UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

June 30, 2016 and 2015

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(IN THOUSANDS OF CANADIAN DOLLARS - UNAUDITED)

As at	June 30, 2016	December 31, 2015
ASSETS		(audited)
CURRENT ASSETS		
Cash	$ 13,961	$ 67,253
Trade and other receivables	132,869	123,826
Prepaid expenses	9,188	8,728
Deferred publication costs	61,166	61,216
Income taxes receivable	2,293	3,192
TOTAL CURRENT ASSETS	219,477	264,215
NON-CURRENT ASSETS		
Deferred publication costs	7,536	7,348
Financial and other assets (Note 11)	4,110	4,162
Property and equipment	25,429	30,554
Intangible assets	1,366,221	1,369,781
Goodwill (Note 3)	45,342	26,829
Deferred income taxes	7,180	7,738
TOTAL NON-CURRENT ASSETS	1,455,818	1,446,412
TOTAL ASSETS	$ 1,675,295	$ 1,710,627
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	$ 77,233	$ 73,627
Provisions	48,492	67,641
Deferred revenues	21,843	23,386
Current portion of long-term debt (Note 4)	97,212	98,530
TOTAL CURRENT LIABILITIES	244,780	263,184
NON-CURRENT LIABILITIES		
Provisions	2,041	4,451
Deferred credits and other	5,219	6,538
Deferred income taxes	83,324	94,970
Post-employment benefits (Note 7)	253,728	182,659
Long-term debt (Note 4)	273,980	308,823
Exchangeable debentures (Note 5)	91,303	90,478
TOTAL NON-CURRENT LIABILITIES	709,595	687,919
TOTAL LIABILITIES	954,375	951,103
CAPITAL AND RESERVES	6,594,716	6,600,966
DEFICIT	(5,873,796)	(5,841,442)
TOTAL EQUITY	720,920	759,524
TOTAL LIABILITIES AND EQUITY	$ 1,675,295	$ 1,710,627

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

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

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 (Note 6)	**1,519**	2,551	**5,777**	4,553
Income from operations	**31,972**	38,830	**64,748**	88,942
Financial charges, net (Note 10)	**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
Weighted average shares outstanding – basic earnings per share (Note 8)	**26,571,835**	26,629,805	**26,615,435**	26,735,863
Diluted earnings per share	**$ 0.38**	$ 0.54	**$ 0.83**	$ 1.36
Weighted average shares outstanding – diluted earnings per share (Note 8)	**33,599,202**	33,738,569	**33,637,642**	33,722,628

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(IN THOUSANDS OF CANADIAN DOLLARS – UNAUDITED)

For the three and six-month periods ended June 30,	2016	2015	2016	2015
Net earnings	**$ 10,953**	$ 16,510	**$ 24,104**	$ 42,034
Other comprehensive (loss) income:				
Items that will be reclassified subsequently to net earnings				
Net change in fair value of derivatives designated as cash flow hedges	**(107)**	–	**(107)**	–
Reclassification to earnings of derivatives designated as cash flow hedges	**23**	–	**23**	–
Income taxes relating to items that will be subsequently reclassified to net earnings	**22**	–	**22**	–
	(62)	–	**(62)**	–
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains (Note 7)	**(48,167)**	14,345	**(77,202)**	11,333
Income taxes relating to items that will not be reclassified subsequently to net earnings	**12,942**	(3,824)	**20,744**	(3,024)
	(35,225)	10,521	**(56,458)**	8,309
Other comprehensive (loss) income	**(35,287)**	10,521	**(56,520)**	8,309
Total comprehensive (loss) income	**$ (24,334)**	$ 27,031	**$ (32,416)**	$ 50,343

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(IN THOUSANDS OF CANADIAN DOLLARS – UNAUDITED)

For the six-month periods ended June 30,

		Shareholders' Capital (Note 8)		**Restricted Shares**		**Warrants**		**Compound Financial Instruments[1]**
Balance, December 31, 2015 (audited)	$	4,031,528	$	(24,965)	$	1,456	$	3,619
Other comprehensive loss		–		–		–		–
Net earnings		–		–		–		–
Total comprehensive loss		–		–		–		–
Restricted shares settled		–		3,555		–		–
Restricted shares (Note 9)		–		(10,472)		–		–
Stock options granted (Note 9)		–		–		–		–
Exercise of stock options (Note 9)		157		–		–		–
Balance, June 30, 2016	**$**	**4,031,685**	**$**	**(31,882)**	**$**	**1,456**	**$**	**3,619**

