UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

June 30, 2017 and 2016

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Interim Condensed Consolidated Statements of Financial Position

(In thousands of Canadian dollars - Unaudited)

As at		June 30, 2017		December 31, 2016
ASSETS				
CURRENT ASSETS				
Cash	$	**14,587**	$	17,260
Trade and other receivables		**113,762**		114,854
Prepaid expenses		**10,314**		8,934
Deferred publication costs		**59,380**		61,144
Income taxes receivable		**2,499**		3,057
TOTAL CURRENT ASSETS		**200,542**		205,249
NON-CURRENT ASSETS				
Deferred publication costs		**7,427**		7,936
Financial and other assets (Note 13)		**10,265**		4,008
Investment in a jointly controlled entity (Note 4)		**966**		1,157
Property and equipment		**35,331**		36,194
Intangible assets		**712,493**		740,932
Goodwill		**45,342**		45,342
Deferred income taxes		**58,414**		59,119
TOTAL NON-CURRENT ASSETS		**870,238**		894,688
TOTAL ASSETS	**$**	**1,070,780**	$	1,099,937
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	$	**82,181**	$	79,493
Provisions		**39,437**		53,010
Deferred revenues		**18,404**		18,927
Current portion of long-term debt (Note 6)		**22,876**		75,161
TOTAL CURRENT LIABILITIES		**162,898**		226,591
NON-CURRENT LIABILITIES				
Provisions		**3,645**		4,327
Deferred lease inducements		**12,047**		11,821
Deferred income taxes		**6,923**		7,081
Post-employment benefits (Note 9)		**156,658**		154,172
Long-term debt (Note 6)		**269,660**		234,867
Exchangeable debentures (Note 7)		**93,094**		92,174
TOTAL NON-CURRENT LIABILITIES		**542,027**		504,442
TOTAL LIABILITIES		**704,925**		731,033
CAPITAL AND RESERVES		**6,597,114**		6,597,891
DEFICIT		**(6,231,259)**		(6,228,987)
TOTAL EQUITY		**365,855**		368,904
TOTAL LIABILITIES AND EQUITY	**$**	**1,070,780**	$	1,099,937

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

Interim Condensed Consolidated Statements of Income

(In thousands of Canadian dollars, except share and per share information - Unaudited)

For the three and six-month periods ended June 30,		2017		2016		2017		2016
Revenues	$	**191,219**	$	210,487	$	**380,727**	$	414,114
Operating costs		**146,794**		151,556		**289,827**		293,290
Income from operations before depreciation and amortization, and restructuring and other charges		**44,425**		58,931		**90,900**		120,824
Depreciation and amortization		**27,346**		25,440		**53,126**		50,299
Restructuring and other charges (Note 8)		**2,778**		1,519		**10,064**		5,777
Income from operations		**14,301**		31,972		**27,710**		64,748
Financial charges, net (Note 12)		**11,329**		15,950		**22,659**		30,146
Earnings before income taxes and loss from investment in a jointly controlled entity		**2,972**		16,022		**5,051**		34,602
Provision for income taxes		**1,790**		5,069		**2,852**		10,498
Loss from investment in a jointly controlled entity		**362**		–		**721**		–
Net earnings	$	**820**	$	10,953	$	**1,478**	$	24,104
Basic earnings per share	$	**0.03**	$	0.41	$	**0.06**	$	0.91
Weighted average shares outstanding – basic earnings per share (Note 10)		**26,663,288**		26,571,835		**26,554,212**		26,615,435
Diluted earnings per share	$	**0.03**	$	0.38	$	**0.05**	$	0.83
Weighted average shares outstanding – diluted earnings per share (Note 10)		**28,075,306**		33,599,202		**28,075,306**		33,637,642

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

Interim Condensed Consolidated Statements of Comprehensive Loss

(In thousands of Canadian dollars - Unaudited)

