

Q3



Supplemental Disclosure

For the period ended September 30, 2016

As filed on Sedar on November 10, 2016 (www.sedar.com).
This report is also available at www.corporate.yip.ca

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This Supplemental Disclosure contains forward-looking statements about the objectives, strategies, financial condition, results of operations and businesses of Yellow Pages Limited. These statements are considered "forward-looking" because they are based on current expectations about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statements will materialize. Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason.

Risks that could cause our actual results to differ materially from our current expectations are discussed in Section 6 of our November 10, 2016 Management's Discussion and Analysis. This Supplemental Disclosure should be read in conjunction with the November 10, 2016 Management's Discussion and Analysis.

1. Financial Highlights

In thousands of Canadian dollars, except % of Revenues ("% of Rev."), Earnings per Share and Outstanding Share Data

	For the three-month periods ended Sept 30,				For the nine-month periods ended Sept 30,			
	2016	% of Rev.	2015	% of Rev.	2016	% of Rev.	2015	% of Rev.
Print Revenues	62,561	31.1%	82,755	39.3%	202,607	32.9%	264,128	42.5%
Digital Revenues	138,581	68.9%	127,838	60.7%	412,649	67.1%	357,138	57.5%
Total Revenues	201,142		210,593		615,256		621,266	
Cost of Sales ⁽¹⁾	82,681		82,964		248,162		238,421	
General and Administrative ⁽¹⁾	61,512		63,819		189,321		186,656	
Total Operating Costs	144,193		146,783		437,483		425,077	
Adjusted EBITDA	56,949	28.3%	63,810	30.3%	177,773	28.9%	196,189	31.6%
Net Earnings	3,774		13,155		27,878		55,189	
Basic Earnings per Share	0.14		0.49		1.05		2.07	
Diluted Earnings per Share	0.14		0.44		1.00		1.80	
Cash Flows from Operating Activities	73,364		54,287		130,239		155,149	
Capital Expenditures	15,142		19,662		43,470		58,253	
Free Cash Flow	58,222		34,625		86,769		96,896	

Outstanding Share Data

	November 10, 2016	September 30, 2016	December 31, 2015
Common Shares Outstanding	28,075,294	28,075,294	28,063,919
Exchangeable Debentures Outstanding ⁽²⁾	5,624,422	5,624,422	5,624,422
Common Share Purchase Warrants Outstanding ⁽³⁾	2,995,498	2,995,498	2,995,498
Stock Options Outstanding ⁽⁴⁾	763,275	763,275	522,950

(1) 2015 figures were reclassified to conform to the current period's presentation. These changes have no impact on the adjusted EBITDA, cash flows from operating activities or free cash flow for the period.

(2) As at November 10, 2016, the Company 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.

(3) Each common share purchase Warrant entitles the holder to acquire, upon exercise, one Yellow Pages Limited common share at a price of \$28.16.

(4) Included in the stock options outstanding balance of 763,275 as at November 10, 2016 and September 30, 2016 are 186,550 stock options exercisable as at those same dates. Included in the stock options outstanding balance of 522,950 as at December 31, 2015 are 78,000 stock options exercisable as at that date.

2. Operational Key Performance Indicators

	2016			2015				2014	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Digital Revenue Performance									
Digital Revenues (in millions of Canadian dollars)	138.6	142.5	131.6	129.2	127.8	116.4	112.9	116.9	113.6
Year-over-Year Digital Revenue Growth	8.4%	22.4%	16.6%	10.5%	12.5%	7.4%	8.6%	8.9%	11.9%
Customer Metrics									
Customer Count	243,000	244,000	244,000	245,000	246,000	248,000	251,000	256,000	260,000
Customer Acquisition (Trailing Twelve Months)	40,200	38,600	34,600	30,800	27,200	24,800	23,700	22,100	20,200
Customer Renewal	83%	83%	84%	85%	85%	85%	85%	84%	85%
Digital-Only Customers	30%	28%	25%	22%	20%	18%	16%	14%	13%
Customer Penetration by Product Category									
Print	70%	72%	75%	78%	80%	82%	84%	85%	87%
Owned and Operated Digital Media	69%	68%	67%	66%	65%	64%	64%	63%	63%
Online Priority Placement	61%	62%	61%	61%	60%	60%	58%	57%	55%
Mobile Priority Placement	26%	27%	27%	27%	27%	26%	25%	24%	23%
Digital Services	10%	10%	10%	10%	10%	10%	10%	10%	10%
Spending Dynamics Among Renewing Customers									
Increase in Spending									
Customer Distribution	44%	43%	42%	44%	44%	40%	35%	31%	27%
% of Revenues	31%	32%	32%	32%	32%	31%	30%	30%	29%
Stable Spending									
Customer Distribution	38%	39%	40%	39%	38%	42%	47%	51%	55%
% of Revenues	27%	26%	27%	27%	28%	29%	30%	30%	29%
Decrease in Spending									
Customer Distribution	18%	18%	18%	17%	18%	18%	18%	18%	18%
% of Revenues	42%	42%	41%	41%	40%	40%	40%	40%	42%
Average Revenue per Customer (in Canadian dollars)	2,755	2,817	2,876	2,930	2,970	3,009	3,038	3,063	3,097
Consumer Metrics									
Total Digital Visits (in millions) ⁽¹⁾	109.4	106.2	100.2	118.2	124.1	116.4	105.3	117.4	110.2

Refer to Section 5 (Glossary) for definitions of the metrics listed above.

