

Management's Discussion and Analysis

November 7, 2017

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the three and nine-month periods ended September 30, 2017 and 2016 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2016 and 2015, as well as our unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2017 and 2016. Please also refer to Yellow Pages Limited's press release announcing its results for the third quarter of 2017 issued on November 7, 2017. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the "Investor Relations – Reports & Filings" section of our corporate website: <http://corporate.yip.ca>. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the financial information herein was derived from those statements.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance.

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Pages" and "YP" refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca), Yellow Pages Homes Limited (Yellow Pages NextHome), YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA), Bookenda Limited (Bookenda), YP Dine Solutions Limited (YP Dine), 9059-2114 Québec Inc. and ByTheOwner Inc. (the latter two collectively ComFree/DuProprio), Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively JUICE), and 9778748 Canada Inc. (Totem)).

Forward-Looking Information

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 general economic conditions in Canada will not deteriorate;
- that investments in marketing will evolve legacy perceptions and boost awareness of our digital media platforms and marketing solutions;
- that we will be able to maintain and grow our customer base and Average Revenue per Customer (ARPC);
- that customer renewal rates, as well as our ability to upsell renewing customers, will not be materially lower than currently anticipated;
- that the decline in print revenues will remain at or below 25% per annum;
- that we will be able to introduce, sell and provision the new products and services that support our customer base and ARPC assumptions;
- that revenues and profitability across our segments will not be materially lower than anticipated;
- that investments in new content and digital experiences across our owned and operated properties will protect digital audiences;
- that the revenue mix between our digital owned and operated, services and resale solutions will not differ materially from anticipated levels;
- that the performance of our Agency segment will not differ materially from anticipated levels;
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant;
- that we will be able to realize efficiency gains in our cost structure to support profitability and cash flow generation; and
- that we will be able to attract and retain key personnel in key positions.

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

When used in this MD&A, such forward-looking statements may be identified by words such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “goal”, “intend”, “objective”, “may”, “plan”, “predict”, “seek”, “should”, “strive”, “target”, “will”, “would” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as at the date of this MD&A. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Corporation, its business, results from operations and financial condition, including, but not limited to, the following risk factors discussed under the “Risks and Uncertainties” section of this MD&A, 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 attract, retain and upsell customers;
- The inability of the Corporation to successfully enhance and expand its offering of digital marketing and media products;
- The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its national customers;
- A higher than anticipated proportion of revenues coming from the Corporation’s digital products with lower margins, such as services and resale;
- The Corporation’s business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation’s digital properties could impair its ability to grow revenues and expand its business;
- The Corporation might be required to record additional impairment charges;
- The Corporation’s inability to optimize its cost structure;
- 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 labour disturbances;
- The Corporation’s inability to attract and retain key personnel;
- Challenge by tax authorities of the Corporation’s position on certain income tax matters;
- The loss of key relationships or changes in the level or service provided by mapping applications and search engines;
- The failure of the Corporation’s computers and communication systems;
- Declines in, or changes to, the real estate industry;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions; and
- Incremental contributions by the Corporation to its pension plans.

As detailed in this MD&A, Yellow Pages announced in May 2017 that it had updated its go-to market strategy. As a result, the Corporation may be subject to the additional risk factors described below.

The inability of the Corporation to execute on the Corporation's go-to market strategy or its inability to execute such strategy on a timely basis could impair its ability to stabilize and grow revenues and earnings

In May 2017, the Corporation updated its go-to market strategy to address structural challenges impeding its objective of a return to growth in total customer count, revenues and profitability. The Corporation's inability to execute on or delays in the execution of the go-to market strategy could impair its ability to stabilize and grow revenue and earnings, which might have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Delays or inability in implementing technology systems and platforms required to support the Corporation's go-to market strategy

The achievement of the Corporation's go-to market strategy requires the development of its digital media, mobile and online businesses. The customer preference for digital media, mobile and online products will likely accelerate as younger, more technologically savvy advertisers make up a greater portion of the Corporation's potential customer base. Moreover, the rapid technological evolution in the advertising industry is driving changes in user behaviour as users seek more control over the way in which they consume content. In order to succeed, the Corporation will need to invest significant resources in order to, among other things:

- accelerate the development of its existing products and services;
- develop in a timely manner compelling new digital media, mobile and online products and services that engage users across various platforms;
- continue to evolve its organization and operating model to grow its digital media, mobile and online businesses;
- continue to develop and upgrade its technologies and supporting processes to distinguish its products and services offering from those of its competitors; and
- sell advertising in significant markets and be a compelling choice for advertisers on mobile and online.

The Corporation cannot assure that it will be successful in achieving these and other necessary objectives in a timely manner or that the go-to market strategy will be successful. Delays or failure to adapt to new technology or delivery methods, or the choice of one technological innovation over another, may have an adverse impact on the Corporation's ability to compete effectively with its competitors or to achieve its go-to market strategy, which could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

Failure by the Corporation to stabilize or grow its customer base

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization, Impairment of Intangible Assets and Restructuring and Other Charges (Adjusted EBITDA) and Adjusted EBITDA Margin

We report on our Income from operations before depreciation and amortization, impairment of intangible assets and restructuring and other charges (Adjusted EBITDA). Adjusted EBITDA and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered to be an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning and are therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA and Adjusted EBITDA margin should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 22 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's interim condensed consolidated statements of income. Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business as these reflect its ongoing profitability. We believe that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a

company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Free cash flow

Free cash flow is a non-IFRS financial measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flows from operating activities. Free cash flow is defined as cash flows from operating activities, adjusted for the change in operating assets and liabilities, presented in the Operating Activities section of the Company's interim condensed consolidated statements of cash flows, less additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's interim condensed consolidated statements of cash flows. Free cash flow is not a standardized measure and is not comparable with that of other publicly traded companies. We consider free cash flow to be an important indicator of the performance of our business as it reflects the Company's ability to generate overall cash earnings and reflects the net cash generated available for debt repayment, acquisitions or other activities, such as share buybacks or dividends. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets as well as to evaluate a company's performance. The most comparable IFRS financial measure is cash flows from operating activities. Free cash flow for comparative periods presented has been restated to conform to the current year presentation, which includes an adjustment for the change in operating assets and liabilities. The change to this measure has been made to remove the movements in working capital items to better reflect the underlying performance of the business. Please refer to Section 4 – *Free Cash Flow* for a reconciliation of cash flows from operating activities to free cash flow.