For the three and six-month periods ended June 30,	2017	2016	2017	2016
Net earnings	**$ 820**	$ 10,953	**$ 1,478**	$ 24,104
Other comprehensive loss:				
Items that will be reclassified subsequently to net earnings				
Net change in fair value of derivatives designated as cash flow hedges (Note 13)	**(382)**	(107)	**(782)**	(107)
Reclassification to earnings of derivatives designated as cash flow hedges (Note 13)	**(302)**	23	**(401)**	23
Income taxes relating to items that will be reclassified subsequently to net earnings	**184**	22	**317**	22
	(500)	(62)	**(866)**	(62)
Items that will not be reclassified subsequently to net earnings				
Actuarial losses (Note 9)	**(15,542)**	(48,167)	**(5,127)**	(77,202)
Income taxes relating to items that will not be reclassified subsequently to net earnings	**4,175**	12,942	**1,377**	20,744
	(11,367)	(35,225)	**(3,750)**	(56,458)
Other comprehensive loss	**(11,867)**	(35,287)	**(4,616)**	(56,520)
Total comprehensive loss	**$ (11,047)**	$ (24,334)	**$ (3,138)**	$ (32,416)

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

Interim Condensed Consolidated Statements of Changes in Equity

(In thousands of Canadian dollars - Unaudited)

For the six-month periods ended June 30,

2017

	Shareholders' capital (Note 10)	**Restricted shares**	**Warrants**	**Compound financial instruments[1]**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total equity**
Balance, December 31, 2016	$ 4,031,685	$ (31,848)	$ 1,456	$ 3,619	$ 135,926	$ 2,457,053	$ 6,597,891	$ (6,228,987)	$ 368,904
Other comprehensive loss	–	–	–	–	(866)	–	(866)	(3,750)	(4,616)
Net earnings for the period	–	–	–	–	–	–	–	1,478	1,478
Total comprehensive loss	–	–	–	–	(866)	–	(866)	(2,272)	(3,138)
Restricted shares settled	–	6,409	–	–	(6,409)	–	–	–	–
Restricted shares (Note 11)	–	(3,129)	–	–	2,935	–	(194)	–	(194)
Stock options (Note 11)	–	–	–	–	283	–	283	–	283
Balance, June 30, 2017	**$ 4,031,685**	**$ (28,568)**	**$ 1,456**	**$ 3,619**	**$ 131,869**	**$ 2,457,053**	**$ 6,597,114**	**$ (6,231,259)**	**$ 365,855**

2016

	Shareholders' capital (Note 10)	Restricted shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
Balance, December 31, 2015	$ 4,031,528	$ (24,965)	$ 1,456	$ 3,619	$ 132,275	$ 2,457,053	$ 6,600,966	$ (5,841,442)	$ 759,524
Other comprehensive loss	–	–	–	–	(62)	–	(62)	(56,458)	(56,520)
Net earnings for the period	–	–	–	–	–	–	–	24,104	24,104
Total comprehensive loss	–	–	–	–	(62)	–	(62)	(32,354)	(32,416)
Restricted shares settled	–	3,555	–	–	(3,555)	–	–	–	–
Restricted shares (Note 11)	–	(10,472)	–	–	3,504	–	(6,968)	–	(6,968)
Stock options (Note 11)	–	–	–	–	665	–	665	–	665
Exercise of stock options (Note 11)	157	–	–	–	(42)	–	115	–	115
Balance, June 30, 2016	$ 4,031,685	$ (31,882)	$ 1,456	$ 3,619	$ 132,785	$ 2,457,053	$ 6,594,716	$ (5,873,796)	$ 720,920

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2016 - $1.3 million).*

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

Interim Condensed Consolidated Statements of Cash Flows

(In thousands of Canadian dollars - Unaudited)

