MANAGEMENT'S DISCUSSION AND ANALYSIS

May 8, 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 three-month period ended March 31, 2015 and should be read in conjunction with our Audited Consolidated Financial Statements and MD&A for the year ended December 31, 2014 as well as our unaudited interim condensed financial statements and accompanying notes for the period ended March 31, 2015. Quarterly reports, the annual report and Supplemental Disclosure can be found under the "Financial Reports" 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), and Bookenda Limited, formerly 4400348 Canada Inc. (Bookenda)).

FORWARD-LOOKING INFORMATION

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

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

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

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

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

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

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

DEFINITIONS RELATIVE TO UNDERSTANDING OUR RESULTS

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

We report on our EBITDA (Income from operations before depreciation and amortization, and restructuring and special charges). EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income from operations or net earnings in the context of measuring Yellow Pages' performance. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, taxes, interest payments, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 15 of this MD&A.

Free cash flow

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

This MD&A is divided into the following sections:

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

1. OUR BUSINESS

OUR BUSINESS

Yellow Pages is a leading media and marketing solutions company in Canada, offering small and medium-sized enterprises (SMEs) services to help them connect with local consumers. Through its sales force of 1,100 media account consultants (MACs) and sales support staff, the Company currently serves approximately 251,000 local businesses across Canada. This large and primarily face-to-face sales force is broken down into various channels in order to provide customers with a more targeted and specialized level of service. Yellow Pages 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.

Since 2014, the Company offers increasingly targeted solutions to SMEs and users across a number of verticals. Over the course of 2015, to support this verticalization strategy, the Company will be developing new digital properties in the real estate, dining, retail, leisure and home services sectors.

As of today, through its Mediative division, the Company provides national-scale businesses with high-end, customizable digital marketing and performance media services. The Company's Yellow Pages NextHome subsidiary also caters to the Canadian real estate industry by offering media and advertising solutions to help construction leaders, real estate brokers and agents, landlords and property management firms to connect with prospective buyers, sellers and renters. Following the acquisitions of dine.TO and Bookenda in December 2014, Yellow Pages is now able to offer a comprehensive suite of digital solutions specialized for the restaurant industry.

Yellow Pages' database of local merchant information contains 1.8 million business listings, making it one of the largest in Canada. This content reaches Canadian audiences via the following desktop and mobile properties, in addition to the Yellow Pages™ and Yellow Pages NextHome print publications.

- 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, alongside access to product catalogues from local and national retailers Canada-wide;

- YP Dine™ – Currently available within the Montreal market, the YP Dine mobile application allows users to discover, search for and book local restaurants based on time of day, mood, purpose and expert suggestions;

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

- C411 – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;

- 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, Renters Guide and New Home & Condo Guide;

- 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; 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 first 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

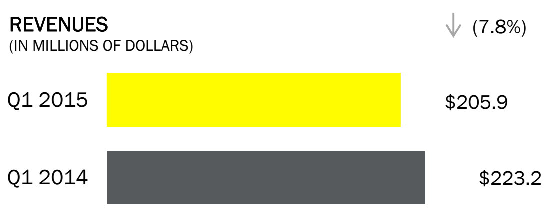
- Revenues decreased by $17.3 million or 7.8% to $205.9 million compared to the first quarter of 2014.
- Income from operations before depreciation and amortization and restructuring and special charges (EBITDA) decreased by $23.8 million or 25.2% to $70.8 million compared to the first quarter of 2014.
- Digital revenues represented 54.8% of consolidated revenues for the three-month period ended March 31, 2015, up from 46.6% for the same period in 2014.

