for income taxes

The combined statutory provincial and federal tax rate was 26.7% for the three and six-month periods ended June 30, 2016, and 26.6% for the same periods in 2015. The Company recorded an expense of $5.1 million and $10.5 million for the three and six-month periods ended June 30, 2016, respectively (2015 – $6.2 million and $16.1 million, respectively). The Company recorded an expense of 31.6% and 30.3% of earnings for the three and six-month periods ended June 30, 2016, respectively (2015 – 27.3% and 27.6%, respectively).

The difference between the effective and the statutory rates for the three and six-month periods ended June 30, 2016 and 2015 is due to the non-deductibility of certain expenses for tax purposes.

Net earnings

We recorded net earnings of $11 million during the second quarter of 2016 compared with $16.5 million for the same period last year. For the six-month period ended June 30, 2016, net earnings decreased to $24.1 million from $42 million for the same period last year. The decrease for the quarter and for the six-month period ended June 30, 2016 is principally explained by lower Adjusted EBITDA and higher depreciation and amortization, mainly resulting from a higher level of capital expenditures in the context of the Company's digital transformation as well as amortization of intangible assets related to the acquisition of JUICE.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

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

	2016		2015				2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	**$ 210,487**	$ 203,627	$ 208,505	$ 210,593	$ 204,771	$ 205,902	$ 215,319	$ 218,427
Operating costs	**151,556**	141,734	144,007	146,783	143,178	135,116	150,487	143,165
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	**58,931**	61,893	64,498	63,810	61,593	70,786	64,832	75,262
Adjusted EBITDA margin	**28%**	30.4%	30.9%	30.3%	30.1%	34.4%	30.1%	34.5%
Depreciation and amortization	**25,440**	24,859	20,792	21,161	20,212	18,672	22,003	19,723
Restructuring and special charges	**1,519**	4,258	17,168	9,113	2,551	2,002	5,714	2,746
Income from operations	**31,972**	32,776	26,538	33,536	38,830	50,112	37,115	52,793
Net earnings	**10,953**	13,151	5,866	13,155	16,510	25,524	95,225	26,542
Basic earnings per share	**$ 0.41**	$ 0.49	$ 0.22	$ 0.49	$ 0.62	$ 0.95	$ 3.53	$ 0.98
Diluted earnings per share	**$ 0.38**	$ 0.45	$ 0.21	$ 0.44	$ 0.54	$ 0.81	$ 2.88	$ 0.84

Revenues decreased throughout the quarters principally impacted by an overall loss of customers, a decline in 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 in the first and second quarters of 2016 were also favourably impacted by the acquisition of JUICE on March 17, 2016.

The Adjusted EBITDA margin decreased in the fourth quarter of 2014 reflecting declining print revenues, the loss of margin from a change in product mix and investments related to the Plan. The Adjusted EBITDA margin increased in the first quarter of 2015, given the timing of various investments related to the execution of the Company's digital transformation as well as a favourable impact related to amendments to our pension and post-retirement benefit plans. 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. Adjusted EBITDA margin decreased in the second quarter of 2016 as a result of the acquisition of JUICE.

Depreciation and amortization expense remained relatively stable throughout 2014 and 2015. Depreciation and amortization expense increased in the first and second quarters of 2016 in connection with the deployment of platforms and applications related to the Company's digital transformation. Amortization was further increased in the second quarter of 2016 due to the amortization of intangible assets related to the acquisition of JUICE.

As the Company advances in the deployment of the Plan and its transformation from a print centric to a digital centric organization, it initiated workforce reductions and cost containment initiatives resulting in restructuring and special charges over the quarters.

Our net earnings for the fourth quarter of 2015 were negatively impacted by higher restructuring charges resulting from a corporate realignment, whereas our net earnings for the fourth quarter of 2014 were favourably 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

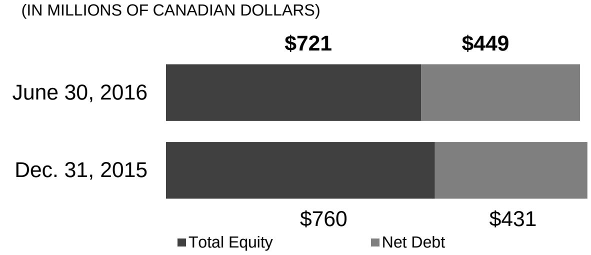
CAPITAL STRUCTURE

(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PERCENTAGE INFORMATION)

As at	June 30, 2016	December 31, 2015
Cash	**$ 13,961**	$ 67,253
Senior secured notes	**$ 370,720**	$ 406,733
Exchangeable debentures	**91,303**	90,478
Obligations under finance leases	**472**	620
Net debt	**$ 448,534**	$ 430,578
Equity	**720,920**	759,524
Total capitalization	**$ 1,169,454**	$ 1,190,102
Net debt to total capitalization	**38.4%**	36.2%

NET DEBT TO LATEST TWELVE-MONTH ADJUSTED EBITDA RATIO [1]

CAPITAL STRUCTURE
(IN MILLIONS OF CANADIAN DOLLARS)



As at June 30, 2016, Yellow Pages had $448.5 million of net debt, compared to $430.6 million as at December 31, 2015.

The net debt to Latest Twelve-Month Adjusted EBITDA[1] ratio as at June 30, 2016 was 1.8 times compared to 1.7 times as at December 31, 2015. The increase is due to the acquisition of JUICE, which resulted in a cash outflow of $35.3 million during the first quarter of 2016.

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 Canadian 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 June 30, 2016, the Company had $7.6 million of letters of credit issued and outstanding under the ABL. As such, $42.4 million of the ABL was available as at June 30, 2016.

As at June 30, 2016, the Company was in compliance with all covenants under the loan agreement governing the ABL.