Net debt

Net debt is a non-IFRS financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other publicly traded companies. We define net debt as current portion of long-term debt plus long-term debt and exchangeable debentures, less cash, as presented in Yellow Pages Limited's interim condensed consolidated statements of financial position. We consider net debt to be an important indicator of our financial leverage as it represents the amount of debt that is not covered by available cash. We believe that certain investors and analysts use net debt to determine a company's financial leverage. Net debt has no directly comparable IFRS financial measure; it is calculated using certain asset and liability categories from the interim condensed consolidated statements of financial position. Please refer to Section 3 – *Liquidity and Capital Resources* for a reconciliation of long-term debt, net of cash, to net debt.

This MD&A is divided into the following sections:

1. Our Business and New Customer Offerings and Go-to Market Strategy
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 and New Customer Offerings and Go-to Market Strategy

Our Business

Yellow Pages, a leading digital media and marketing solutions provider in Canada, offers targeted tools to local businesses, national brands and consumers allowing them to interact and transact within today's digital economy.

Customer Offerings

Through its YP segment, Yellow Pages offers small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of 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, digital display advertising, video production as well as print advertising. The Company's dedicated sales force of approximately 850 professionals offers our full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 233,500 SMEs. In addition, the Company continues to enhance its value proposition to local businesses by offering software as a service (SaaS) solutions and customer relationship management products. Yellow Pages offers restaurants a comprehensive solution which allows them to effectively manage reservations and orders, grow market visibility and boost customer loyalty through Bookenda's reservation management system, all at a competitive cost. The Company has an exclusive licensing agreement with MyTime to resell the solution in Canada. MyTime is a cloud-based, all-in-one commerce platform which includes online booking, automated marketing, point of sale and analytics for local businesses. Yellow Pages launched a pilot program of the MyTime solution in the third quarter of 2017.

The Company's Agency segment provides marketing solutions that extend beyond SMEs, focusing on the national advertising needs of brands and publishers. Operating an extensive publisher network and one of the country's largest pools of consumer data, Mediative provides national brands and enterprises with innovative marketing solutions that reach potential customers. JUICE, a premium mobile advertising technology company acquired in March 2016, facilitates the automatic buying and selling of mobile advertising between brands and publishers through Programmatic Direct and Real-Time Bidding platforms. Through Totem, Yellow Pages provides customized content creation and delivery for global brands. The Agency segment establishes Yellow Pages as a desktop and mobile national advertising agency.

The Company's Real Estate segment provides homeowners in Canada with media and expertise to sell their homes in a proven and cost-effective manner as well as publishes locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its ComFree/DuProprio (CFDP) and Yellow Pages NextHome subsidiaries. Via CFDP, the Company provides homeowners with media and expertise to sell their homes in a proven and cost-effective manner, which positions Yellow Pages as a leader in the Canadian consumer-to-consumer real estate market, with approximately 20% of all real estate listings and sales in Quebec represented through CFDP. Various initiatives are being implemented to grow adoption of the platform in Ontario.

Yellow Pages 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.

Owned and Operated Media Properties

The Company's owned and operated media, primarily desktop, mobile and print properties, continues to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover their neighbourhoods and is becoming increasingly specialized across the services, real estate, dining and retail verticals. A description of the Company's existing digital media properties is found below:

- YP™ – Available both online at YP.ca and as a mobile application, YP allows users to discover and transact within their local neighbourhoods through comprehensive merchant profiles, relevant editorial content, reviews and booking functionalities;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;
- RedFlagDeals.com™ – Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums;
- YP Grocery™ – A mobile application that provides Canadian consumers with a tailored grocery and pharmacy shopping experience through unified lists, clippings, deals and a virtual loyalty card holder;

- YP Dine™ – A digital property allowing users to discover, search for and book local restaurants based on time of day, mood, purpose and expert suggestions, in addition to offering online ordering capabilities;
- Bookenda.com – A leading online transaction platform for users and merchants to interact and manage bookings and orders;
- YP Shopwise™ – A mobile application offering geo-localized deals and flyers, as well as access to product catalogues from local and national retailers;
- ComFree/DuProprio – Currently Quebec's leading real estate digital destination and one of the top five most-visited networks of real estate digital properties in Canada, CFDP offers homeowners a professional and cost-effective service to market and sell their homes;
- Yellow Pages NextHome – Provides Canadians with helpful information in making informed home buying, selling, and/or renting decisions. Digital properties operating under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction; and
- 411.ca – A digital directory service to help users find and connect with people and local businesses.

New Customer Offerings and Go-to Market Strategy

In May 2017, the Company announced plans to move to scalable content and transaction centric customer offerings combined with a new go-to market strategy that fits and scales with customer needs rather than our “one size fits most” legacy approach. These initiatives are intended to allow the Company to attract a broader range of customers and enhance retention and growth of existing customers to best support its long-term growth as a digital first business.

Highlights of these initiatives include:

- soft launches and pilots of our new offerings and a cloud-based all-in-one commerce platform for SMEs as a result of entering into a licensing agreement with MyTime;
- piloting evergreen contracts in the fourth quarter of 2017 concurrently with the implementation of a new billing system that supports flexible term contracts; and
- initial steps taken in the first nine months of 2017 to realign our sales teams to service our customer segments, with continued progress expected in the upcoming months to ensure successful migration in 2018.

Key Analytics

The long-term success of our digital-first business is dependent upon maintaining and growing our digital revenues and customer base and overall profitability. Key analytics for the third quarter ended September 30, 2017 include:

- Digital Revenues – Consolidated digital revenues decreased 4.2% year-over-year to reach \$132.8 million for the third quarter ended September 30, 2017, representing 73.2% of consolidated revenues;
- Adjusted EBITDA – Adjusted EBITDA totalled \$46.2 million, or 25.5% of revenues for the third quarter ended September 30, 2017, relative to \$56.9 million or 28.3% of revenues for the same period last year;
- Customer Count – The Company's customer count was 233,500 customers for the twelve-month period ended September 30, 2017, as compared to 243,000 customers for same period last year. This represents a net customer count decline of 9,500 year-over-year, compared to 3,000 net customers lost during the same period last year; and
- Total Digital Visits – Total digital visits (TDV) totalled 169.0 million for the quarter ended September 30, 2017, up from 109.4 million during the same period last year, attributable to Yellow Pages syndicating listings and content across its owned and operated media properties and the Company's strong partnership network. TDV measures the number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, C411 and Bookenda online and mobile properties, as well as visits made across the properties of the Company's application syndication partners.

Customer Analytics¹

For the twelve-month periods ended September 30,	2017	2016
Customer count	233,500	243,000
Net new customers	(9,500)	(3,000)
Average Revenue per Customer (ARPC)	\$ 2,532	\$ 2,755

¹ YP segment only.

2. Results

This section provides an overview of our financial performance during the three and nine-month periods ended September 30, 2017 compared to the same periods in 2016. We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial metrics are provided on pages 3 and 4 of this MD&A and are important aspects which should be considered when analyzing our performance.