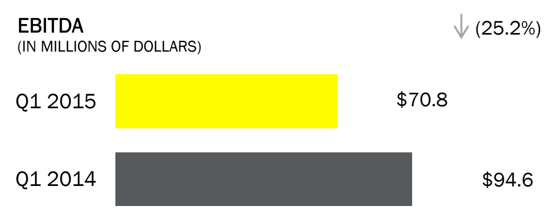
HIGHLIGHTS

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

	Three-month periods ended March 31,	
	2015	2014
Revenues	**$ 205,902**	$ 223,203
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	**$ 70,786**	$ 94,621
EBITDA margin	**34.4%**	42.4%
Net earnings	**$ 25,524**	$ 39,222
Basic earnings per share	**$ 0.95**	$ 1.43
Cash flows from operating activities	**$ 62,834**	$ 10,910
Free cash flow[1]	**$ 44,892**	$ (3,298)

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





PERFORMANCE RELATIVE TO BUSINESS STRATEGY

Yellow Pages introduced the Return to Growth Plan (the Plan) in early 2014 to accelerate its digital transformation, promote revenue and profitability growth, and help the Company gain a leadership position within Canada's local digital advertising market.

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

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

Extending its Brand Promise

The Company is actively investing in growing digital awareness of the Yellow Pages brand among both Canadian consumers and SMEs. During the first quarter of 2015, Yellow Pages launched a media campaign dedicated at increasing user adoption of the YP and YP Shopwise mobile applications. This campaign has been rolled out across four major Canadian markets to date, including Vancouver, Calgary, Toronto and Montreal, and is comprised of more frequent and visible out-of-home, radio and digital performance media advertisements. On the merchant front, and in association with provincial Chambers of Commerce, the Company continues to host information sessions Canada-wide to promote its digital solutions to local SMEs and position itself as an expert in local digital marketing.

Aligned with the Company's strategy of simplifying its brand architecture, Wall2Wall Media Inc. announced a corporate name change to Yellow Pages NextHome in March 2015. This follows the Company's decision in 2014 to change its holding name to Yellow Pages Limited and rename its yellowpages.ca and ShopWise digital properties to YP and YP Shopwise, respectively. The above mentioned initiatives better leverage the power of the Yellow Pages brand across the Company's media properties and marketing solutions, ultimately leading to enhanced brand awareness and recognition.

Strengthening its Media Assets

Growth in adoption and usage of the Company's digital properties is critical to providing customers with improved ROI. In conjunction, it remains a key driver of profitability, as revenues sourced from the sale of online and mobile priority placement solutions deliver gross margins in line with those generated from the sale of print products. The Company aims to grow traffic across its network of online and mobile properties by introducing verticalized experiences that better address Canadians' targeted shopping needs. In addition, Yellow Pages will continue to deliver engaging user experiences across these properties by publishing rich and differentiated content that encourages local neighbourhood discovery. For the three-month period ended March 31, 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 104 million. This represents a year-over-year growth of 10.5% relative to 94.1 million visits for the same period in 2014.

Supported by the acquisitions of Bookenda and the dine.TO assets in December 2014, the Company launched its first restaurant and dining application, YP Dine, in March 2015. Available on iOS, YP Dine is designed to help Canadians discover and make dining choices in and around their neighbourhoods. In addition to standard search functionalities, the application provides users with dining recommendations based on time of day, mood, or activity. YP Dine also integrates editorial content written by notable local chefs, restaurant owners, and food bloggers, while incorporating transactional functionalities that allow users to access local deals and make reservations directly from their mobile phones. YP Dine is currently available in the Montreal market, with content specific to Toronto, Vancouver and Calgary to be introduced by summer 2015. The launch of YP Dine is an extension of the Company's commitment to deliver richer, more verticalized search experiences to Canadian users. YP Dine is the second property developed as part of the Company's verticalization strategy, with the YP Shopwise retail application having been redesigned in October 2014. Over the course of 2015, Yellow Pages will be enhancing these existing properties, while also launching new digital properties in the real estate, leisure and home services sectors.

The Company continues to invest in the development of richer content to grow user engagement and frequency of visits on its network of digital properties. These investments allow Yellow Pages' media to extend beyond traditional business search by providing Canadians with tools that help them discover their neighbourhoods, interact with local merchants and make smarter spending decisions. Yellow Pages' network of digital properties currently holds one of the country's largest databases of merchant information, containing over 1.8 million business listings and 770,000 comprehensive merchant profiles. The publication of editorial content also continues to grow, with 8,000 articles on local merchants, expert shopping tips and business recommendations now available on the Company's websites and mobile applications.