For the six-month periods ended June 30,		2017		2016
OPERATING ACTIVITIES				
Net earnings	**$**	**1,478**	$	24,104
Adjusting items				
Depreciation and amortization		**53,126**		50,299
Restructuring and other charges (Note 8)		**10,064**		5,777
Stock-based compensation expense		**1,136**		5,251
Provision for income taxes recognized in net earnings		**2,852**		10,498
Loss from investment in a jointly controlled entity		**721**		–
Financial charges recognized in net earnings		**22,659**		30,146
Other non-cash items		**5,097**		4,058
Change in operating assets and liabilities		**(7,304)**		(18,861)
Funding of post-employment benefit plans in excess of costs		**(5,498)**		(9,441)
Lease incentives received		**338**		–
Restructuring and other charges paid		**(14,736)**		(19,803)
Income taxes paid, net		**(51)**		(1,916)
Interest paid		**(18,870)**		(23,237)
		51,012		56,875
INVESTING ACTIVITIES				
Additions to intangible assets		**(19,102)**		(27,144)
Additions to property and equipment		**(7,979)**		(1,184)
Purchase of an available-for-sale investment (Note 13)		**(5,453)**		(50)
Investment in a jointly controlled entity (Note 4)		**(530)**		–
Business acquisition (Note 3)		–		(35,271)
		(33,064)		(63,649)
FINANCING ACTIVITIES				
Repayment of long-term debt		**(17,492)**		(36,161)
Purchase of restricted shares (Note 11)		**(3,129)**		(10,472)
Issuance of common shares upon exercise of stock options (Note 11)		–		115
		(20,621)		(46,518)
NET DECREASE IN CASH		**(2,673)**		(53,292)
CASH, BEGINNING OF PERIOD		**17,260**		67,253
CASH, END OF PERIOD	**$**	**14,587**	$	13,961

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

1. Description

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

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

The Board of Directors (the "Board") approved the unaudited interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2017 and 2016 and authorized their publication on August 10, 2017.

2. Basis of presentation

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are consistent with International Financial Reporting Standards ("IFRS") and are the same as those applied by Yellow Pages Limited in its audited consolidated financial statements as at and for the years ended December 31, 2016 and 2015, except for new standards adopted during the six-month period ended June 30, 2017, as described below. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015.

2.2 Standards, interpretations and amendments to published standards adopted with no effect on the interim condensed consolidated financial statements

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption has not had any impact on the amounts reported in these interim condensed consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IAS 7 – *Statement of Cash Flows*

In January 2016, the International Accounting Standards Board ("IASB") published amendments to IAS 7 – *Statement of Cash Flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value.

Amendments to IFRS 12 – *Disclosure of Interest in Other Entities*

In December 2016, the IASB issued amendments to IFRS 12 – *Disclosure of Interest in Other Entities* as part of its 2014-2016 Annual Improvements Cycle. The amendment clarifies that the requirement to disclose summarised financial information does not apply for interests in subsidiaries, associates or joint ventures which are classified, or included in a disposal group that is classified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

2.3 Standards, interpretations and amendments to published standards that are issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Pages Limited's accounting periods beginning on or after January 1, 2018. The new standards which are considered to be relevant to Yellow Pages Limited's operations are as follows:

IFRS 15 – ***Revenue from Contracts with Customers***

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

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

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard.

On April 12, 2016, the IASB published the final clarifications to IFRS 15. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments do not change the underlying principles of the standard yet clarify how the principles should be applied.

The adoption of IFRS 15 is expected to have an impact on the timing of recognition of revenues for print products as well as the deferral of related publication costs and the inclusion of required disclosures in the interim condensed consolidated financial statements of Yellow Pages Limited. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15 and progress made to date is consistent with management's planned timeline. Management expects to complete this evaluation prior to the fourth quarter of 2017.

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. IFRS 9 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRS 16 – ***Leases***

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Based on its preliminary assessment, Yellow Pages Limited has identified lease contracts, mainly for rental properties, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations before depreciation and amortization, restructuring and special charges, with an equivalent combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management is in the process of quantifying the accounting impact of the adoption of IFRS 16 and progress made to date is consistent with management's planned timeline.

