MANAGEMENT'S DISCUSSION AND ANALYSIS

November 11, 2015

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

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

FORWARD-LOOKING INFORMATION

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

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

- that we will succeed in continuing to implement our business plan;
- that we will be able to grow traffic across our owned and operated digital properties at the currently anticipated rate;
- that the directories, digital media and advertising industries into which we sell our products and services will demonstrate strong demand for our products and services;
- that we will be able to introduce, sell and provision new products and services that will generate the anticipated return on investment (ROI) for customers;
- that we will be able to acquire new customers at the currently anticipated rate;
- that customer retention rates will not be materially lower than currently anticipated;
- that the decline in print revenues will not materially accelerate beyond what is currently anticipated;
- that digital revenue growth will not be materially slower than what is currently anticipated;
- that general economic conditions will not materially deteriorate beyond currently anticipated levels; 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 our MD&A for the year ended December 31, 2014, and those described in the "Risk Factors" section of our AIF:

- Substantial competition could reduce the market share of the Corporation;
- A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits;
- The inability of the Corporation to successfully enhance and expand its offering of digital and new media products;
- The inability of the Corporation to attract and retain 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 grow traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions;
- The Corporation's substantial indebtedness could adversely affect its efforts to refinance;
- Incremental contributions by the Corporation to its pension plans;
- Failure by either the Corporation or the Telco Partners (as defined herein) to fulfill the obligations set forth in the agreements between the Corporation and the Telco Partners;
- Failure by the Corporation to adequately protect and maintain its brands and trademarks, as well as third party infringement of such;
- Work stoppages and other labor disturbances;
- 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 digital portals, search engines, individual websites, mobile manufacturers and Operating Systems providers;
- The failure of the Corporation's computers and communications systems;
- The inability of the Corporation to develop information and technology systems and platforms required to execute the Corporation's Return to Growth Plan;
- The inability of the Corporation to realize operational efficiencies and costs savings across its operations; 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, taxes, interest payments, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 14 of this MD&A.

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. We believe that certain investors and analysts also use Adjusted EBITDA to evaluate the performance of our 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 measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flow from operating activities. Free cash flow is defined as cash flow from operating activities, as reported in accordance with IFRS, less an adjustment for capital expenditures. Free cash flow is not a standardized measure and is not comparable with that of other public companies.

This MD&A is divided into the following sections:

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

1. OUR BUSINESS

OUR BUSINESS

Yellow Pages is a leading media and marketing solutions company in Canada, offering small and medium-sized enterprises (SMEs) services to help them connect with local consumers. The Company offers SMEs full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, which include products such as online and mobile priority placement on Yellow Pages' owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production and print advertising. Through its extensive sales force, the Company acts as dedicated marketing professionals for approximately 246,000 local businesses across Canada. This large and primarily face-to-face sales force is broken down into various channels, each dedicated to offering customers a specialized level of service based on size and spend.

The Company also addresses the marketing needs of national brands and retailers through Mediative, a division of Yellow Pages that offers advertisers high-end, customizable digital marketing and performance media services to best reach digital audiences Canada-wide. In addition, through ComFree/DuProprio (CFDP) and Yellow Pages NextHome, the Company services the real estate industry, including new construction leaders, landlords and property management firms, by providing digital advertising solutions to help them connect with prospective buyers, sellers and renters. CFDP positions Yellow Pages as a leader in the Canadian digital real estate marketplace, empowering consumers by providing them with trusted media and solutions to sell their homes in a proven and cost-effective manner.

On the consumer front, Yellow Pages owns and operates one of Canada's largest and richest databases of local merchant information. This content reaches audiences via a number of desktop, mobile and print properties, which continue to serve as effective advertising platforms to SMEs and national retailers. To help Canadians discover their local neighbourhoods and connect with local merchants, the Company's network of media properties is becoming increasingly specialized across the high value search verticals of services, retail, dining and real estate. A description of the Company's existing digital media properties is found below:

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

2. RESULTS

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

OVERALL

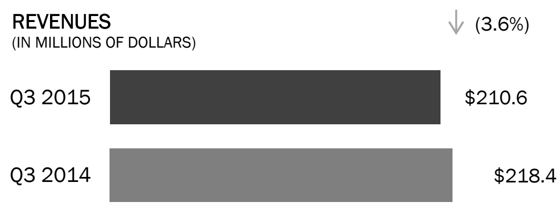
- Revenues decreased by $7.8 million or 3.6% to $210.6 million compared to the third quarter of 2014.
- Digital revenues grew 12.5% year-over-year to reach $127.8 million for the three-month period ended September 30, 2015. For the third quarter of 2015, digital revenues represented 60.7% of consolidated revenues, up from 52% for the same period in 2014.
- Income from operations before depreciation and amortization and restructuring and special charges (Adjusted EBITDA) decreased by $11.5 million or 15.2% to $63.8 million compared to the third quarter of 2014.

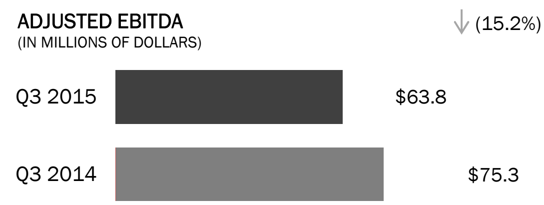
HIGHLIGHTS

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

For the three-month periods ended September 30,	2015	2014
Revenues	$ 210,593	$ 218,427
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	$ 63,810	$ 75,262
Adjusted EBITDA margin	30.3%	34.5%
Net earnings	$ 13,155	$ 26,542
Basic earnings per share	$ 0.49	$ 0.98
Cash flows from operating activities	$ 54,287	$ 57,208
Free cash flow[1]	$ 34,625	$ 37,641

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





PERFORMANCE RELATIVE TO BUSINESS STRATEGY

Yellow Pages' Return to Growth Plan (the Plan) is designed to accelerate the Company's digital transformation and grow Yellow Pages into a leader within Canada's local digital advertising market. The implementation of the Plan is well underway, and remains on track to returning Yellow Pages to revenue and Adjusted EBITDA growth by 2018. Over the course of its digital transformation, the Company will focus on the following areas of investment to enhance its market positioning among consumers and merchants:

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

Extending its Brand Promise

Digital perception of the Yellow Pages brand is key to attracting and retaining Canadian shoppers and merchants to the Company's suite of digital media and marketing solutions. Initiatives are in place to promote awareness and usage of YP.ca and the YP mobile application. In conjunction, campaigns are being developed to grow user adoption of the Company's YP Dine and YP Shopwise applications, as well as support customer acquisition of merchants operating within the dining and retail industries.

In support of small businesses, local shopping and the growth of local economies, Yellow Pages will be hosting its annual Shop The Neighbourhood (STN) event on Saturday, November 28, 2015. STN will be held in cities across Canada during a weekend when many Canadians shop at U.S. retailers to take advantage of Black Friday and Cyber Monday deals. A multimedia campaign has been launched nationally to encourage merchants and consumers to participate in the STN event. The Company has also deployed an advertising initiative to grow adoption and usage of the YP Shopwise application, which will serve as the go-to-destination for consumers to discover, locate and transact with local businesses on event day.

Strengthening its Media Assets

Yellow Pages strives to be the premier media of choice for local neighbourhood discovery. The Company is actively enhancing the quality, completeness and diversity of its local content, while introducing mobile applications that better address the verticalized needs of Canadian shoppers and merchants within the services, real estate, retail and dining industries.

For the three-month period ended September 30, 2015, total digital visits, which measures the number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, C411, Bookenda and dine.TO online and mobile properties, grew to 123.1 million. This compares to 110.2 million visits made on the Company's network of digital properties during the same period last year, representing a year-over-year growth of 11.8%. During the third quarter of 2015, total digital visits executed on CFDP totalled 19.2 million.

Today, Yellow Pages owns one of Canada's richest and most comprehensive databases of local information. The Company's media publishes over 1.8 million business listings, as well as a growing base of editorials focused on helping Canadians discover and transact within their local neighbourhoods. The quality of Yellow Pages' content has recently been recognized by Apple Maps, who has started syndicating YP's business information (including addresses, phone numbers, hours of operations, geo-coordinates, website URLs, photos, ratings and reviews) across its Canadian search engine results pages. In return, Yellow Pages will receive brand attribution on Apple Maps, helping promote increased adoption of YP's digital properties and enhanced return on investment for merchants advertising on the Company's media.