		Shareholders' Capital		Restricted Shares		Warrants		Compound Financial Instruments[1]
Balance, December 31, 2014 (audited)	$	4,030,325	$	(18,981)	$	1,456	$	3,619
Other comprehensive income		–		–		–		–
Net earnings		–		–		–		–
Total comprehensive income		–		–		–		–
Restricted shares settled		–		78		–		–
Restricted shares (Note 9)		–		(5,775)		–		–
Stock options granted (Note 9)		–		–		–		–
Exercise of stock options (Note 9)		576		–		–		–
Balance, June 30, 2015	$	4,030,901	$	(24,678)	$	1,456	$	3,619

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2015 - $1.3 million).*

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

					2016
	Stock-based Compensation and Other Reserves	**Reduction of Capital Reserve**	**Total Capital and Reserves**	**Deficit**	**Total Equity**
	$ 132,275	$ 2,457,053	$ 6,600,966	$ (5,841,442)	$ 759,524
	(62)	–	(62)	(56,458)	(56,520)
	–	–	–	24,104	24,104
	(62)	–	(62)	(32,354)	(32,416)
	(3,555)	–	–	–	–
	3,504	–	(6,968)	–	(6,968)
	665	–	665	–	665
	(42)	–	115	–	115
	$ 132,785	**$ 2,457,053**	**$ 6,594,716**	**$ (5,873,796)**	**$ 720,920**

					2015
	Stock-based Compensation and Other Reserves	Reduction of Capital Reserve	Total Capital and Reserves	Deficit	Total Equity
	$ 126,706	$ 2,457,053	$ 6,600,178	$ (5,915,998)	$ 684,180
	–	–	–	8,309	8,309
	–	–	–	42,034	42,034
	–	–	–	50,343	50,343
	(78)	–	–	–	–
	4,398	–	(1,377)	–	(1,377)
	605	–	605	–	605
	(153)	–	423	–	423
	$ 131,478	$ 2,457,053	$ 6,599,829	$ (5,865,655)	$ 734,174

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF CANADIAN DOLLARS – UNAUDITED)

For the six-month periods ended June 30,		**2016**		2015
OPERATING ACTIVITIES				
Net earnings	**$**	**24,104**	$	42,034
Adjusting items				
Depreciation and amortization		**50,299**		38,884
Restructuring and other special charges (Note 6)		**5,777**		4,553
Stock-based compensation expense		**5,251**		5,249
Provision for income taxes recognized in net earnings		**10,498**		16,053
Financial charges recognized in net earnings		**30,146**		30,855
Past service costs (Note 7)		–		(3,541)
Other non-cash items		**4,058**		2,720
Change in operating assets and liabilities		**(18,861)**		(6,098)
Funding of post-employment benefit plans in excess of costs		**(9,441)**		(14,880)
Restructuring and other special charges paid (Note 6)		**(19,803)**		(12,266)
Income taxes (paid) received, net		**(1,916)**		25,542
Interest paid		**(23,237)**		(28,243)
		56,875		100,862
INVESTING ACTIVITIES				
Additions to intangible assets		**(27,144)**		(35,172)
Additions to property and equipment		**(1,184)**		(3,419)
Business acquisition (Note 3)		**(35,271)**		(852)
Cash placed in trust (Note 3)		–		(50,000)
Other		**(50)**		–
		(63,649)		(89,443)
FINANCING ACTIVITIES				
Repayment of long-term debt		**(36,161)**		(34,413)
Purchase of restricted shares (Note 9)		**(10,472)**		(5,775)
Issuance of common shares upon exercise of stock options (Note 9)		**115**		423
		(46,518)		(39,765)
NET DECREASE IN CASH		**(53,292)**		(28,346)
CASH, BEGINNING OF PERIOD		**67,253**		102,776
CASH, END OF PERIOD	**$**	**13,961**	$	74,430

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

1. DESCRIPTION

Yellow Pages Limited, through its subsidiaries, offers local and national businesses access to digital and print media and marketing solutions to reach consumers in all the provinces and territories of Canada. References herein to Yellow Pages Limited (or the "Company") represent the financial position, financial performance, cash flows and disclosures of Yellow Pages Limited and its subsidiaries on a consolidated basis.

Yellow Pages Limited's registered head office is located at 16, Place du Commerce, Montreal, Québec, Canada, H3E 2A5 and the common shares of Yellow Pages Limited are listed on the Toronto Stock Exchange ("TSX") under the symbol "Y".

The Board of Directors (the "Board") approved the unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2016 and 2015 and authorized their publication on August 5, 2016.