Enhancing its Customer Value Proposition

Growing the customer base remains a key driver in Yellow Pages' ability to return to revenue and EBITDA growth in 2018.

Growth in the customer count remains heavily dependent on the Company's ability to accelerate customer acquisition. For the twelve-month period ended March 31, 2015, the Company acquired 23,700 new customers, up from 16,500 for the same period last year and 22,100 for the year ended December 31, 2014. The acquisition of new customers continues to be supported by a growing acquisition sales team, a stronger self-prospecting culture as well as the launch of new digital solutions, sales technologies and branding campaigns, In April 2015, Yellow Pages launched a content syndication solution, PresencePro, which allows merchants to grow their digital footprint and be discovered by consumers across Canada's most trafficked digital properties. As part of the PresencePro solution, Yellow Pages serves as merchants' single-point of contact for developing rich, engaging business profiles. In conjunction, Yellow Pages will regularly update and syndicate the content found on these profiles, making it available across YP's owned and operated media and over forty network partners including Google, Foursquare, Yahoo and MapQuest. New functionalities made available on the Company's customer relationship management (CRM) platform have also played a key role in accelerating customer acquisition by encouraging self-prospecting, improving visibility on and management of new, incoming leads and optimizing conversion rates across sales channels.

Returning to a growth in customer count is also dependent on the Company's ability to protect customer retention. For the twelve-month periods ended March 31, 2015 and 2014, renewal among YP's customers remained stable at 85%. The Company aims to limit customer churn via the delivery of an improved end-to-end customer experience. Technologies and processes are presently being deployed across all customer facing teams to boost productivity, improve service levels and deliver higher quality digital solutions. New features are also being introduced within the Company's business-to-business 360º Business Centre (http://businesscentre.yp.ca/) to better address the evolving needs of digital customers. Today, the 360º Business Centre provides merchants with access to various self-serve functionalities such as the ability to update and add content to their profiles, track the performance of their marketing campaigns and pay their invoices online. To further encourage customer adoption of YP's solutions, the 360º Business Centre also allows prospective customers to claim their YP business listing, chat with advertising experts, and now include the purchase of entry-level placement solutions directly through the online portal.

CUSTOMER ACQUISITION AND RENEWAL[1]

	Twelve-month periods ended March 31,	
	2015	2014
Customer count	251,000	270,000
New customers	23,700	16,500
Customer renewal rate	85%	85%

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

Gaining Efficiencies

The Company is actively investing to streamline operations across the organization. A new print directory distribution model has been implemented to promote alignment with consumer usage, resulting in a lower number of directories currently being printed and circulated. All legacy print publishing systems and aging information systems and information technology (ISIT) datacenters are also gradually being decommissioned and replaced, while various sales, customer service and digital fulfillment processes continue to be standardized and optimized.

CONSOLIDATED OPERATING AND FINANCIAL RESULTS

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

For the three-month periods ended March 31,		2015		2014
Revenues	$	205,902	$	223,203
Operating costs		135,116		128,582
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)		70,786		94,621
Depreciation and amortization		18,672		18,204
Restructuring and special charges		2,002		3,115
Income from operations		50,112		73,302
Financial charges, net		14,724		19,412
Earnings before income taxes and earnings from investments in associates		35,388		53,890
Provision for income taxes		9,864		14,912
Earnings from investments in associates		–		(244)
Net earnings	$	25,524	$	39,222
Basic earnings per share	$	0.95	$	1.43
Diluted earnings per share	$	0.81	$	1.22
Total assets	$	1,751,857	$	1,777,706
Long-term debt (including current portion, excluding exchangeable debentures)	$	507,810	$	647,328
Exchangeable debentures	$	89,325	$	88,250

ANALYSIS OF CONSOLIDATED OPERATING AND FINANCIAL RESULTS

Revenues

Revenues decreased by 7.8% year-over-year to reach $205.9 million during the first quarter of 2015. This compares favourably to a year-over-year decline of 11.9% in the first quarter 2014. Revenues remain principally impacted by an overall loss in customers, as well as a decline in spending among our larger customers. In response, the Company continues to invest in accelerating the annual run-rate of new customer acquisition and delivering an improved experience to current and prospective clients. Investments in customer acquisition and retention are geared to returning Yellow Pages to a growth in customer count by 2017, and ultimately growth in consolidated revenues in 2018.