Overall Third Quarter

- Revenues decreased by \$19.8 million or 9.8% to \$181.4 million for the third quarter of 2017 compared to \$201.1 million for the same period in 2016.
- Digital revenues decreased 4.2% year-over-year to reach \$132.8 million for the three-month period ended September 30, 2017. For the third quarter ended September 30, 2017, digital revenues accounted for 73.2% of consolidated revenues, up from 68.9% for the same period in 2016.
- Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA) decreased by \$10.8 million or 18.9% to \$46.2 million for the third quarter of 2017 compared to \$56.9 million for the same period in 2016.
- The Company recorded a net loss of \$4.4 million for the third quarter of 2017 compared to net earnings of \$3.8 million for the same quarter last year. The net loss for the third quarter of 2017 includes an impairment of available-for-sale investments of \$3.7 million (2016 - \$nil) and a loss from investment in a jointly controlled entity of \$1.1 million (2016 - \$nil).

Third Quarter Highlights

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

For the three-month periods ended September 30,	2017	2016
Revenues	\$ 181,366	\$ 201,142
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	\$ 46,172	\$ 56,949
Adjusted EBITDA margin	25.5%	28.3%
Net (loss) earnings	\$ (4,446)	\$ 3,774
Basic (loss) earnings per share	\$ (0.17)	\$ 0.14
Cash flows from operating activities	\$ 36,788	\$ 73,364
Free cash flow	\$ 17,855	\$ 28,930

Revenues

(In millions of Canadian dollars)

↓ (9.8%)

Q3 2017	\$181.4
Q3 2016	\$201.1

Digital Revenues

(In millions of Canadian dollars)

↓ (4.2%)

Q3 2017	\$132.8
Q3 2016	\$138.6

Adjusted EBITDA

(In millions of Canadian dollars)

↓ (18.9%)

Q3 2017	\$46.2
Q3 2016	\$56.9

Free Cash Flow

(In millions of Canadian dollars)

↓ (38.3%)

Q3 2017	\$17.9
Q3 2016	\$28.9

Consolidated Operating and Financial Results

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

For the three and nine-month periods ended September 30,	% of		% of		% of		% of	
	2017	Revenues	2016	Revenues	2017	Revenues	2016	Revenues
Revenues	\$ 181,366		\$ 201,142		\$ 562,093		\$ 615,256	
Cost of sales ¹	86,467	47.7%	88,221	43.9%	263,990	47.0%	265,129	43.1%
Gross profit ¹	94,899	52.3%	112,921	56.1%	298,103	53.0%	350,127	56.9%
Other operating costs	48,727	26.9%	55,972	27.8%	161,031	28.6%	172,354	28.0%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	46,172	25.5%	56,949	28.3%	137,072	24.4%	177,773	28.9%
Depreciation and amortization	27,989	15.4%	26,838	13.3%	81,115	14.4%	77,137	12.5%
Restructuring and other charges	6,784	3.7%	9,691	4.8%	16,848	3.0%	15,468	2.5%
Income from operations	11,399	6.3%	20,420	10.2%	39,109	7.0%	85,168	13.8%
Financial charges, net	10,869	6.0%	13,323	6.6%	33,528	6.0%	43,469	7.1%
Impairment of available-for-sale investments	3,720	2.1%	–	–	3,720	0.7%	–	–
(Loss) earnings before income taxes and loss from investment in a jointly controlled entity	(3,190)	(1.8%)	7,097	3.5%	1,861	0.3%	41,699	6.8%
Provision for income taxes	140	0.1%	3,323	1.7%	2,992	0.5%	13,821	2.2%
Loss from investment in a jointly controlled entity	1,116	0.6%	–	–	1,837	0.3%	–	–
Net (loss) earnings	\$ (4,446)	(2.5%)	\$ 3,774	1.9%	\$ (2,968)	(0.5%)	\$ 27,878	4.5%
Basic (loss) earnings per share	\$ (0.17)		\$ 0.14		\$ (0.11)		\$ 1.05	
Diluted (loss) earnings per share	\$ (0.17)		\$ 0.14		\$ (0.11)		\$ 1.00	

¹ Prior year figures were restated to conform to the current year presentation.

As at	September 30, 2017	December 31, 2016
Total assets	\$ 1,066,016	\$ 1,099,937
Long-term debt (including current portion, excluding exchangeable debentures)	\$ 292,500	\$ 310,028
Exchangeable debentures	\$ 93,576	\$ 92,174
Total long-term debt to total assets	36.2%	36.6%

Segmented Information

Following the announcement of its updated corporate strategy, 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 YP segment provides SMEs across Canada digital and traditional marketing solutions, including 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 provides national advertising services to brands and publishers, primarily through its Mediative division, and JUICE and Totem subsidiaries. Mediative offers dedicated marketing and performance media services to national clients Canada-wide. JUICE'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 media and expertise to sell their homes as well as published locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its CFDP and Yellow Pages NextHome subsidiaries.

The Other segment offers a diversified portfolio of media properties to Canadian consumers, including the 411.ca digital directory service as well as local lifestyle magazines 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.

Analysis of Consolidated and Segmented Operating and Financial Results

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,		2017	2016	% Change	2017	2016	% Change			
YP	\$	145,184	\$	162,768	(10.8%)	\$	447,446	\$	500,005	(10.5%)
Print		43,902		57,541	(23.7%)	139,627		185,482	(24.7%)	
Digital		101,282		105,227	(3.7%)	307,819		314,523	(2.1%)	
Agency		17,562		17,732	(1.0%)	50,940		48,067	6.0%	
Print		1,152		–	N/A	4,311		11	nm	
Digital		16,410		17,732	(7.5%)	46,629		48,056	(3.0%)	
Real Estate		14,314		15,678	(8.7%)	49,697		52,664	(5.6%)	
Print		2,727		4,082	(33.2%)	9,477		14,194	(33.2%)	
Digital		11,587		11,596	(0.1%)	40,220		38,470	4.5%	
Other		5,453		5,881	(7.3%)	16,958		18,170	(6.7%)	
Print		779		961	(18.9%)	2,788		3,347	(16.7%)	
Digital		4,674		4,920	(5.0%)	14,170		14,823	(4.4%)	
Intersegment eliminations		(1,147)		(917)	25.1%	(2,948)		(3,650)	(19.2%)	
Print		(18)		(23)	(21.7%)	(52)		(427)	(87.8%)	
Digital		(1,129)		(894)	26.3%	(2,896)		(3,223)	(10.1%)	
Total revenues		181,366		201,142	(9.8%)	562,093		615,256	(8.6%)	
Print		48,542		62,561	(22.4%)	156,151		202,607	(22.9%)	
Digital	\$	132,824	\$	138,581	(4.2%)	\$	405,942	\$	412,649	(1.6%)

Operational Indicators

For the three-month periods ended September 30,	2017	2016
Digital-only customers ¹	84,400	72,200
Digital revenues (in thousands of Canadian dollars)	\$ 132,824	\$ 138,581
Digital revenues as a percentage of total revenues	73.2%	68.9%

¹ YP segment only, for the twelve-month periods ended September 30.