2. BASIS OF PRESENTATION

2.1 STATEMENT OF COMPLIANCE

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are consistent with International Financial Reporting Standards ("IFRS") and are the same as those applied by Yellow Pages Limited in its audited consolidated financial statements as at and for the years ended December 31, 2015 and 2014. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014.

2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ADOPTED WITH NO EFFECT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 reported in these 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 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, order of the notes, subtotals, accounting policies 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.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow 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 adoption 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.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION – UNAUDITED)

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.

3. BUSINESS ACQUISITIONS

2016

On March 17, 2016, Yellow Pages Limited acquired the net assets of Oriole Media Corp. (doing business as JUICE Mobile), for a purchase price of $35.3 million. The acquisition of JUICE Mobile, a premium advertising technology company whose proprietary programmatic platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers, positioned Yellow Pages Limited as a notable national advertising agency, expanding the Company's reach of brands and media publishers. The acquisition was fully funded with cash on hand. Transaction costs of $1.2 million were incurred during the six-month period ended June 30, 2016, and are included in Restructuring and special charges (refer to Note 6 – Restructuring and special charges).

The following table summarizes the transaction and the purchase price allocation:

		March 17, 2016
Fair value of business acquired		
Trade and other receivables	$	9,003
Prepaid expenses		424
Property and equipment		220
Intangible assets		15,220
Goodwill		18,513
Trade and other payables		(7,802)
Provisions		(54)
Deferred revenues		(125)
Deferred income tax liabilities		(128)
	$	**35,271**

2015

In May 2015, Yellow Pages Homes Limited, a wholly-owned subsidiary of the Company, acquired the assets of Western Media Group for a purchase price of $0.9 million. The purchased assets include multi-platform brands in Western Canada, vanmag.com, westernlivingmag.com as well as Western Living Magazine and Vancouver Magazine. These properties generate local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories. The fair value of $0.9 million was mainly comprised of intangible assets.

On June 15, 2015, Yellow Pages Limited entered into a share purchase agreement to acquire all the shares of the ComFree/DuProprio network, a leader in connecting home sellers and buyers in Canada, for a purchase price of $50 million. Upon the execution of the purchase agreement, $50 million of cash was placed in trust until the closing of the transaction, which occurred on July 1, 2015. The acquisition was fully funded with cash on hand.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

4. LONG-TERM DEBT

The long-term debt is comprised of the following:

As at	June 30, 2016	December 31, 2015
Senior secured notes	**$ 370,720**	$ 406,733
Obligations under finance leases	**472**	620
	$ 371,192	$ 407,353
Less current portion[1]	**97,212**	98,530
Non-current portion	**$ 273,980**	$ 308,823

[1] *The current portion of the senior secured notes may vary subject to the Excess Cash Flow clause under the indenture governing the senior secured notes*.

5. EXCHANGEABLE DEBENTURES

As at	June 30, 2016	December 31, 2015
Face value of exchangeable debentures	**$ 107,089**	$ 107,089
Less unaccreted interest	**15,786**	16,611
	$ 91,303	$ 90,478

6. RESTRUCTURING AND SPECIAL CHARGES

Yellow Pages Limited recorded restructuring and special charges of $1.5 million and $5.8 million for the three and six-month periods ended June 30, 2016, respectively (2015 – $2.6 million and $4.6 million, respectively) relating primarily to internal reorganizations and workforce reductions, as well as transaction costs associated with the business acquisition of JUICE Mobile. For the three and six-month periods ended June 30, 2016, Yellow Pages Limited made restructuring and special charges payments of $7.3 million and $19.8 million, respectively (2015 – $3 million and $12.3 million, respectively).

7. POST-EMPLOYMENT BENEFITS

Yellow Pages Limited recorded an actuarial loss of $35.2 million in other comprehensive income, net of income taxes of $12.9 million, for the three-month period ended June 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 3.75% to 3.25%, partly offset by a gain due to the plan assets' performance. Yellow Pages Limited recorded an actuarial gain of $10.5 million in other comprehensive income, net of income taxes of $3.8 million, for the three-month period ended June 30, 2015, as a result of an increase in the discount rate used to measure the post-employment benefits obligation from 3.75% to 4%, partly offset by a loss due to the plan assets' performance.

Yellow Pages Limited recorded an actuarial loss of $56.5 million in other comprehensive income, net of income taxes of $20.7 million, for the six-month period ended June 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4% to 3.25%. Yellow Pages Limited recorded an actuarial gain of $8.3 million in other comprehensive income, net of income taxes of $3 million, for the six-month period ended June 30, 2015, primarily as a result of a gain due to the plan assets' performance.