Enhancing its Customer Value Proposition

Growth in the customer count is critical to Yellow Pages' ability to return to revenue and profitability growth in 2018. The Company anticipates returning to a growth in the customer count in 2017, supported by initiatives geared at accelerating customer acquisition and protecting client renewal.

During the twelve-month period ended September 30, 2015, Yellow Pages acquired 27,200 new customers, up from 20,200 new customers acquired during the same period last year. Sales incentive programs have played a key role in accelerating customer acquisition, particularly during seasonally slower sales periods, while an enhanced customer relationship management platform has helped optimize lead assignment, raise conversion rates, and improve the effectiveness of Yellow Pages' sales representatives. Customer acquisition also continues to be supported by a growing acquisition sales team and the introduction of new digital solutions. Launched in April 2015, Presence solutions are the latest additions to the Company's digital product suite, serving to enhance merchants' online presence by having their business information syndicated across the YP network and over forty additional highly visited digital properties, such as Facebook, Foursquare and Yahoo!.

For the twelve-month periods ended September 30, 2015 and 2014, renewal among Yellow Pages' customers remained stable at 85%. The Company's renewal rate remains strong, supported by the delivery of systems, processes and technologies that enhance customers' sales, customer service and digital fulfillment experience.

CUSTOMER ACQUISITION AND RENEWAL[1]

For the twelve-month periods ended September 30,	2015	2014
Customer count	246,000	260,000
New customers	27,200	20,200
Customer renewal rate	85%	85%

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

Gaining Efficiencies

As the Company advances in its digital transformation and strengthens its offerings to audiences and merchants Canada-wide, material interdependencies between Yellow Pages' information technology, strategy and marketing functions are being created. In conjunction, legacy systems and platforms are in the process of being decommissioned to best respond to the Company's growing digital operations. In light of these dynamics, and to best support successful execution of its Return to Growth Plan, Yellow Pages has undertaken a comprehensive organizational review (the Corporate Realignment) to build a leaner, more agile and increasingly collaborative organization. The Corporate Realignment reduced the Company's workforce by approximately 300 employees during the third and fourth quarters of 2015, principally affecting roles that have been integrated within other functions or that are no longer aligned with Yellow Pages' digital reality. As a result, restructuring and special charges associated with the Corporate Realignment of approximately $4.4 million were recorded in the third quarter and $15 million will be recorded in the fourth quarter of 2015. In addition to the Corporate Realignment, Yellow Pages has executed upon cost containment initiatives that have resulted in additional restructuring and special charges during the third quarter of 2015.

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

For the three and nine-month periods ended September 30,	2015	2014	2015	2014
Revenues	$ 210,593	$ 218,427	$ 621,266	$ 662,209
Operating costs	146,783	143,165	425,077	411,065
Income from operations before depreciation and amortization, and restructuring and special charges	63,810	75,262	196,189	251,144
Depreciation and amortization	21,161	19,723	60,045	56,073
Restructuring and special charges	9,113	2,746	13,666	12,645
Income from operations	33,536	52,793	122,478	182,426
Financial charges, net	14,775	16,009	45,630	54,874
Earnings before income taxes and earnings from investments in associates	18,761	36,784	76,848	127,552
Provision for income taxes	5,606	10,242	21,659	34,415
Earnings from investments in associates	–	–	–	(178)
Net earnings	$ 13,155	$ 26,542	$ 55,189	$ 93,315
Basic earnings per share	$ 0.49	$ 0.98	$ 2.07	$ 3.43
Diluted earnings per share	$ 0.44	$ 0.84	$ 1.80	$ 2.93

As at September 30,	2015	2014
Total assets	$ 1,757,811	$ 1,759,226
Long-term debt (including current portion, excluding exchangeable debentures)	$ 473,422	$ 573,523
Exchangeable debentures	$ 90,084	$ 88,606

ANALYSIS OF CONSOLIDATED OPERATING AND FINANCIAL RESULTS

Revenues

Revenues decreased by 3.6% year-over-year to reach $210.6 million during the third quarter of 2015. This compares to $218.4 million for the same period last year. For the nine-month period ended September 30, 2015, revenues decreased by 6.2% to $621.3 million, as compared to $662.2 million for the same period last year. Revenues remain adversely impacted by a lower customer count of our YP core business and a decrease in print spending among the Company's customers.