Amendments to IFRS 2 – *Share-based Payment*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based Payment*. The amendments clarify that the accounting for the effects of vesting and non-conditions on cash-settled share-based payments follow the same approach as for equity-settled share-based payments. The amendments also clarify the classification of share-based payment transactions with net settlement features as well as requiring additional disclosures for these transactions. They are effective for annual periods beginning on or after January 1, 2018, applied prospectively, with earlier adoption permitted. The amendments to IFRS 2 are not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB issued an interpretation paper IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRIC 23 – *Uncertainty over Income Tax Treatments*

In June 2017, the IASB issued an interpretation paper IFRIC 23 – *Uncertainty over Income Tax Treatments*. This interpretation paper clarifies that in determining its taxable profit or loss when there is uncertainty over income tax treatments, an entity must use judgment and apply the tax treatment that is most likely to be accepted by the tax authorities. In assessing the likelihood that the tax treatment will be accepted, the entity assumes that the tax treatment will be examined by the relevant tax authorities having full knowledge of all relevant information. This interpretation is applicable for annual periods beginning on or after January 1, 2019, with early adoption accepted. Yellow Pages is evaluating the impact this interpretation paper will have on its interim condensed consolidated financial statements.

3. Business acquisition

2016

On March 17, 2016, Yellow Pages Limited acquired the net assets of Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively "JUICE Mobile"), for a purchase price of $35.3 million. The acquisition of JUICE Mobile, a premium advertising technology company whose programmatic platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers, positioned Yellow Pages Limited as a desktop and mobile national advertising agency, expanding the Company's reach of brands and media publishers. The acquisition was fully funded with cash on hand. Transaction costs of $1.2 million were incurred during the six-month period ended June 30, 2016, and were included in restructuring and other charges.

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

The following table summarizes the transaction and the purchase price allocation, which was finalized in 2016:

		March 17, 2016
Fair value of business acquired		
Trade and other receivables	$	9,003
Other assets		644
Intangible assets		15,220
Goodwill		18,513
Trade and other payables		(7,802)
Other liabilities		(307)
	$	**35,271**

4. Investment in a jointly controlled entity

On October 3, 2016, Yellow Pages Digital & Media Solutions Limited acquired a 50% ownership in 9778730 Canada Inc., which holds 100% of Coupgon Inc., a digital coupon solutions provider, for cash consideration of $1.2 million. Additional investments during the six-month period ended June 30, 2017 amounted to $0.5 million. The Company's ownership remains unchanged at 50%, subsequent to the additional investments. The difference between the acquisition price and the fair value of the net assets acquired was insignificant. The investment is being accounted for using the equity method.

5. Segmented information

In conjunction with the updated corporate strategy announced in May 2017, the Company made changes to how it manages its business to assess performance and to allocate resources. The Company's operations have been divided into four reportable segments: YP, Agency, Real Estate and Other. The four segments operate primarily in Canada, with substantially all assets of the four segments also in Canada.

The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising.

The Agency segment focuses on the national advertising needs of brands and publishers, primarily through its Mediative division, and JUICE Mobile and Totem subsidiaries. Mediative offers dedicated marketing and performance media services to national clients Canada-wide. JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms facilitate the automatic buying and selling of mobile advertising between brands and advertisers. Totem is a creative agency specializing in customized content creation and delivery for global brands.

The Real Estate segment provides homeowners in Canada with trusted media and expertise to sell their homes in a proven and cost-effective manner as well as published locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its ComFree/DuProprio and Yellow Pages Homes Limited subsidiaries.

The Other segment offers a diversified portfolio of media properties to Canadian consumers, including the 411.ca digital directory service as well as magazines generating local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation. The Interim President and Chief Executive Officer is the Chief Operating Decision Maker and he uses Income from operations before depreciation and amortization, and restructuring and other charges, which is equal to revenues less operating costs for the segment, to measure the performance of each segment. The Chief Operating Decision Maker also reviews revenues by similar products and services, such as Print and Digital.

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

The following tables present financial information for the three-month periods ended June 30, 2017 and 2016.