Total revenues for the third quarter ended September 30, 2017 decreased by 9.8% year-over-year and amounted to \$181.4 million as compared to \$201.1 million for the same period last year. For the nine-month period ended September 30, 2017, revenues decreased 8.6% to \$562.1 million, as compared to \$615.3 million for the same period last year. Total revenue decline for the three and nine-month periods ended September 30, 2017 as compared to the same periods in 2016 is due mainly to lower print revenues as well as digital revenue declines in all segments with the exception of Real Estate for the nine-month period ended September 30, 2017.

Total digital revenues decreased by 4.2% year-over-year and amounted to \$132.8 million during the third quarter of 2017, or 73.2% of revenues. This compares to \$138.6 million, or 68.9% of revenues, for the same period last year. For the nine-month period ended September 30, 2017, total digital revenues amounted to \$405.9 million, or 72.2% of revenues, as compared to \$412.6 million, or 67.1% of revenues. Total digital revenue decline for the quarter and the nine-month period ended September 30, 2017 is mainly attributable to declines in the Agency and YP segments. For the twelve-month period ended September 30, 2017, 83% of renewing customers maintained or increased their annual spending, as compared to 82% of customers over the same period last year.

Total print revenues decreased 22.4% year-over-year and amounted to \$48.5 million during the third quarter ended September 30, 2017. For the nine-month period ended September 30, 2017, total print revenues decreased 22.9% year-over-year and amounted to \$156.2 million having been adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital.

Reportable Segments Revenues

YP

Customer Penetration

As at September 30,	2017	2016
Print	64%	70%
Owned and Operated Digital Media¹	70%	69%
Online priority placement	60%	61%
Mobile priority placement	27%	26%
Digital Services²	11%	10%

¹ Percentage of YP customers purchasing at least one Online Priority Placement, Mobile Priority Placement, NetSync, Content, Video, and/or Legacy product.

² Percentage of YP customers purchasing at least one PresenceExtended, Website, Search Engine Optimization (SEO), Search Engine Marketing (SEM), Facebook Solution, and/or Smart Digital Display product.

Revenues for the YP segment for the third quarter of 2017 totalled \$145.2 million compared to \$162.8 million for the same period last year. Revenues for the YP segment for the nine-month period ended September 30, 2017 decreased by \$52.6 million to \$447.4 million from \$500.0 million for the same period in 2016. The decrease for the quarter and the nine-month period ended September 30, 2017 is mainly due to lower print revenues, with the decline rate stable year-over-year. Digital revenues decreased during the three and nine-month periods ended September 30, 2017. The decline in revenues generated from our higher margin owned and operated products was mostly offset by growth in digital services, which operate at a lower margin, thereby creating pressure on our gross profit margins.

Agency

Agency revenues for the three-month period ended September 30, 2017 amounted to \$17.6 million as compared to \$17.7 million for the three-month period ended September 30, 2016. Agency revenues for the nine-month period ended September 30, 2017 totalled \$50.9 million as compared to \$48.1 million for the same period last year. The decrease in Agency revenues for the three-month period ended September 30, 2017 is due to pressure from insourcing within the national agency industry and weaker than expected penetration of large account opportunities in the U.S. market. The increase in Agency revenues for the nine-month period ended September 30, 2017 is due mainly to the inclusion of Totem, acquired in September 2016 as well as the inclusion of JUICE, acquired in March 2016.

Real Estate

Revenues in the Real Estate segment amounted to \$14.3 million for the three-month period ended September 30, 2017 as compared to \$15.7 million for the same period last year, and to \$49.7 million for the nine-month period ended September 30, 2017 as compared to \$52.7 million for the same period last year. The decrease for the third quarter and the nine-month period ended September 30, 2017 is mainly due to lower print revenues at Yellow Pages NextHome.

Other

Other revenues remained relatively stable for the third quarter of 2017 year-over-year and amounted to \$5.5 million as compared to \$5.9 million for the same period last year. Other revenues decreased to \$17.0 million for the nine-month period ended September 30, 2017 from \$18.2 million for the same period last year due to lower higher margin revenues at 411.ca and lower revenues at Western Media Group due mainly to sales headcount turnover.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2017	%	2016	%	% Change	2017	%	2016	%	% Change
YP	\$ 82,869	57.1%	\$ 98,792	60.7%	(16.1%)	\$ 259,284	57.9%	\$ 306,606	61.3%	(15.4%)
Agency	3,439	19.6%	4,825	27.2%	(28.7%)	8,282	16.3%	13,586	28.3%	(39.0%)
Real Estate	6,266	43.8%	6,631	42.3%	(5.5%)	23,688	47.7%	22,736	43.2%	4.2%
Other	2,478	45.4%	2,734	46.5%	(9.4%)	7,170	42.3%	8,377	46.1%	(14.4%)
Intersegment eliminations	(153)	nm	(61)	nm	150.8%	(321)	nm	(1,178)	nm	(72.8%)
Total gross profit	\$ 94,899	52.3%	\$ 112,921	56.1%	(16.0%)	\$ 298,103	53.0%	\$ 350,127	56.9%	(14.9%)

Gross profit decreased to \$94.9 million, or 52.3% of total revenues, for the third quarter of 2017 compared to \$112.9 million, or 56.1% of total revenues, for the third quarter in 2016. Gross profit decreased to \$298.1 million, or 53.0% of total revenues, for the nine-month period ended September 30, 2017 compared to \$350.1 million, or 56.9% of total revenues, for the same period last year. The decrease in gross profit and gross profit as a percentage of total revenues for the third quarter and the nine-month period ended September 30, 2017 is primarily due to a change in product mix, partly offset by lower selling costs. For the nine-month period ended September 30, 2017, the gross profit margin was further impacted by the acquisition of JUICE, which operates at a lower gross profit margin.

Reportable Segments Gross Profit**YP**

Gross profit for the YP segment for the third quarter of 2017 totalled \$82.9 million, or 57.1% of revenues, compared to \$98.8 million, or 60.7% of revenues, for the same period last year, and \$259.3 million, or 57.9% of revenues, for the nine-month period ended September 30, 2017 as compared to \$306.6 million, or 61.3% of revenues for the same period in 2016. The decrease for the quarter and the nine-month period ended September 30, 2017 is mainly due to a change in digital product mix toward lower margin products and lower print revenues.