Digital revenues grew by 12.5% year-over-year to reach $127.8 million during the third quarter of 2015, as compared to $113.6 million for the same period last year. Digital revenues as a percentage of total revenues also increased, reaching 60.7% of consolidated revenues for the quarter ended September 30, 2015, as compared to 52% for the same period last year. Growth in digital revenues was driven by the acquisition of CFDP on July 1, 2015, accelerated customer acquisition and growth in digital spending among the Company's renewing customers. Excluding CFDP, digital revenues for the third quarter grew by approximately 4% year-over-year.

Growth in the customer count is a key long-term driver of sustainable digital revenue growth. The Company continues to enhance brand recognition, introduce new digital solutions and enhance sales, customer service and fulfillment efforts to accelerate the annual run-rate of customer acquisition and promote customer retention (see Performance Relative to Business Strategy: Enhancing its Customer Value Proposition). The customer count of Yellow Pages' core business totalled 246,000 as at September 30, 2015. This represents a customer count decline of 14,000 customers experienced during the twelve-month period ended September 30, 2015, a significant improvement relative to 23,000 customers lost during the same period last year.

Supported by customer acquisition and retention, digital-only customers of our core business grew to 49,100, or 20% of the customer base, as at September 30, 2015. This is up from 32,700 digital-only customers, or 13% of the customer base, as at the same time last year. As new digital customers are acquired and print customers continue to migrate to YP's digital offers, YP's online and mobile priority placement solutions continue to be the most adopted digital solutions by merchants. Penetration of YP's online and mobile priority placement solutions reached 60% and 27%, respectively, as at September 30, 2015, as compared to 55% and 23%, respectively, at the same time last year. Growth in adoption of the Company's online and mobile priority placement solutions is key to supporting Yellow Pages' long-term profitability. These solutions are currently the most profitable of the Company's offerings, as they leverage Yellow Pages' growing base of organic and direct traffic to generate ROI for its customers.

In addition to customer acquisition, upselling customers is critical to the delivery of long-term sustainable digital revenue growth. By delivering enhanced ROI to newly acquired customers, Yellow Pages anticipates to retain and grow these customers' annual spending during their lifecycle. Over the twelve-month period ended September 30, 2015, 44% of YP's renewing customer base experienced a year-over-year increase in annual spending. This compares to 27% of renewing YP customers having experienced a year-over-year increase in annual spending over the same period last year.

Lastly, print revenue declines continue to show signs of stabilization. For the third quarter of 2015, print revenues decreased 21% year-over-year to reach $82.8 million. The stabilization in print revenue decline rates is supported by content enhancement and pricing initiatives that are protecting usage of the print directory and encouraging renewal of print advertising spending among customers. The Print Product Simplification (PPS) initiative has helped protect print revenue declines across rural and urban markets nationwide by increasing print advertisement sizes at little to no incremental cost to the customer. In conjunction, usage continues to be supported by the publication of enhanced editorial content and a more engaging magazine-like experience across directories.

CUSTOMER PENETRATION[1]

As at September 30,	2015	2014
Print	80%	87%
Owned and Operated Digital Media[2]	65%	63%
Online priority placement	60%	55%
Mobile priority placement	27%	23%
Legacy	1%	6%
Digital Services[3]	10%	10%

SPENDING DYNAMICS[1]

For the twelve-month periods ended September 30,	2015	2014
Amongst Renewing Customers[1]		
Increase in spending[4]		
Customer distribution	44%	27%
% of revenues	32%	29%
Stable spending[5]		
Customer distribution	38%	55%
% of revenues	28%	29%
Decrease in spending[6]		
Customer distribution	18%	18%
% of revenues	40%	42%
Average Revenue per Customer (ARPC)[7]	$ 2,970	$ 3,097