For the three-month period ended June 30, 2017	**YP**	**Agency**	**Real Estate**	**Other**	**Intersegment eliminations**	**Yellow Pages Limited**
Revenues						
Print	$ 46,352	$ 2,250	$ 2,983	$ 1,326	$ (22)	**$ 52,889**
Digital	103,181	16,602	14,715	4,820	(988)	**138,330**
Total revenues	149,533	18,852	17,698	6,146	(1,010)	**191,219**
Operating costs	106,683	19,901	15,580	5,640	(1,010)	**146,794**
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 42,850	$ (1,049)	$ 2,118	$ 506	$ –	**$ 44,425**
Depreciation and amortization						**27,346**
Restructuring and other charges						**2,778**
Financial charges, net						**11,329**
Provision for income taxes						**1,790**
Loss from investment in a jointly controlled entity						**362**
Net earnings						**$ 820**

For the three-month period ended June 30, 2016	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 61,710	$ –	$ 5,056	$ 1,357	$ (105)	$ 68,018
Digital	105,423	19,389	13,702	4,946	(991)	142,469
Total revenues	167,133	19,389	18,758	6,303	(1,096)	210,487
Operating costs	110,878	19,255	16,942	5,577	(1,096)	151,556
Income from operations before depreciation and amortization, and restructuring and other charges	$ 56,255	$ 134	$ 1,816	$ 726	$ –	$ 58,931
Depreciation and amortization						25,440
Restructuring and other charges						1,519
Financial charges, net						15,950
Provision for income taxes						5,069
Net earnings						$ 10,953

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

The following tables present financial information for the six-month periods ended June 30, 2017 and 2016.

For the six-month period ended June 30, 2017

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 95,725	$ 3,159	$ 6,750	$ 2,009	$ (34)	**$ 107,609**
Digital	206,537	30,219	28,633	9,496	(1,767)	**273,118**
Total revenues	302,262	33,378	35,383	11,505	(1,801)	**380,727**
Operating costs	211,079	38,474	31,399	10,676	(1,801)	**289,827**
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 91,183	$ (5,096)	$ 3,984	$ 829	$ –	**$ 90,900**
Depreciation and amortization						**53,126**
Restructuring and other charges						**10,064**
Financial charges, net						**22,659**
Provision for income taxes						**2,852**
Loss from investment in a jointly controlled entity						**721**
Net earnings						**$ 1,478**

For the six-month period ended June 30, 2016

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 127,941	$ 11	$ 10,112	$ 2,386	$ (404)	$ 140,046
Digital	209,296	30,324	26,874	9,903	(2,329)	274,068
Total revenues	337,237	30,335	36,986	12,289	(2,733)	414,114
Operating costs	221,041	29,196	34,690	11,096	(2,733)	293,290
Income from operations before depreciation and amortization, and restructuring and other charges	$ 116,196	$ 1,139	$ 2,296	$ 1,193	$ –	$ 120,824
Depreciation and amortization						50,299
Restructuring and other charges						5,777
Financial charges, net						30,146
Provision for income taxes						10,498
Net earnings						$ 24,104

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

6. Long-term debt

Long-term debt is comprised of the following:

As at		June 30, 2017		December 31, 2016
Senior secured notes	$	292,248	$	309,669
Obligations under finance leases		288		359
	$	292,536	$	310,028
Less current portion[1]		22,876		75,161
Non-current portion	$	269,660	$	234,867

[1] *The current portion of the senior secured notes may vary subject to the Excess Cash Flow clause as well as the minimum cash balance requirement post Mandatory Redemptions under the indenture governing the senior secured notes.*

7. Exchangeable debentures

As at		June 30, 2017		December 31, 2016
Face value of exchangeable debentures	$	107,089	$	107,089
Less unaccreted interest		13,995		14,915
	$	93,094	$	92,174

8. Restructuring and other charges

During the three and six-month periods ended June 30, 2017, Yellow Pages Limited recorded restructuring and other charges of $2.8 million and $10.1 million, respectively (2016 – $1.5 million and $5.8 million, respectively), relating primarily to internal reorganizations, workforce reductions and office closures.

9. Post-employment benefits

Yellow Pages Limited recorded an actuarial loss of $11.4 million in other comprehensive loss, net of income tax recovery of $4.2 million, for the three-month period ended June 30, 2017, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 3.75% to 3.5%. Yellow Pages Limited recorded an actuarial loss of $35.2 million in other comprehensive loss, net of income tax recovery of $12.9 million, for the three-month period ended June 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 3.75% to 3.25%.