Agency

Agency gross profit for the three-month period ended September 30, 2017 amounted to \$3.4 million, or 19.6% of revenues, as compared to \$4.8 million, or 27.2% of revenues, for the three-month period ended September 30, 2016. The decrease in Agency gross profit for the three-month period ended September 30, 2017 is due to primarily to lower revenues as well as a change in the revenue mix toward lower margin products. Agency gross profit for the nine-month period ended September 30, 2017 totalled \$8.3 million, or 16.3% of revenues, as compared to \$13.6 million, or 28.3% of revenues, for the same period last year. The decrease in Agency gross profit for the nine-month period ended September 30, 2017 is due to a change in the revenue mix as well as a non-recurring contract termination fee incurred in the first quarter of 2017.

Real Estate

Gross profit for the Real Estate segment amounted to \$6.3 million, or 43.8% of revenues, for the three-month period ended September 30, 2017 as compared to \$6.6 million, or 42.3% of revenues, for the same period last year. Real Estate gross profit for the nine-month period ended September 30, 2017 amounted to \$23.7 million, or 47.7% of revenues, as compared to \$22.7 million, or 43.2% of revenues, for the same period last year. The increase in both gross profit and gross profit margin for the third quarter and the nine-month period ended September 30, 2017 is mainly due to cost saving initiatives at Yellow Pages NextHome as well as favourable product mix and revenue growth at CFDP.

Other

Gross profit for the Other segment totalled \$2.5 million, or 45.4% of revenues, for the third quarter of 2017, as compared to \$2.7 million, or 46.5% of revenues, for the same period last year, and amounted to \$7.2 million, or 42.3% of revenues, for the nine-month period ended September 30, 2017 as compared to \$8.4 million, or 46.1% of revenues, for the same period last year. The decrease for the quarter and nine-month period ended September 30, 2017 is due to lower sales and as a result, higher proportionate fixed cost of sales.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2017	2016	% Change	2017	2016	% Change
YP	\$ 37,349	\$ 44,417	(15.9%)	\$ 122,581	\$ 136,035	(9.9%)
Agency	4,005	4,152	(3.5%)	13,944	11,774	18.4%
Real Estate	5,452	5,612	(2.9%)	18,890	19,421	(2.7%)
Other	2,074	1,852	12.0%	5,937	6,302	(5.8%)
Intersegment eliminations	(153)	(61)	150.8%	(321)	(1,178)	(72.8%)
Total other operating costs	\$ 48,727	\$ 55,972	(12.9%)	\$ 161,031	\$ 172,354	(6.6%)

Other operating costs, which represent indirect costs, decreased 12.9% to \$48.7 million in the third quarter of 2017, compared to \$56.0 million during the third quarter of 2016. For the nine-month period ended September 30, 2017, total other operating costs decreased 6.6% to \$161.0 million from \$172.4 million for the same period last year. The decrease in total other operating costs for the three and nine-month periods ended September 30, 2017 was due to cost reductions in employee related expenses, lower branding expenditures and cost optimizations in ISIT and contracts.

Reportable Segments Other Operating Costs**YP**

Other operating costs for the YP segment for the third quarter and nine-month periods ended September 30, 2017 totalled \$37.3 million and \$122.6 million, respectively, as compared to \$44.4 million and \$136.0 million, respectively, for the same periods last year. The decrease for the quarter and the nine-month period ended September 30, 2017 is mainly due to lower employee related expenses, branding expenditures as well as cost optimizations in ISIT and contract optimizations.

Agency

Other operating costs for the Agency segment for the three and nine-month periods ended September 30, 2017 amounted to \$4.0 million and \$13.9 million, respectively. This compares to \$4.2 million and \$11.8 million, respectively, for the same periods last year. The increase in other operating costs for the nine-month period ended September 30, 2017 for the Agency segment is due primarily to the inclusion of Totem, acquired in September 2016 as well as the inclusion of JUICE, acquired in March 2016.

Real Estate

Other operating costs for the Real Estate segment were stable during the three and nine-month periods ended September 30, 2017 as compared to the same periods last year.

Other

Other operating costs for the Other segment remained relatively stable year-over-year for the three and nine-month periods ended September 30, 2017 as compared to the same periods last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2017	%	2016	%	% Change	2017	%	2016	%	% Change
YP	\$ 45,520	31.4%	\$ 54,375	33.4%	(16.3%)	\$ 136,703	30.6%	\$ 170,571	34.1%	(19.9%)
Agency	(566)	(3.2%)	673	3.8%	(184.1%)	(5,662)	(11.1%)	1,812	3.8%	(412.5%)
Real Estate	814	5.7%	1,019	6.5%	(20.1%)	4,798	9.7%	3,315	6.3%	44.7%
Other	404	7.4%	882	15.0%	(54.2%)	1,233	7.3%	2,075	11.4%	(40.6%)
Total Adjusted EBITDA	\$ 46,172	25.5%	\$ 56,949	28.3%	(18.9%)	\$ 137,072	24.4%	\$ 177,773	28.9%	(22.9%)

Adjusted EBITDA decreased by \$10.8 million to \$46.2 million during the third quarter of 2017, compared to \$56.9 million during the third quarter of 2016. For the nine-month period ended September 30, 2017, Adjusted EBITDA decreased by \$40.7 million to \$137.1 million, compared to \$177.8 million for the same period last year. Our Adjusted EBITDA margin for the third quarter of 2017 was 25.5% compared to 28.3% for the third quarter of 2016 and amounted to 24.4% for the nine-month period ended September 30, 2017 compared to 28.9% for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three and nine-month periods ended September 30, 2017 was mainly impacted by lower overall revenues and unfavourable changes in product mix in the YP segment, partly offset by cost saving initiatives and weaker overall performance in the Agency segment.