OPERATIONAL INDICATORS

As at September 30,	2015	2014
YP 360º Solution Penetration[1]	38.4%	34.9%
Digital-only customers[1]	49,100	32,700
Digital revenues (in thousands of Canadian dollars)[8]	$ 127,813	$ 113,617
Digital revenues as a percentage of total revenues[8]	60.7%	52%

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

2 *Percentage of YP customers purchasing at least one Online Priority Placement, Mobile Priority Placement, PresenceEssential/PresencePro, 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 *The ARPC for the twelve-month period ended September 30, 2014 was restated to exclude the contribution of Mediative.*

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

Adjusted EBITDA

Adjusted EBITDA decreased by $11.5 million to $63.8 million during the third quarter of 2015, compared with a decline of $26.9 million to $75.3 million for the same period in 2014. This represents a year-over-year decline of 15.2% during the third quarter of 2015, as compared to a year-over-year decline of 26.3% the year prior. For the nine-month period ended September 30, 2015, Adjusted EBITDA decreased to $196.2 million compared with $251.1 million for the same period last year. Our Adjusted EBITDA margin for the third quarter of 2015 was 30.3% compared to 34.5% for the third quarter of 2014 and reached 31.6% for the nine-month period ended September 30, 2015 compared with 37.9% for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three and nine-month periods ended September 30, 2015 is due mainly to lower print revenues and a change in product mix, partly offset by cost saving initiatives. The Adjusted EBITDA margin was also adversely impacted by the Company's Mediative, 411.ca and CFDP operations, which operate at lower Adjusted EBITDA margins relative to Yellow Pages' core business.

Cost of sales increased by $4.3 million to $82.7 million during the third quarter of 2015 compared with $78.5 million for the same period in 2014 and increased by $10.3 million to $237.7 million during the nine-month period ended September 30, 2015 compared with $227.4 million for the same period last year. The increase for the quarter ended September 30, 2015 is due primarily to the acquisition of CFDP on July 1, 2015 and a change in product mix, partly offset by cost savings generated from print optimization initiatives. The increase for the nine-month period ended September 30, 2015 results mainly from the acquisitions of 411.ca and CFDP, as well as a change in product mix, partly offset by cost savings generated from print optimization initiatives.

Gross profit margin decreased to 60.7% for the third quarter of 2015 compared to 64.1% for the same period last year and decreased to 61.7% for the nine-month period ended September 30, 2015 compared to 65.7% for the same period last year. The decrease for the third quarter ended September 30, 2015 is primarily due to a change in product mix and the acquisition of CFDP, partly offset by cost saving initiatives. The decrease for the nine-month period ended September 30, 2015 is also impacted by the acquisition of 411.ca on June 1, 2014.

General and administrative expenses decreased by $0.7 million to $64 million during the third quarter of 2015 compared with $64.7 million for the same period in 2014. General and administrative expenses increased by $3.7 million to $187.4 million during the nine-month period ended September 30, 2015 compared with $183.7 million for the same period last year. The decrease for the three-month period ended September 30, 2015 is mainly caused by cost saving initiatives, such as amendments to our pension and post-retirement benefit plans, and lower branding expenditures due to timing of investments, offset by additional expenses associated with the acquisition of CFDP. The increase for the nine-month period ended September 30, 2015 is mainly attributable to expenses associated with CFDP and investments in the Company's digital transformation, partly offset by cost savings associated with amendments to our pension and post-retirement benefit plans.

Depreciation and amortization

Depreciation and amortization increased to $21.2 million during the third quarter of 2015 compared to $19.7 million in the third quarter of 2014 and increased to $60 million for the nine-month period ended September 30, 2015 compared with $56.1 million for the same period last year. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms as the Company executes its digital transformation.

Restructuring and special charges

During the three and nine-month periods ended September 30, 2015, we recorded restructuring and special charges of $9.1 million and $13.7 million, respectively, (2014 - $2.7 million and $12.6 million, respectively) associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with business acquisitions.

Financial charges

Financial charges decreased by $1.2 million to $14.8 million during the third quarter of 2015 compared with $16 million for the same period in 2014 and decreased by $9.2 million to $45.6 million during the nine-month period ended September 30, 2015 compared to $54.9 million for the same period last year. The decrease is mainly attributable to a lower level of indebtedness. As at September 30, 2015, the effective average interest rate on our debt portfolio was 9% compared to 9.1% as at September 30, 2014.