Digital revenues grew by 8.6% year-over-year to reach $112.9 million during the first quarter of 2015. This compares to $104 million for the same period last year. Digital revenues as a percentage of total revenues also increased, reaching 54.8% of consolidated revenues for the quarter ended March 31, 2015, as compared to 46.6% for the same period last year. Growth in digital revenues remain driven by the ongoing migration of customers' print spend towards the Company's digital solutions, as well as by customer acquisition.

Customer penetration of the YP 360º Solution, defined as YP customers purchasing three product categories or more, grew to 37.6% as at March 31, 2015, up from 29.9% for the same period last year. Yellow Pages' highest adopted digital solutions remain its owned and operated priority placement products, whose customer penetration grew from 61% last year to 64% as at March 31, 2015. In particular, adoption of YP's mobile priority placement products saw strong growth, with customer penetration reaching 25% as at March 31, 2015, up from 18% for the prior year. Accelerated customer acquisition is also helping protect consolidated digital revenue growth, as the majority of new customers principally purchase digital solutions. As at March 31, 2015, digital-only customers grew to 40,800, as compared to 26,100 for the same time last year. Digital-only customers represented 16% of YP's customer base as at March 31, 2015, up from 10% for the same period in 2014.

Albeit declining, print revenue decline rates are stabilizing. For the first quarter of 2015, print revenues decreased 22% year-over-year to reach $93 million. The Company continues to implement initiatives targeted at protecting print revenue decline rates. Following its success in 2014, Yellow Pages is currently expanding its Print Product Simplification (PPS) initiative to nearly all rural and urban markets in 2015. By increasing print advertisement sizes at little to no incremental cost to the customer, PPS protects customer renewal while preserving content and promoting usage of the print directory. PPS also simplifies the selling process for our MACs by reducing the number of print offers available for sale.

CUSTOMER PENETRATION[1]

	As at March 31,	
	2015	2014
Print	84%	90%
Owned and Operated Digital Media[2]	64%	61%
Online priority placement	58%	50%
Mobile priority placement	25%	18%
Legacy	3%	10%
Digital Services[3]	10%	9%

SPENDING DYNAMICS[1]

	Twelve-month periods ended March 31,	
	2015	2014
Amongst Renewing Customers[1]		
Increase in spending[4]		
Customer distribution	35%	26%
% of revenues	30%	29%
Stable spending[5]		
Customer distribution	47%	55%
% of revenues	30%	27%
Decrease in spending[6]		
Customer distribution	18%	19%
% of revenues	40%	44%
Average Revenue per Customer (ARPC)[7]	$ 3,038	$ 3,116

OPERATIONAL INDICATORS

	As at March 31,	
	2015	2014
YP 360º Solution Penetration[1]	37.6%	29.9%
Digital-only customers[1]	40,800	26,100
Digital revenues (in thousands of Canadian dollars)[8]	$ 112,875	$ 103,952
Digital revenues as a percentage of total revenues[8]	54.8%	46.6%

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

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

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

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

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

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

7 *The ARPC for the twelve-month period ended March 31, 2014 was restated to exclude the contribution of Mediative.*

8 *For the three-month periods ended March 31.*

EBITDA

EBITDA decreased by $23.8 million to $70.8 million during the first quarter of 2015 compared with $94.6 million for the same period in 2014. Our EBITDA margin for the first quarter of 2015 was 34.4% compared to 42.4% for the first quarter of 2014. The decrease in EBITDA is due mainly to lower print revenues combined with investments in customer acquisition, customer support, branding and ISIT costs.