Reportable Segments Adjusted EBITDA**YP**

Adjusted EBITDA for the YP segment for the third quarter of 2017 totalled \$45.5 million compared to \$54.4 million for the same period last year. Adjusted EBITDA for the YP segment for the nine-month period ended September 30, 2017 decreased to \$136.7 million from \$170.6 million for the same period in 2016. The Adjusted EBITDA margin for the YP segment for the third quarter of 2017 was 31.4% compared to 33.4% for the third quarter of 2016 and amounted to 30.6% for the nine-month period ended September 30, 2017 compared to 34.1% for the same period last year. The decrease for the quarter and the nine-month period ended September 30, 2017 is mainly due to a change in product mix and lower print revenues, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the three-month period ended September 30, 2017 amounted to a loss of \$0.6 million, or (3.2%) of revenues, as compared to income of \$0.7 million, or 3.8% of revenues, for the three-month period ended September 30, 2016. Agency Adjusted EBITDA for the nine-month period ended September 30, 2017 was a loss of \$5.7 million, or (11.1%) of revenues, as compared to income of \$1.8 million, or 3.8% of revenues, for the same period last year. Adjusted EBITDA for the quarter and nine-month periods ended September 30, 2017 was negatively impacted by lower revenues due to pressure from insourcing within the national agency industry and weaker than expected penetration of large account opportunities in the U.S. market and a change in revenue mix toward lower margin products relative to the same periods in 2016. Adjusted EBITDA for the nine-month period ended September 30, 2017 was further impacted by a non-recurring contract termination fee incurred during the first quarter of 2017.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to \$0.8 million, or 5.7% of revenues, for the three-month period ended September 30, 2017 as compared to \$1.0 million, or 6.5% of revenues, for the same period last year. Real Estate Adjusted EBITDA for the nine-month period ended September 30, 2017 amounted to \$4.8 million, or 9.7% of revenues, as compared to \$3.3 million, or 6.3% of revenues, for the same period last year. The decrease for the third quarter ended September 30, 2017 is mainly due to print revenue declines offset by cost saving initiatives mainly at Yellow Pages NextHome. The increase for the nine-month period ended September 30, 2017 is mainly due to revenue growth at CFDP and cost saving initiatives mainly at Yellow Pages NextHome.

Other

Adjusted EBITDA for the Other segment for the quarter and nine-month periods ended September 30, 2017, amounted to \$0.4 million, or 7.4% of revenues, and \$1.2 million, or 7.3% of revenues, respectively. This compares to \$0.9 million, or 15.0% of revenues, and \$2.1 million, or 11.4% of revenues, respectively, for the same periods last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the quarter and nine-month periods ended September 30, 2017 is mainly due to lower revenues.

Depreciation and Amortization

Depreciation and amortization increased to \$28.0 million during the third quarter of 2017 compared to \$26.8 million during the same period last year, and increased to \$81.1 million for the nine-month period ended September 30, 2017 compared to \$77.1 million for the same period last year. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms and leasehold improvements in association with office moves as well as amortization of the intangible assets related to the acquisition of JUICE. In addition, subsequent to the impairment testing performed as at December 31, 2016, we revised the useful life of the non-competition agreements to reflect the revised period over which benefits are expected to be incurred. As a result, the expected decrease in the amortization of the non-competition agreements resulting from the impairment charge taken in 2016 was offset by the impact of the shortened useful life.

Restructuring and Other Charges

During the three and nine-month periods ended September 30, 2017, we recorded restructuring and other charges of \$6.8 million and \$16.8 million, respectively, associated primarily with the departure of the Company's former President and Chief Executive Officer, internal reorganizations, workforce reductions and office closures. During the three and nine-month periods ended September 30, 2016, we recorded restructuring and other charges of \$9.7 million and \$15.5 million, respectively, associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with the acquisition of JUICE.

Financial Charges

Financial charges decreased by \$2.5 million to \$10.9 million during the third quarter of 2017 compared to \$13.3 million for the same period in 2016 and by \$9.9 million to \$33.5 million for the nine-month period ended September 30, 2017 compared to \$43.5 million for the same period last year. The decrease for the three and nine-month periods ended September 30, 2017 is primarily due to a lower level of indebtedness. The decrease for the nine-month period ended September 30, 2017 was further impacted by a non-recurring charge in 2016 of \$2.4 million related to a sales tax assessment associated with financing costs. The Company's effective average interest rate on our debt portfolio as at September 30, 2017 was 8.9% (2016 – 9%).

Provision for Income Taxes

The combined statutory provincial and federal tax rate was 26.9% for the three and nine-month periods ended September 30, 2017 and 26.7% for the same periods in 2016. The Company recorded an expense of \$0.1 million and \$3.0 million for the three and nine-month periods ended September 30, 2017, respectively (2016 – \$3.3 million and \$13.8 million, respectively). The Company recorded an expense of 4.4% and 160.7% of earnings for the three and nine-month periods ended September 30, 2017, respectively (2016 – 46.8% and 33.1%, respectively).

The difference between the effective and the statutory rates for the three and nine-month periods ended September 30, 2017 and 2016 is due to the non-deductibility of certain expenses for tax purposes. During the three and nine-month periods ended September 30, 2017, the effective income tax rate was further impacted by lower earnings before income taxes and loss from investment in a jointly controlled entity as well as the impairment of certain available-for-sale investments.

Loss from Investment in a Jointly Controlled Entity

On September 29, 2017, 9778730 Canada Inc., which held 100% of Coupgon Inc., ceased operations and the net book value of the investment of \$0.7 million was written off. The write-off is included in the loss from investment in a jointly controlled entity of \$1.1 million and \$1.8 million for the third quarter and nine-month period ended September 30, 2017, respectively.

Net (Loss) Earnings

We recorded a net loss of \$4.4 million during the third quarter of 2017 compared with net earnings of \$3.8 million for the same period last year. For the nine-month period ended September 30, 2017, we recorded a net loss of \$3.0 million compared to net earnings of \$27.9 million for the same period last year. The decrease for the quarter and the nine-month period ended September 30, 2017 is explained principally by lower Adjusted EBITDA.

Summary of Consolidated Quarterly Results

Quarterly Results

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

	2017			2016			2015	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues	\$ 181,366	\$ 191,219	\$ 189,508	\$ 202,723	\$ 201,142	\$ 210,487	\$ 203,627	\$ 208,505
Operating costs	135,194	146,794	143,033	145,305	144,193	151,556	141,734	144,007
Income from operations before depreciation and amortization, impairment of intangible assets and restructuring and other charges (Adjusted EBITDA)	46,172	44,425	46,475	57,418	56,949	58,931	61,893	64,498
Adjusted EBITDA margin	25.5%	23.2%	24.5%	28.3%	28.3%	28.0%	30.4%	30.9%
Depreciation and amortization	27,989	27,346	25,780	27,745	26,838	25,440	24,859	20,792
Impairment of intangible assets	–	–	–	600,000	–	–	–	–
Restructuring and other charges	6,784	2,778	7,286	7,493	9,691	1,519	4,258	17,168
Income (loss) from operations	11,399	14,301	13,409	(577,820)	20,420	31,972	32,776	26,538
Financial charges, net	10,869	11,329	11,330	12,661	13,323	15,950	14,196	15,292
Net (loss) earnings	(4,446)	820	658	(431,583)	3,774	10,953	13,151	5,866
Basic (loss) earnings per share	\$ (0.17)	\$ 0.03	\$ 0.02	\$ (16.35)	\$ 0.14	\$ 0.41	\$ 0.49	\$ 0.22
Diluted (loss) earnings per share	\$ (0.17)	\$ 0.03	\$ 0.02	\$ (16.35)	\$ 0.14	\$ 0.38	\$ 0.45	\$ 0.21

Revenues have generally decreased throughout the quarters principally due to an overall loss of customers, a decline in print spending among renewing customers, partially offset by an increasing number of digital customers. Revenues were favourably impacted by the acquisition of JUICE on March 17, 2016, and by the acquisition of Totem commencing in the fourth quarter of 2016.