During the first quarter of 2015, the Company amended the retirement and post-employment benefit plans for certain employees which resulted in a recovery of past service costs of $3.5 million, which was included in operating costs.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION – UNAUDITED)

8. SHAREHOLDERS' CAPITAL

Common shares

	For the six-month period ended June 30, 2016	
	Number of Shares	Amount
Balance, December 31, 2015	28,063,919	$ 4,031,528
Exercise of stock options (Note 9)	11,375	157
Balance, June 30, 2016	**28,075,294**	**$ 4,031,685**

Warrants

During the six-month period ended June 30, 2015, 8 common share purchase warrants ("Warrants") were exercised in exchange for 8 common shares of Yellow Pages Limited. As at June 30, 2016 and December 31, 2015, the Company had a total of 2,995,498 Warrants outstanding.

Earnings per share

The following table reconciles the weighted average number of shares outstanding used in computing basic earnings per share to the weighted average number of shares outstanding used in computing diluted earnings per share as well as net earnings used in the computation of basic earnings per share to net earnings adjusted for any dilutive effect:

For the three and six-month periods ended June 30,	**2016**	2015	**2016**	2015
Weighted average number of shares outstanding used in computing basic earnings per share	**26,571,835**	26,629,805	**26,615,435**	26,735,863
Dilutive effect of restricted share units and performance share units	**1,322,675**	1,376,046	**1,322,675**	1,257,362
Dilutive effect of stock options	**80,270**	108,296	**75,110**	104,981
Dilutive effect of exchangeable debentures	**5,624,422**	5,624,422	**5,624,422**	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share	**33,599,202**	33,738,569	**33,637,642**	33,722,628

For the three and six-month periods ended June 30,	**2016**	2015	**2016**	2015
Net earnings used in the computation of basic earnings per share	**$ 10,953**	$ 16,510	**$ 24,104**	$ 42,034
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	**1,875**	1,847	**3,744**	3,688
Net earnings adjusted for dilutive effect used in the computation of diluted earnings per share	**$ 12,828**	$ 18,357	**$ 27,848**	$ 45,722

For the three and six-month periods ended June 30, 2016 and 2015, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as certain stock options that are not in the money as they are not dilutive.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

9. STOCK-BASED COMPENSATION PLANS

Yellow Pages Limited's stock-based compensation plans consist of restricted share units, performance share units, deferred share units and stock options of Yellow Pages Limited.

Restricted Share Unit and Performance Share Unit Plan

During the three and six-month periods ended June 30, 2016, 245,709 and 553,709 common shares of Yellow Pages Limited, respectively (2015 – nil and 358,869, respectively) were purchased on the open market of the TSX by the trustee appointed under the restricted share unit and performance share unit plan (the "RSU and PSU Plan") at a cost of $4.7 million and $10.5 million, respectively (2015 – $ nil and $5.8 million, respectively) and are restricted for the purpose of funding of the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 1,688,885 as at June 30, 2016.

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

		2016		2015
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**464,924**	**520,117**	399,238	363,290
Granted	**197,936**	**325,646**	256,651	349,023
Additional payout related to achievement of performance targets[2]	**–**	**26,259**	–	–
Settled	**(157,018)**	**(85,947)**	(5,318)	–
Forfeited	**(16,538)**	**(18,581)**	(37,079)	(35,521)
Outstanding, end of period	**489,304**	**767,494**	613,492	676,792
Weighted average remaining life	**1.6**	**1.6**	1.6	1.9

[1] *The outstanding number of PSUs represents a payout of 100%. In addition, the potential payout in excess of 100% and limited to a maximum payout of 150%, for virtually all participants, pursuant to the achievement of certain performance targets, amounted to 571,072 common shares as at June 30, 2016 (2015 – 338,319 common shares).*

[2] *The additional payout is related to the achievement of certain performance targets in excess of 100% and amounted to an additional 44% for the six-month period ended June 30, 2016 (2015 – nil).*

During the three and six-month periods ended June 30, 2016, an expense of $1.8 million and $3.5 million, respectively (2015 – $2 million and $4.4 million, respectively) was recorded in the interim condensed consolidated income statement in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

The following table summarizes the status of the deferred share unit ("DSU") grants during the six-month periods ended June 30:

			2016			2015
	Number of DSUs		**Liability[1]**	Number of DSUs		Liability[1]
Outstanding, beginning of period	**192,964**	**$**	**2,947**	151,141	$	2,959
Granted[2]	**53,928**		**412**	41,823		400
Variation due to change in stock price	**–**		**670**	–		(154)
Outstanding, end of period	**246,892**	**$**	**4,029**	192,964	$	3,205
Vested, end of period	**219,928**	**$**	**4,029**	172,053	$	3,205

[1] *The liability related to the deferred share unit plan (the "DSU Plan") is recorded in trade and other payables, and the expense related to the units vested and the variation due to changes in stock price is included in operating costs.*

[2] *The liability related to the DSUs granted represents the portion that is vested as at June 30.*

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION – UNAUDITED)

Stock Options

The following table summarizes the status of the stock option grants under the stock option plan (the "Stock Option Plan") during the six-month periods ended June 30:

		2016		2015
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**522,950**	**$ 16.38**	480,200	$ 15.10
Granted	**251,700**	**$ 17.83**	234,100	$ 16.44
Exercised	**(11,375)**	**$ 10.12**	(41,750)	$ 10.12
Outstanding, end of period	**763,275**	**$ 16.95**	672,550	$ 15.88
Exercisable, end of period	**186,550**	**$ 14.95**	123,500	$ 10.12

The following table provides additional information about Yellow Pages Limited's Stock Option Plan as at June 30:

		2016		2015
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$10.12	**167,375**	**3.9**	269,750	4.8
$16.44	**195,900**	**5.7**	234,100	6.7
$17.83	**251,700**	**6.7**	–	–
$17.96	**9,200**	**5.9**	–	–
$19.61	**7,700**	**5.0**	7,700	6.0
$20.33	**4,900**	**4.9**	4,900	5.9
$24.65	**126,500**	**4.7**	156,100	5.7
Outstanding, end of period	**763,275**	**5.4**	672,550	5.7
Exercisable, end of period	**186,550**	**4.2**	123,500	4.8

Stock options were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the options granted. The following table shows the key inputs into the valuation model for the six-month periods ended June 30:

	2016	2015
Weighted average grant share date price	**$ 18.28**	$ 15.82
Exercise price	**$ 17.83**	$ 16.44
Expected volatility	**35%**	38%
Option life	**7 years**	7 years
Risk-free interest rate	**1.02%**	1.44%
Weighted average remaining life	**6.7 years**	6.7 years

An expense of $0.3 million and $0.7 million was recorded during the three and six-month periods ended June 30, 2016, respectively (2015 – $0.3 million and $0.6 million, respectively) in relation to the Stock Option Plan.

(ALL TABULAR AMOUNTS ARE IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT SHARE INFORMATION - UNAUDITED)

10. FINANCIAL CHARGES, NET

The significant components of the financial charges are as follows:

For the three and six-month periods ended June 30,	**2016**	2015	**2016**	2015
Interest on long-term debt and exchangeable debentures	**$ 11,269**	$ 13,602	**$ 22,817**	$ 27,469
Net interest on the defined benefit obligations	**1,766**	2,095	**3,532**	4,238
Sales taxes on tax assessment relating to financing costs	**2,372**	–	**2,372**	–
Other, net	**543**	434	**1,425**	(852)
	$ 15,950	$ 16,131	**$ 30,146**	$ 30,855

11. FAIR VALUE

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated statements of financial position, classified using the fair value hierarchy:

	Level	**June 30, 2016**	**December 31, 2015**
Financial asset or liability			
Investment – available for sale	3	$ 3,520	$ 3,520
Foreign currency forward contracts	2	(84)	–

Yellow Pages Limited's available for sale investment is comprised of a privately held equity security and is carried at fair value based on estimates on market rates prevailing at the statement of financial position date. The available-for-sale investment is presented in financial and other assets in the interim condensed consolidated statements of financial position.

In order to mitigate foreign exchange risk, Yellow Pages Limited entered into foreign currency forward contracts and designated them as cash-flow hedges for accounting purposes. The foreign currency forward contracts are presented in trade and other payables in the interim condensed consolidated statements of financial position.

Fair values

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The fair value of cash, trade and other receivables, and trade and other payables is approximately equal to their carrying values due to their short-term maturity. The fair value of the senior secured notes and the exchangeable debentures is evaluated based on quoted market prices as at the statement of financial position date.

The following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the interim condensed consolidated statements of financial position as at June 30, 2016:

	Level	**Carrying Value**	**Fair Value**
Current portion of long-term debt (Note 4)	1	$ 97,212	$ 101,428
Non-current portion of long-term debt (Note 4)	1	$ 273,980	$ 285,872
Exchangeable debentures (Note 5)	1	$ 91,303	$ 116,727