Cost of sales increased by $1.3 million to $75.4 million during the first quarter of 2015 compared with $74.1 million for the same period in 2014. The increase for the quarter results mainly from expenses related to 411.ca, a company acquired in June 2014.

Gross profit margin decreased to 63.4% for the first quarter of 2015 compared to 66.8% for the same period last year. The decrease is primarily due to a decline in print revenues.

General and administrative expenses increased by $5.2 million to $59.7 million during the first quarter of 2015 compared with $54.4 million for the same period in 2014. The increase is mainly attributable to investments related to the Company's digital transformation and a non-recurring benefit associated with the positive outcome of a litigation in the first quarter of 2014. These increased general and administrative expenses were partially offset by a non-cash benefit of $3.5 million resulting from the amendments to certain of our employees' pension and post-retirement benefits.

Depreciation and amortization

Depreciation and amortization remained relatively stable at $18.7 million during the first quarter of 2015 compared to $18.2 million in the first quarter of 2014.

Restructuring and special charges

During the first quarter of 2015, we recorded restructuring and special charges of $2 million associated primarily with internal reorganizations and workforce reductions. During the first quarter of 2014, we recorded restructuring and special charges of $3.1 million related to the termination of certain lease obligations as well as internal reorganizations.

Financial charges

Financial charges decreased by $4.7 million to $14.7 million during the first quarter of 2015 compared with $19.4 million for the same period in 2014. The decrease is mainly attributable to a lower level of indebtedness. As at March 31, 2015, the effective average interest rate on our debt portfolio was 9% compared to 9.1% as at March 31, 2014.

Provision for income taxes

The combined statutory provincial and federal tax rates were 26.6% and 26.5% for the three-month periods ended March 31, 2015 and 2014, respectively. The Company recorded an expense of 27.9% and 27.7% of earnings for the three-month periods ended March 31, 2015 and 2014, respectively. The difference between the effective and the statutory rates for the first quarters of 2015 and 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. During the first quarter of 2014, we recorded earnings from our investments in associates of $0.2 million.

Net earnings

We recorded net earnings of $25.5 million during the first quarter of 2015 compared with $39.2 million for the same period last year. The decrease for the quarter is principally explained by lower EBITDA.

SUMMARY OF CONSOLIDATED QUARTERLY RESULTS

QUARTERLY RESULTS

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

	2015		2014				2013	
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	**$ 205,902**	$ 215,319	$ 218,427	$ 220,579	$ 223,203	$ 237,951	$ 237,350	$ 243,183
Operating costs	**135,116**	150,487	143,165	139,318	128,582	146,698	135,203	135,949
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	**70,786**	64,832	75,262	81,261	94,621	91,253	102,147	107,234
EBITDA margin	**34.4%**	30.1%	34.5%	36.8%	42.4%	38.3%	43%	44.1%
Depreciation and amortization	**18,672**	22,003	19,723	18,146	18,204	16,106	15,589	14,779
Restructuring and special charges	**2,002**	5,714	2,746	6,784	3,115	13,134	4,011	–
Income from operations	**50,112**	37,115	52,793	56,331	73,302	62,013	82,547	92,455
Net earnings	**25,524**	95,225	26,542	27,551	39,222	30,964	41,775	50,326
Basic earnings per share attributable to common shareholders	**$ 0.95**	$ 3.53	$ 0.98	$ 1.01	$ 1.43	$ 1.11	$ 1.51	$ 1.81
Diluted earnings per share attributable to common shareholders	**$ 0.81**	$ 2.88	$ 0.84	$ 0.87	$ 1.22	$ 0.97	$ 1.30	$ 1.55

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

Our EBITDA margin decreased throughout the quarters reflecting declining print revenues and the loss of margin from a change in product mix. The second, third and fourth quarters of 2014 were also negatively impacted by an increasing level of investments in our transformation. Our EBITDA margin increased in the first quarter of 2015, principally related to the timing of various investments related to the execution of the Company's digital transformation.