Operating costs over the quarters, with the exception of the third quarter of 2017, have remained relatively stable despite workforce reductions, cost saving initiatives and declining revenues due to the acquisition of JUICE on March 17, 2016, as well as changes in the sales mix toward products with higher proportionate delivery costs. Operating costs in the third quarter of 2017 decreased primarily resulting from lower employee related expenses and branding expenditures, and cost optimizations in ISIT and contract optimizations.

Adjusted EBITDA margins remained relatively stable through to the first quarter of 2016, as print revenue declines, changes in the product mix, investments related to the go-to market strategy, and the acquisition of CFDP were offset by cost saving initiatives and lower employee related expenses. The Adjusted EBITDA margin declined by approximately 2% starting in the third quarter of 2016 mainly as a result of the acquisition of JUICE and further declined in the first half of 2017 due primarily to changes in sales mix to products with higher proportionate delivery costs. The Adjusted EBITDA margin increased in the third quarter of 2017 due to cost saving initiatives as well as lower selling costs associated with lower revenues.

Depreciation and amortization expense remained relatively stable throughout 2015. Depreciation and amortization expense increased in 2016 in connection with the deployment of platforms and applications related to the Company's digital evolution. Amortization was further increased starting in the third quarter of 2016 due to the amortization of intangible assets related to the acquisition of JUICE. Subsequent to the impairment testing performed as at December 31, 2016, the Company revised the useful life of the non-competition agreements, which offset the expected decrease in the amortization of the non-competition agreements. Depreciation expense increased in the third quarter of 2017 as a result of leasehold improvements associated with our office moves.

The Company's restructuring and other charges mainly relate to workforce optimization, cost structure realignment and acquisition activities associated with its evolution to a digital centric organization.

Financial charges have steadily decreased over the quarters primarily due to a lower level of indebtedness.

Our net loss for the third quarter of 2017 was due to an impairment charge on certain of our available-for-sale investments and the write-off of our investment in a jointly controlled entity resulting from the shutdown of its operations. Our net loss for the fourth quarter of 2016 was caused by an impairment loss of \$600 million related to certain of our intangible assets.

3. Liquidity and Capital Resources

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

Capital Structure

(In thousands of Canadian dollars, except percentage information)

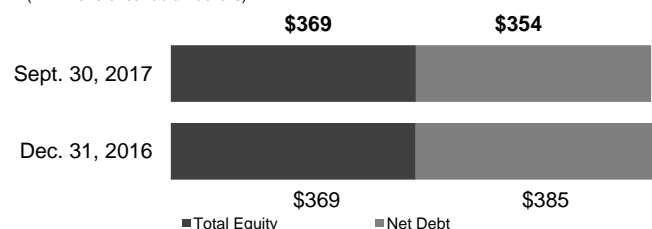
As at	September 30, 2017	December 31, 2016
Cash	\$ 31,850	\$ 17,260
Senior secured notes	\$ 292,248	\$ 309,669
Exchangeable debentures	93,576	92,174
Obligations under finance leases	252	359
Net debt	\$ 354,226	\$ 384,942
Equity	369,125	368,904
Total capitalization	\$ 723,351	\$ 753,846
Net debt to total capitalization	49.0%	51.1%

Net Debt To Latest Twelve-Month Adjusted EBITDA¹ Ratio



Capital Structure

(In millions of Canadian dollars)



As at September 30, 2017, Yellow Pages had \$354.2 million of net debt, compared to \$384.9 million as at December 31, 2016.

The net debt to Latest Twelve-Month Adjusted EBITDA¹ ratio as at September 30, 2017 was 1.8 times compared to 1.6 times as at December 31, 2016. The increase is mainly due to lower Adjusted EBITDA.

¹ Latest twelve-month income from operations before depreciation and amortization, impairment of intangible assets and restructuring and other charges (Latest Twelve-Month Adjusted EBITDA). Latest Twelve-Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 3 for a definition of Adjusted EBITDA.

Asset-Based Loan

In August 2013, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, entered into a five-year \$50 million asset-based loan (ABL) expiring in August 2018. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is secured by a first priority lien over the receivables of the Company. Interest is calculated based either on the BA Rate or the Prime Rate plus an applicable margin. The ABL is subject to an availability reserve of \$5 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at September 30, 2017, the Company had \$6.6 million of letters of credit issued and outstanding under the ABL. As such, \$43.4 million of the ABL was available as at September 30, 2017. As at September 30, 2017, the Company was in compliance with all covenants under the loan agreement governing the ABL.

On October 19, 2017, the Company entered into an Amended and Restated Loan and Security Agreement to, among others, extend the term of the ABL to August 2022 as well as reduce certain rates and fees.

10.00% Senior Secured Notes

On October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, issued \$315 million aggregate principal amount of 10.00% Senior Secured Notes (the New Notes) due November 1, 2022 at an issue price of \$980 per \$1,000 principal amount of the New Notes. The New Notes will accrue interest from October 19, 2017 at a rate of 10.00% per annum, payable in semi-annual instalments in arrears on May 1 and November 1 of each year commencing May 1, 2018.

Mandatory Redemption

Pursuant to the indenture governing the New Notes, the Company is required to use an amount equal to 100% of its consolidated Excess Cash Flow for the immediately preceding mandatory redemption period to redeem the New Notes, on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2018, at a redemption price equal to 100% of the principal amount, subject to the Company maintaining a minimum cash balance of \$20 million on the last day of the mandatory redemption period. The Company is required to use 75% of its consolidated Excess Cash Flow to redeem the New Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is no greater than 1.5 to 1. Excess Cash Flow, as defined in the indenture governing the New Notes, means adjusted cash flows from operating activities, adjusted for the following items, as reported in the Company's consolidated statement of cash flows: capital expenditures subject to certain maximum amounts as provided in the indenture governing the New Notes, repayment of the New Notes other than in connection with a mandatory redemption and any principal payments made in respect of the lease liability in accordance with IFRS 16, Leases.