Provision for income taxes

The combined statutory provincial and federal tax rates were 26.7% and 26.5% for the three and nine-month periods ended September 30, 2015 and 2014, respectively. The Company recorded an expense of 29.9% and 28.2% of earnings for the three and nine-month periods ended September 30, 2015, respectively. The difference between the effective and the statutory rates for the three and nine-month periods ended September 30, 2015 is due to the non-deductibility of certain expenses for tax purposes. In the third quarter of 2015, an additional deferred income tax liability was recorded due to the increase in the statutory tax rate of the province of Alberta.

The Company recorded an expense of 27.8% and 27% of earnings for the three and nine-month periods ended September 30, 2014, respectively. The difference between the effective and the statutory rates for the three and nine-month periods ended September 30, 2014 is due to the non-deductibility of certain expenses for tax purposes.

Earnings from investments in associates

On June 1, 2014, we acquired the remaining 70% interest in 411.ca, whose results are now consolidated within YP. We recorded earnings of $0.2 million for the period from January 1, 2014 up to the acquisition date.

Net earnings

We recorded net earnings of $13.2 million during the third quarter of 2015 compared with $26.5 million for the same period last year. For the nine-month period ended September 30, 2015, net earnings decreased to $55.2 million from $93.3 million for the same period last year. The decrease for the quarter is principally explained by lower Adjusted EBITDA and higher restructuring and special charges. The decrease for the nine-month period ended September 30, 2015 is mainly due to lower Adjusted EBITDA, partly offset by lower financial charges.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

QUARTERLY RESULTS

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

			2015				2014	2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	$ **210,593**	$ 204,771	$ 205,902	$ 215,319	$ 218,427	$ 220,579	$ 223,203	$ 237,951
Operating costs	**146,783**	143,178	135,116	150,487	143,165	139,318	128,582	146,698
Income from operations before depreciation and amortization, and restructuring and special charges (Adjusted EBITDA)	**63,810**	61,593	70,786	64,832	75,262	81,261	94,621	91,253
Adjusted EBITDA margin	**30.3%**	30.1%	34.4%	30.1%	34.5%	36.8%	42.4%	38.3%
Depreciation and amortization	**21,161**	20,212	18,672	22,003	19,723	18,146	18,204	16,106
Restructuring and special charges	**9,113**	2,551	2,002	5,714	2,746	6,784	3,115	13,134
Income from operations	**33,536**	38,830	50,112	37,115	52,793	56,331	73,302	62,013
Net earnings	**13,155**	16,510	25,524	95,225	26,542	27,551	39,222	30,964
Basic earnings per share attributable to common shareholders	$ **0.49**	$ 0.62	$ 0.95	$ 3.53	$ 0.98	$ 1.01	$ 1.43	$ 1.11
Diluted earnings per share attributable to common shareholders	$ **0.44**	$ 0.54	$ 0.81	$ 2.88	$ 0.84	$ 0.87	$ 1.22	$ 0.97

Revenues decreased throughout the quarters, principally impacted by an overall loss of customers, as well as a decline in spending among our larger customers. Revenues for the fourth quarter of 2013 were favourably impacted by non-recurring print revenues. Revenues in the third quarter of 2015 were favourably impacted by the acquisition of CFDP on July 1, 2015.

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

Operating costs in the fourth quarter of 2013 were negatively impacted by non-recurring legal provisions and a sales tax assessment, while these costs in the first quarter of 2014 were favourably impacted by a non-recurring benefit associated with the positive outcome of a litigation. Operating costs in the first and third quarters of 2015 were positively impacted by amendments to our pension and post-retirement benefit plans, while the third quarter of 2015 was also negatively impacted by the costs associated with CFDP, acquired on July 1, 2015.

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

As 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 2014 were positively impacted by a recovery of income taxes of $84.8 million related to the cancellation of certain income tax liabilities following the settlement of tax assessments.