Operating costs were positively impacted by a non-cash benefit of $4.6 million and $3.5 million in the second quarter of 2013 and the first quarter of 2015, respectively, related to amendments to our pension and post-retirement benefit plans. The fourth quarter of 2013 was negatively impacted by non-recurring legal provisions and a sales tax assessment, while the first quarter of 2014 was favourably impacted by a non-recurring benefit associated with the positive outcome of a litigation.

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

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

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

3. LIQUIDITY AND CAPITAL RESOURCES

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

FINANCIAL POSITION

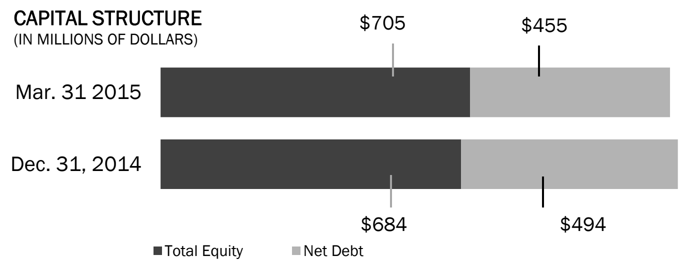
CAPITAL STRUCTURE

(IN THOUSANDS OF CANADIAN DOLLARS – EXCEPT PERCENTAGE INFORMATION)

	As at March 31, 2015	As at December 31, 2014
Cash	$ 142,022	$ 102,776
Senior secured notes	$ 507,014	$ 507,014
Exchangeable debentures	89,325	88,959
Obligations under finance leases	796	897
Net debt, net of cash[1]	$ 455,113	$ 494,094
Equity	704,598	684,180
Total capitalization	$ 1,159,711	$ 1,178,274
Net debt to total capitalization	39.2%	41.9%

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

CAPITAL STRUCTURE
(IN MILLIONS OF DOLLARS)



As at March 31, 2015, Yellow Pages had $455.1 million of net debt, compared to $494.1 million as at December 31, 2014.

The net debt to Latest Twelve Month EBITDA[1,2] ratio as at March 31, 2015 and December 31, 2014 was 1.6 times.

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 March 31, 2015, the fixed charge coverage ratio was below 1.1 times and the Company had $4.2 million of letters of credit issued and outstanding. As such, $40.8 million of the ABL was available as at March 31, 2015. Interest is calculated based either on the BA Rate or the Canadian Prime Rate plus an applicable margin.

As at March 31, 2015, the Company was in compliance with all covenants under the loan agreement governing the ABL.

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

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

Senior Secured Notes

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

To date, the Company repaid $293 million of its Senior Secured Notes, of which $153.4 million was repaid in 2013 and $139.6 million in 2014.

As at March 31, 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 of $75 million immediately following the mandatory redemption payment. The $75 million minimum cash balance condition is subject to a reduction in certain cases provided in the indenture governing the Senior Secured Notes. Excess Cash Flow, as defined in the indenture governing the Senior Secured Notes, means the aggregate cash flow from operating activities adjusted for, among other things, payments relating to interest, taxes, long-term employee compensation plans, certain pension plan contribution payments and the acquisition of property and equipment and intangible assets. For purposes of determining the consolidated Excess Cash Flow, deductions for capital expenditures and information systems/ information technology expenses are each subject to an annual deduction limit of $50 million. Under other circumstances, the Company may also have to make additional repayments on the Senior Secured Notes (refer to the indenture governing the Senior Secured Notes).

The Company was required to make minimum annual aggregate mandatory redemption payments of $125 million for 2014 and 2015 combined. The Company made mandatory redemption payments of $139.6 million in 2014 (2013 - $118.4 million), 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.

The Company anticipates making a payment of $34.2 million on June 1, 2015, representing 75% of its consolidated Excess Cash Flow.

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 March 31, 2015, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

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

Optional Redemption

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

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

CREDIT RATINGS

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

Liquidity

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient liquidity to fund capital expenditures, working capital requirements and current obligations, including the mandatory repayments on the Senior Secured Notes. As at May 7, 2015, the Company had approximately $138 million of cash and $40.8 million available under the ABL.