[1] *Latest twelve-month income from operations before depreciation and amortization, 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 3 for a definition of Adjusted 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.

The Company repaid a total of $429.3 million since December 20, 2012 of its Senior Secured Notes, thereby reducing the balance from $800 million to $370.7 million as at June 30, 2016.

As at June 30, 2016, 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).

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 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, 2016, 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/Issuer rating – positive trend	B/Corporate credit rating – stable outlook
B (high)/Credit rating for Senior Secured Notes	BB-/Credit rating for Senior Secured Notes
CCC (high)/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 4, 2016, the Company had approximately $15.6 million of cash and $42.4 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	August 5, 2016	June 30, 2016	December 31, 2015
Common shares outstanding	28,075,294	28,075,294	28,063,919
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,498	2,995,498	2,995,498
Stock options outstanding[2]	763,275	763,275	522,950

[1] *As at August 5, 2016, 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 763,275 as at August 5, 2016 and June 30, 2016 are 186,550 stock options exercisable as at those same dates. Included in the stock options outstanding balance of 522,950 as at December 31, 2015 are 78,000 stock options exercisable as at that date.*

SOURCES AND USES OF CASH

(IN THOUSANDS OF CANADIAN DOLLARS)

For the six-month periods ended June 30,		2016		2015
Cash flows from operating activities				
Cash flows from operations	**$**	**75,736**	$	106,960
Change in operating assets and liabilities		**(18,861)**		(6,098)
	$	**56,875**	$	100,862
Cash flows used in investing activities				
Additions to intangible assets	**$**	**(27,144)**	$	(35,172)
Additions to property and equipment		**(1,184)**		(3,419)
Business acquisition		**(35,271)**		(852)
Cash placed in trust		–		(50,000)
Other		**(50)**		–
	$	**(63,649)**	$	(89,443)
Cash flows used in financing activities				
Repayment of long-term debt	**$**	**(36,161)**	$	(34,413)
Purchase of restricted shares		**(10,472)**		(5,775)
Issuance of common shares upon exercise of stock options		**115**		423
	$	**(46,518)**	$	(39,765)

Cash flows from operating activities

Cash flows from operations

Cash flows from operations decreased by $31.2 million from $107 million for the six-month period ended June 30, 2015 to $75.7 million for the same period in 2016. Cash flows from income taxes generated an outflow of $1.9 million during the six-month period ended June 30, 2016 compared to net income taxes received of $25.5 million during the same period last year as a result of a tax settlement covering prior years. Cash flows from operations during the six-month period ended June 30, 2016 were also impacted by lower cash Adjusted EBITDA of $6.7 million.

Change in operating assets and liabilities

The change in operating assets and liabilities for the six-month period ended June 30, 2016 generated an outflow of $18.9 million compared with $6.1 million for the same period last year. The increased outflow for the six-month period ended June 30, 2016 is mainly driven by an increase in trade receivables related to CFDP and JUICE, our newly acquired entities, when compared to the same period of the prior year.

Cash flows used in investing activities

Cash used in investing activities amounted to $63.6 million for the six-month period ended June 30, 2016 compared with $89.4 million for the same period last year. During the six-month period ended June 30, 2016, we invested in software development and ISIT equipment in the amount of $27.1 million and $1.2 million, respectively, as compared to $35.2 million and $3.4 million, respectively, during the same period last year. Capital expenditures incurred in the six-month periods ended June 30, 2015 and 2016 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 transformation into Canada's leading local digital company. The level of investments is decreasing year-over-year as we are progressing in our transformation. During the first quarter of 2016, we acquired the net assets of JUICE for a purchase price of $35.3 million. 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, which was placed in trust until the closing of the transaction which occurred on July 1, 2015.

Cash flows used in financing activities

Cash used in financing activities amounted to $46.5 million for the six-month period ended June 30, 2016 compared to $39.8 million for the same period last year. During the second quarter of 2016, we repaid $36 million of the Senior Secured Notes compared to $34.2 million during the same period last year. During the six-month period ended June 30, 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 $10.5 million compared to $5.8 million during the same period last year.

Total capital expenditures, net of related lease incentives, for 2016 is expected to amount to approximately $60 million.

FINANCIAL AND OTHER INSTRUMENTS

(See Note 22 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2015 and 2014).

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 June 30, 2016. 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 and six-month periods ended June 30,	**2016**	2015	**2016**	2015
Cash flows from operating activities	**$ 32,627**	$ 38,028	**$ 56,875**	$ 100,862
Capital expenditures, net of lease incentives	**12,903**	20,649	**28,328**	38,591
Free cash flow	**$ 19,724**	$ 17,379	**$ 28,547**	$ 62,271

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, 2015 and 2014. 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, 2015 and 2014.

ACCOUNTING STANDARDS

The following revised standards are effective for annual periods beginning on January 1, 2016 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 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.

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 judgment to disclosure requirements when preparing the notes to the financial statements.

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, 2017. 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.

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.

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. Yellow Pages Limited continues to assess the impact this standard will have on its interim condensed consolidated financial statements.

Amendments to IAS 7 – *Statement of Cash Flows*

In January 2016, the IASB published amendments to 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. They are effective for annual periods beginning on or after January 1, 2017, applied prospectively, with earlier adoption permitted. The Amendments to IAS 7 are not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

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. Yellow Pages Limited continues to assess 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 years ended December 31, 2015 and 2014 and our Annual Information Form dated March 24, 2016 for a complete description of the risk 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 successfully enhance and expand its offering of digital and new media products could have an 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, 2015 and 2014. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2015 and 2014.

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 June 30, 2016.

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 June 30, 2016.

During the quarter beginning on April 1, 2016 and ended on June 30, 2016, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.