3. LIQUIDITY AND CAPITAL RESOURCES

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

FINANCIAL POSITION

CAPITAL STRUCTURE

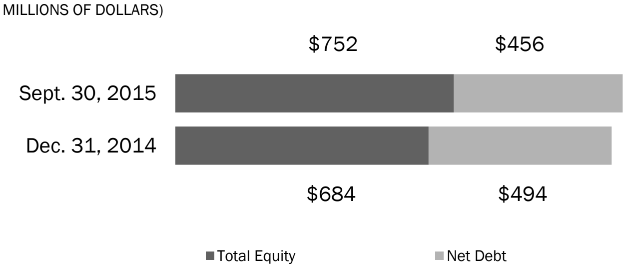
(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PERCENTAGE INFORMATION)

As at	September 30, 2015	December 31, 2014
Cash	$ 107,705	$ 102,776
Senior secured notes	$ 472,805	$ 507,014
Exchangeable debentures	90,084	88,959
Obligations under finance leases	617	897
Net debt, net of cash[1]	$ 455,801	$ 494,094
Equity	751,628	684,180
Total capitalization	$ 1,207,429	$ 1,178,274
Net debt to total capitalization	37.7%	41.9%

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

CAPITAL STRUCTURE

(IN MILLIONS OF DOLLARS)



As at September 30, 2015, Yellow Pages had $455.8 million of net debt, compared to $494.1 million as at December 31, 2014.

The net debt to Latest Twelve Month Adjusted EBITDA[1,2] ratio as at September 30, 2015 was 1.7 times compared to 1.6 times as at December 31, 2014. The increase is due to the acquisition of CFDP, which resulted in a cash outflow of $50 million during the second quarter of 2015.

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

[2] *Latest twelve month income from operations before depreciation and amortization, and restructuring and special charges (Latest Twelve Month 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.*

Asset-Based Loan

In August 2013, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, entered into a five-year $50 million asset-based loan (ABL) expiring in August 2018. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is secured by a first priority lien over the receivables of the Company. The ABL is subject to an availability reserve of $5 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at September 30, 2015, the Company had $4.2 million of letters of credit issued and outstanding. As such, $45.8 million of the ABL was available as at September 30, 2015. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

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

Senior Secured Notes

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

The Company anticipates making a payment of $66.1 million on November 30, 2015. Following this payment, the Company will have repaid a total of $100.3 million in 2015 and $393.3 million since December 20, 2012 of its Senior Secured Notes, thereby reducing the balance from $800 million to $406.7 million as at November 30, 2015.

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

Mandatory Redemption

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

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

Optional Redemption

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

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

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

Exchangeable Debentures

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

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

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

Exchange Option

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

Optional Redemption

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

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

CREDIT RATINGS

DBRS LIMITED	STANDARD AND POOR'S RATING SERVICES
B/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 November 10, 2015, the Company had approximately $102.8 million of cash and $45.8 million available under the ABL.

Options

On December 20, 2012, as part of the implementation of Yellow Pages' recapitalization transaction, a new stock option plan (the Stock Option Plan) was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees (the Participants) of Yellow Pages who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Pages through the transition and transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan.

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

Share data

As at November 11, 2015, outstanding share data was as follows:

OUTSTANDING SHARE DATA

As at	November 11, 2015	September 30, 2015	December 31, 2014
Common shares outstanding	28,052,544	28,018,419	27,976,661
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,498	2,995,498	2,995,506
Stock options outstanding[2]	534,325	568,450	480,200

[1] *As at November 11, 2015, Yellow Pages had $107.1 million principal amount of Exchangeable Debentures outstanding, which amount is exchangeable into 5,624,422 common shares of Yellow Pages Limited at an exchange price of $19.04, subject to adjustment for specified transactions pursuant to the indenture governing the Exchangeable Debentures.*

[2] *Included in the stock options outstanding balance of 534,325 as at November 11, 2015 and 568,450 as at September 30, 2015 are 89,375 and 123,500 stock options exercisable as at those same dates, respectively. There were no stock options exercisable as at December 31, 2014.*

SOURCES AND USES OF CASH

(IN THOUSANDS OF CANADIAN DOLLARS)