Options

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

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

Share data

As at May 8, 2015, outstanding share data was as follows:

OUTSTANDING SHARE DATA

As at	May 8, 2015	March 31, 2015	December 31, 2014
Common shares outstanding	27,999,419	27,999,419	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]	691,550	691,550	480,200

[1] *As at May 8, 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 691,550 as at May 8, 2015 and March 31, 2015 are 142,500 stock options exercisable as at those same dates. There were no stock options exercisable as at December 31, 2014.*

SOURCES AND USES OF CASH

(IN THOUSANDS OF CANADIAN DOLLARS)

	Three-month periods ended March 31,	
	2015	2014
Cash flows from operating activities		
Cash flows from operations	$ 71,271	$ 28,131
Change in operating assets and liabilities	(8,437)	(17, 221)
	$ 62,834	$ 10,910
Cash flows used in investing activities		
Additions to intangible assets	$ (15,681)	$ (13,069)
Acquisition of property and equipment	(2,261)	(1,139)
	$ (17,942)	$ (14,208)
Cash flows used in financing activities		
Purchase of restricted shares	$ (5,775)	$ (4,429)
Repayment of long-term debt	(101)	(140)
Issuance of common shares upon exercise of stock options	230	–
	$ (5,646)	$ (4,569)

Cash flows from operating activities

Cash flows from operations

Cash flows from operations increased by $43.1 million from $28.1 million for the quarter ended March 31, 2014 to $71.3 million for the same period in 2015. Cash flows generated from income taxes increased by $60 million, mainly due to net income taxes received of $25.6 million during the first quarter of 2015 as a result of a tax settlement covering prior years, compared to net income taxes paid of $34.5 million during the first quarter of 2014 relative to the 2013 taxation year for which no installments had been made. This amount was partially offset by lower cash EBITDA of $20.5 million.

Change in operating assets and liabilities

The change in operating assets and liabilities for the three-month period ended March 31, 2015 generated an outflow of $8.4 million compared with $17.2 million for the same period last year. The outflows during the first quarters of 2015 and 2014 are due principally to the payment of variable compensation, offset by the collection of our trade receivables. The increase year-over-year is due to the improved collection experience of our trade receivables.

Cash flows used in investing activities

Cash used in investing activities amounted to $17.9 million for the three-month period ended March 31, 2015 compared with $14.2 million for the same period last year. During the first quarter of 2015, we invested in software development and ISIT equipment in the amount of $15.7 million and $2.3 million, respectively, as compared to $13.1 million and $1.1 million, respectively, spent during the same period last year. Capital expenditures incurred in the first quarters of 2014 and 2015 are related to the ongoing operations required to maintain the integrity of the infrastructure as well as the development and implementation of new technology and software aimed at new initiatives as we continue our transformation to become a leading local digital company in Canada.

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 $5.6 million during the three-month period ended March 31, 2015 compared to $4.6 million for the same period last year. During the first quarter of 2015, we purchased common shares of Yellow Pages Limited on the open market to fund the Restricted Share Unit and Performance Share Unit Plan at a cost of $5.8 million compared to $4.4 million during the same period last year. During the first quarter of 2015, 22,750 stock options were exercised for cash proceeds of $0.2 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 March 31, 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)

	Three-month periods ended March 31,	
	2015	2014
Cash flow from operating activities	$ 62,834	$ 10,910
Capital expenditures, net of lease inducements	17,942	14,208
Free cash flow	$ 44,892	$ (3,298)

5. CRITICAL ASSUMPTIONS

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

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

ACCOUNTING STANDARDS

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

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

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

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

IAS 1 — *Presentation of financial statements*

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

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

IFRS 15 — *Revenue from Contracts with Customers*

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

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

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

IFRS 9 — *Financial Instruments*

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

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

6. RISKS AND UNCERTAINTIES

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

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

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

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

7. CONTROLS AND PROCEDURES

There were no changes to the Corporation's internal controls over financial reporting that occurred during the period beginning on January 1, 2015 and ended on March 31, 2015 that have materially affected or are reasonably likely to materially affect the Corporation's internal controls over financial reporting.