Yellow Pages Limited recorded an actuarial loss of $3.8 million in other comprehensive loss, net of income tax recovery of $1.4 million, for the six-month period ended June 30, 2017, as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 3.75% to 3.5%, offset by a gain due to the plan assets' performance. Yellow Pages Limited recorded an actuarial loss of $56.5 million in other comprehensive loss, net of income tax recovery of $20.7 million, for the six-month period ended June 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4% to 3.25%.

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

10. Shareholders' capital

Common shares

For the six-month period ended June 30, 2017	Number of Shares		Amount
Balance, December 31, 2016	28,075,304	$	4,031,685
Exchange of common share purchase warrants	2		–
Balance, June 30, 2017	**28,075,306**	**$**	**4,031,685**

Warrants

During the six-month period ended June 30, 2017, 2 common share purchase warrants ("Warrants") were exercised in exchange for 2 common shares of Yellow Pages Limited. As at June 30, 2017 and December 31, 2016, the Company had a total of 2,995,486 and 2,995,488 Warrants outstanding, respectively.

Earnings per share

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

For the three and six-month periods ended June 30,	2017	2016	2017	2016
Weighted average number of shares outstanding used in computing basic earnings per share	**26,663,288**	26,571,835	**26,554,212**	26,615,435
Dilutive effect of restricted share units and performance share units	**1,412,018**	1,322,675	**1,521,094**	1,322,675
Dilutive effect of stock options	–	80,270	–	75,110
Dilutive effect of exchangeable debentures	–	5,624,422	–	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share	**28,075,306**	33,599,202	**28,075,306**	33,637,642

For the three and six-month periods ended June 30,		2017		2016		2017		2016
Net earnings used in the computation of basic earnings per share	**$**	**820**	$	10,953	**$**	**1,478**	$	24,104
Impact of assumed conversion of exchangeable debentures, net of applicable taxes		–		1,875		–		3,744
Net earnings adjusted for dilutive effect used in the computation of diluted earnings per share	**$**	**820**	$	12,828	**$**	**1,478**	$	27,848

For the three and six-month periods ended June 30, 2017, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures as they are not dilutive. For the three and six-month periods ended June 30, 2017 and 2016, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as certain stock options that are not in the money as they are not dilutive.

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

11. Stock-based compensation plans

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

Restricted share unit and performance share unit plan

During the six-month period ended June 30, 2017, 501,309 common shares of Yellow Pages Limited (2016 – 553,709) were purchased on the open market of the TSX by the trustee appointed under the restricted share unit and performance share unit plan (the "RSU and PSU Plan") at a cost of $3.1 million (2016 – $10.5 million) and are restricted for the purpose of funding of the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 1,850,441 as at June 30, 2017.

The following table summarizes the continuity of the RSUs and PSUs during the six-month periods ended June 30:

		2017		2016
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**444,355**	**596,114**	464,924	520,117
Granted	**688,029**	**1,041,657**	197,936	325,646
Additional payout related to achievement of performance targets[2]	–	**21,013**	–	26,259
Settled	**(140,680)**	**(196,693)**	(157,018)	(85,947)
Forfeited	**(33,371)**	**(48,443)**	(16,538)	(18,581)
Outstanding, end of period	**958,333**	**1,413,648**	489,304	767,494
Weighted average remaining life (years)	**2.0**	**2.0**	1.6	1.6

1 *The outstanding number of PSUs represents a payout of 100%. In addition, the potential payout in excess of 100% and limited to a maximum payout of 150% pursuant to the achievement of certain performance targets, amounted to 706,777 common shares as at June 30, 2017 (2016 – 571,072 common shares).*

2 *The additional payout is related to the achievement of certain performance targets in excess of 100% and amounted to an additional 12% for the six-month period ended June 30, 2017 (2016 – 44%).*

During the three and six-month periods ended June 30, 2017, an expense of $1.4 million and $2.9 million, respectively (2016 – $1.8 million and $3.5 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the RSU and PSU Plan.