(1) Excludes the impact of the acquisition of the ComFree/DuProprio Network. Total Digital Visits executed on the ComFree/DuProprio Network totalled 16.5M, 25.2M, 23.8M, and 19.8M in Q4 2015, Q1 2016, Q2 2016 and Q3 2016, respectively.

3. Consolidated Capitalization and Credit Ratings

In millions of Canadian dollars, unless otherwise noted

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
9.25% Senior Secured Notes due November 30, 2018 ⁽¹⁾	371	371	407	407	473
Obligations Under Finance Leases	0	0	1	1	1
8% Exchangeable Debentures due November 30, 2022 ⁽²⁾	92	91	91	90	90
Total Debt	463	462	498	498	564
Cash	72	14	35	67	108
Total Net Debt	391	449	463	431	456
Equity	717	721	748	760	752
Total Capitalization	1,107	1,169	1,211	1,190	1,207
Net Debt / Latest Twelve-Month Adjusted EBITDA⁽³⁾	1.6x	1.8x	1.8x	1.7x	1.7x
Average Interest Rate on Debt at Period End	9.0%	9.0%	9.0%	9.0%	9.0%

Credit Ratings

	DBRS Limited	Standard and Poor's Rating Services
Issuer Rating / Corporate Credit Rating	B (high)	B - Stable Outlook
Rating for Senior Secured Notes	BB (low)	BB-
Rating for Exchangeable Debentures	B (low)	CCC+

(1) Please refer to Note 4 of the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2016 and 2015. Interest on the Senior Secured Notes is payable in cash quarterly in arrears in equal installments at 9.25% per annum on the last day of February, May, August and November of each year.

(2) Please refer to Note 5 of the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2016 and 2015. Interest on the Exchangeable Debentures is payable in cash at 8% or in additional debentures at 12% in the event that the company makes a Payment in Kind election to pay any interest in additional senior subordinated unsecured exchangeable debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal installments on the last day of May and November of each year.

(3) Latest Twelve-Month Adjusted EBITDA represents latest twelve-month income from operations before depreciation and amortization, and restructuring and special charges.

4. Outlook

In millions of Canadian dollars

	2016E	2017E
Cash (Inflows) Outflows Expected from Income Taxes and Tax Assessments	(16)	5
Cash Funding of the Pension Solvency Deficit	14	13
Capital Expenditures, Net of Related Lease Incentives	60	70 ⁽¹⁾

(1) Included in 2017E capital expenditures is \$20 million related to leasehold improvements associated with the relocation of the Montreal office.

The information presented above is considered forward-looking because it is based on current expectations about our business and on various estimates, assumptions and regulations. Our actual results could be materially different from our expectations as known or unknown risks affect our business or if estimates and assumptions turn out to be inaccurate. As a result, we cannot guarantee that the information above will materialize.

5. Glossary

All definitions account for YP Core only - excludes the contribution of Mediative, JUICE Mobile, 411 Local Search Corp., Yellow Pages Homes Limited and the ComFree/DuProprio Network.

Customer Metrics

Customer Count	Number of customers advertising through one of our product groups as at the end of the reporting period.
Customer Acquisition	Number of customers acquired over the last twelve months.
Customer Renewal	Percentage of customers who advertised with YP in the previous period and have renewed their advertising in the current period.
Digital-Only Customers	Percentage of customers purchasing only digital products.

Customer Penetration by Product Category

Owned and Operated Digital Media	Percentage of customers purchasing at least one Online Priority Placement, Mobile Priority Placement, NetSync, Content, Video and/or Legacy product.
Digital Services	Percentage of customers purchasing at least one Presence Extended, Website, SEO, SEM, Facebook Solution and/or Smart Digital Display product.

Spending Dynamics Among Renewing Customers

Increase in Spending	Renewing customers experiencing an increase in spending of over 5%, on a year-over-year basis.
Stable Spending	Renewing customers experiencing an increase in spending between 0% and 5%, on a year-over-year basis.
Decrease in Spending	Renewing customers experiencing a decrease in spending, on a year-over-year basis.
Average Revenue Per Customer	Revenue of the last twelve months divided by the average customer base during the last twelve months.

Consumer Metrics

Total Digital Visits	Number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, Canada411, Bookenda and dine.TO online and mobile properties, as well as visits made across the properties of Yellow Pages Limited's application syndication partners.
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