For the nine-month periods ended September 30,	2015	2014
Cash flows from operating activities		
Cash flows from operations	$ 155,398	$ 122,670
Change in operating assets and liabilities	(249)	3,271
	$ 155,149	$ 125,941
Cash flows used in investing activities		
Additions to intangible assets	$ (53,436)	$ (44,059)
Acquisition of property and equipment	(4,817)	(5,456)
Business acquisitions, net of cash acquired	(51,063)	(22,698)
Proceeds from the settlement of a note receivable	—	14,100
	$ (109,316)	$ (58,113)
Cash flows used in financing activities		
Repayment of long-term debt	$ (34,489)	$ (73,945)
Purchase of restricted shares	(6,838)	(12,450)
Issuance of common shares upon exercise of stock options	423	—
	$ (40,904)	$ (86,395)

Cash flows from operating activities

Cash flows from operations

Cash flows from operations increased by $32.7 million from $122.7 million for the nine-month period ended September 30, 2014 to $155.4 million for the same period in 2015. Cash flows generated from income taxes increased by $84 million, mainly due to net income taxes received of $32.5 million during the nine-month period ended September 30, 2015 as a result of a tax settlement covering prior years, compared to net income taxes paid of $51.5 million during the nine-month period ended September 30, 2014 relative to the 2013 taxation year for which no installments had been made. This amount was offset by lower cash Adjusted EBITDA of $54.9 million.

Change in operating assets and liabilities

The change in operating assets and liabilities for the nine-month period ended September 30, 2015 generated an outflow of $0.2 million compared with an inflow of $3.3 million for the same period last year. The outflow for the nine-month period ended September 30, 2015 is due principally to the increased level of payment of variable compensation, partially offset by the improved collection experience of our trade receivables. The inflow for the nine-month period ended September 30, 2014 is due primarily to the favourable timing in the payment of accounts payable and certain provisions as well as a decrease in our trade receivables resulting from lower revenues.

Cash flows used in investing activities

Cash used in investing activities amounted to $109.3 million for the nine-month period ended September 30, 2015 as compared with $58.1 million for the same period last year. During the nine-month period ended September 30, 2015, we invested in software development and ISIT equipment in the amount of $53.4 million and $4.8 million, respectively, as compared to $44.1 million and $5.5 million, respectively, during the same period last year. Capital expenditures incurred in the nine-month periods ended September 30, 2014 and 2015 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.

On July 1, 2015, we acquired all the shares of the CFDP network for a purchase price of $50.2 million. During the second quarter of 2014, we acquired the remaining interest in 411.ca for a net consideration of $22.7 million, which was partly offset by cash proceeds of $14.1 million received resulting from the settlement of a note receivable.

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

Cash flows used in financing activities

Cash used in financing activities amounted to $40.9 million during the nine-month period ended September 30, 2015 compared to $86.4 million for the same period last year. During the second quarter of 2015, we repaid $34.2 million of the Senior Secured Notes compared to $73.5 million for the same period last year. During the nine-month period ended September 30, 2015, we purchased common shares of Yellow Pages Limited on the open market to fund the Restricted Share Unit and Performance Share Unit Plan at a cost of $6.8 million compared to $12.5 million during the same period last year. During the nine-month period ended September 30, 2015, 41,750 stock options were exercised for cash proceeds of $0.4 million.

FINANCIAL AND OTHER INSTRUMENTS

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

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

Derivative Instruments

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

4. FREE CASH FLOW

FREE CASH FLOW
(IN THOUSANDS OF CANADIAN DOLLARS)

For the three and nine-month periods ended September 30,	2015	2014	2015	2014
Cash flow from operating activities	$ **54,287**	$ 57,208	$ **155,149**	$ 125,941
Capital expenditures, net of lease inducements	**19,662**	19,567	**58,253**	49,515
Free cash flow	$ **34,625**	$ 37,641	$ **96,896**	$ 76,426

5. CRITICAL ASSUMPTIONS

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

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

ACCOUNTING STANDARDS

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

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

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

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

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

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

These amendments are effective for annual periods beginning on or after January 1, 2016, and are not expected to have a significant impact on the financial statements of Yellow Pages Limited.

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

IFRS 9 — *Financial Instruments*

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

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

6. RISKS AND UNCERTAINTIES

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

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

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

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

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

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

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful.

7. CONTROLS AND PROCEDURES

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