Deferred share unit plan

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

			2017			2016
	Number of DSUs		**Liability[1]**	Number of DSUs		Liability[1]
Outstanding, beginning of period	**246,892**	**$**	**4,368**	192,964	$	2,947
Granted[2]	**97,578**		**589**	53,928		412
Variation due to change in stock price	–		**(2,671)**	–		670
Outstanding, end of period	**344,470**	**$**	**2,286**	246,892	$	4,029
Vested, end of period	**307,185**	**$**	**2,286**	219,928	$	4,029

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

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

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

Stock options

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

		2017		2016
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**630,950**	**$ 16.73**	522,950	$ 16.38
Granted	**–**	**$ –**	251,700	$ 17.83
Exercised	**–**	**$ –**	(11,375)	$ 10.12
Forfeited	**(6,050)**	**$ 16.44**	–	$ –
Outstanding, end of period	**624,900**	**$ 16.73**	763,275	$ 16.95
Exercisable, end of period	**368,200**	**$ 15.79**	186,550	$ 15.38

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

		2017		2016
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$10.12	**167,375**	**2.9**	167,375	3.9
$16.44	**160,000**	**4.7**	195,900	5.7
$17.83	**163,000**	**5.7**	251,700	6.7
$17.96	**4,600**	**4.9**	9,200	5.9
$19.61	**7,700**	**4.0**	7,700	5.0
$20.33	**4,900**	**3.9**	4,900	4.9
$24.65	**117,325**	**3.7**	126,500	4.7
Outstanding, end of period	**624,900**	**4.2**	763,275	5.4
Exercisable, end of period	**368,200**	**3.6**	186,550	4.2

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

	2017	2016
Weighted average grant date share price	**$ –**	$ 18.28
Exercise price	**$ –**	$ 17.83
Expected volatility	–	35%
Option life	–	7 years
Risk-free interest rate	–	1.02%
Weighted average remaining life	–	6.7 years

During the three and six-month periods ended June 30, 2017, an expense of $0.1 million and $0.3 million, respectively (2016 – $0.3 million and $0.7 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the Stock Option Plan.

(All tabular amounts are in thousands of Canadian dollars, except share information - Unaudited)

12. Financial charges, net

The significant components of the financial charges, net are as follows:

For the three and six-month periods ended June 30,	2017	2016	2017	2016
Interest on long-term debt and exchangeable debentures	$ 9,169	$ 11,269	$ 18,472	$ 22,817
Net interest on the defined benefit obligation	1,419	1,766	2,839	3,532
Sales taxes on tax assessment relating to financing costs	–	2,372	–	2,372
Other, net	741	543	1,348	1,425
	$ 11,329	$ 15,950	$ 22,659	$ 30,146

13. Fair value

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

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

As at	Level	June 30, 2017	December 31, 2016
Financial asset or liability			
Investments – available-for-sale	3	$ 8,915	$ 3,520
Foreign currency forward contracts	2	$ (187)	$ 996

Yellow Pages Limited's available-for-sale investments are comprised of privately held equity securities and are carried at fair value based on estimates of market rates prevailing at the statement of financial position date. The available-for-sale investments are presented in financial and other assets in the interim condensed consolidated statements of financial position. There were no changes in the fair value of the Level 3 investments during the three and six-month periods ended June 30, 2017 and 2016.

During the second quarter of 2017, the Company invested $5.4 million in Melian Labs, Inc. (doing business as "MyTime"), an all-in-one commerce platform, which includes online booking, automated marketing, point of sale and analytics for local businesses.

In order to mitigate foreign exchange risk, Yellow Pages Limited entered into foreign currency forward contracts and designated them as cash flow hedges for accounting purposes. The foreign currency forward contracts are presented in trade and other payables in the interim condensed consolidated statements of financial position as at June 30, 2017 and in prepaid expenses as at December 31, 2016.

Fair values

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

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

The following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the interim condensed consolidated statement of financial position as at June 30, 2017:

	Level	Carrying Value	Fair Value
Current portion of long-term debt	1	$ 22,876	$ 22,883
Non-current portion of long-term debt	1	$ 269,660	$ 269,748
Exchangeable debentures	1	$ 93,094	$ 107,068