Optional Redemption

At any time prior to November 1, 2018, the Company may, at its option, redeem all or part of the New Notes at 103% of the aggregate principal amount, plus accrued and unpaid interest. From November 1, 2018 to October 31, 2019, the Company may, at its option, redeem all or part of the New Notes at 102% of the aggregate principal amount, plus accrued and unpaid interest. From November 1, 2019 to October 31, 2020, the Company may, at its option, redeem all or part of the New Notes at 101% of the aggregate principal amount, plus accrued and unpaid interest. Beginning on November 1, 2020, the Company may, at its option, redeem all or part of the New Notes at 100% of the aggregate principal amount, plus accrued and unpaid interest.

The New Notes are guaranteed by Yellow Pages Limited and its subsidiaries, other than Yellow Pages Digital & Media Solutions Limited as issuer of the New Notes, (collectively, the Guarantors) and secured by first-priority liens and security interests, subject to permitted liens, in substantially all of the assets (other than the assets securing the Company's ABL) now owned or hereafter acquired by Yellow Pages Digital & Media Solutions Limited and the Guarantors, and second-priority liens and security interests, subject to permitted liens, in the assets securing the ABL. The New Notes are senior secured obligations of Yellow Pages Digital & Media Solutions Limited. The New Notes rank equally in right of payment with all indebtedness of Yellow Pages Digital & Media Solutions Limited that is not expressly subordinated in right of payment to the New Notes, and rank senior in right of payment to all existing and future subordinated indebtedness of Yellow Pages Digital & Media Solutions Limited.

Certain Covenants

The indenture governing the New Notes limits or affects the Company's ability to, among other things, incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into transactions with

affiliate and consolidate, merge or sell all or substantially all of its assets. Such covenants are subject to certain limitations and exceptions as provided in the indenture governing the New Notes.

9.25% Senior Secured Notes

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

The Company repaid a total of \$507.8 million since December 20, 2012 of its Senior Secured Notes, thereby reducing the balance from \$800 million to \$292.2 million as at September 30, 2017.

As at September 30, 2017, the Company was in compliance with all covenants under the indenture governing the Senior Secured Notes.

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 par, plus accrued and unpaid interest, if any, to the redemption date.

The Company will use the net proceeds from the sale of the New Notes to redeem on November 18, 2017 all of its Senior Secured Notes due November 30, 2018, including accrued and unpaid interest up to but excluding the redemption date. The total redemption price is \$1,020.2986 for each \$1,000 principal amount of Senior Secured Notes, including interest of \$20.2986.

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. As at September 30, 2017 and December 31, 2016, the face value of the Exchangeable Debentures was \$107.1 million. As at September 30, 2017, the value of the Exchangeable Debentures less unaccreted interest was \$93.6 million compared to \$92.2 million as at December 31, 2016.

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 election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

As at September 30, 2017, 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 (high)/Issuer rating – stable outlook	B-/Corporate credit rating – stable outlook
BB (low)/Credit rating for Senior Secured Notes	B+/Credit rating for Senior Secured Notes
B (low)/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 in the short term and the long term to fund capital expenditures, working capital requirements and current obligations, and service its outstanding debt obligations. As at November 6, 2017, the Company had approximately \$24.7 million of cash and \$43.5 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

Outstanding Share Data

As at	November 6, 2017	September 30, 2017	December 31, 2016
Common shares outstanding	28,075,306	28,075,306	28,075,304
Exchangeable Debentures outstanding ¹	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,486	2,995,486	2,995,488
Stock options outstanding ²	1,087,075	1,087,075	630,950

¹ As at November 6, 2017, 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 1,087,075 as at November 6, 2017 and September 30, 2017, respectively, are 281,325 stock options exercisable as at those dates. Included in the stock options outstanding balance of 630,950 as at December 31, 2016 are 186,550 stock options exercisable as at that date.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the nine-month periods ended September 30,	2017	2016
Cash flows from operating activities		
Cash flows from operations, excluding change in operating assets and liabilities	\$ 95,111	\$ 119,808
Change in operating assets and liabilities	(7,311)	10,431
	\$ 87,800	\$ 130,239
Cash flows used in investing activities		
Additions to intangible assets	\$ (28,627)	\$ (40,047)
Additions to property and equipment	(17,394)	(3,423)
Purchase of available-for-sale investments	(5,452)	(50)
Investment in a jointly controlled entity	(680)	–
Business acquisition	(400)	(35,271)
	\$ (52,553)	\$ (78,791)
Cash flows used in financing activities		
Repayment of long-term debt	\$ (17,528)	\$ (36,221)
Purchase of restricted shares	(3,129)	(10,472)
Issuance of common shares upon exercise of stock options	–	115
	\$ (20,657)	\$ (46,578)

Cash flows from operating activities

Cash flows from operations, excluding change in operating assets and liabilities

Cash flows from operations decreased by \$24.7 million from \$119.8 million for the nine-month period ended September 30, 2016 to \$95.1 million for the same period in 2017. Cash flows from operations in 2017 were impacted by lower cash Adjusted EBITDA of \$47.0 million, partially offset by lower payments for restructuring and other charges, lower funding of post-employment benefits in excess of costs as well as lower interest paid.

Change in operating assets and liabilities

The change in operating assets and liabilities for the nine-month period ended September 30, 2017 generated an outflow of \$7.3 million compared to an inflow of \$10.4 million for the same period last year. The outflow for the nine-month period ended September 30, 2017 was due principally to the payment of annual variable incentive compensation provisioned for as at December 31, 2016. The inflow for the nine-month period ended September 30, 2016 was due primarily to the receipt of a settlement of sales tax assessments of \$16.6 million.

Cash flows used in investing activities

Cash used in investing activities amounted to \$52.6 million for the nine-month period ended September 30, 2017 compared with \$78.8 million for the same period last year. During the nine-month period ended September 30, 2017, we invested in software development in the amount of \$28.6 million and office equipment and leasehold improvements associated with office relocations in the amount of \$17.4 million, as compared to software development of \$40.0 million and ISIT equipment of \$3.4 million during the same period last year. Capital expenditures incurred during the nine-month periods ended September 30, 2016 and 2017 are related to investments required to maintain the integrity of our infrastructure as well as the development and implementation of new technologies and software. During the nine-month period ended September 30, 2017, we acquired a minority share in Melian Labs, Inc., which operates a cloud-based local commerce platform called MyTime, for \$5.4 million. During the first quarter of 2016, we acquired the net assets of JUICE for a purchase price of \$35.3 million.

Cash flows used in financing activities

Cash used in financing activities amounted to \$20.7 million for the nine-month period ended September 30, 2017 compared to \$46.6 million for the same period last year. During the second quarter of 2017, we repaid \$17.4 million of the Senior Secured Notes compared to \$36.0 million during the same period last year. During the nine-month period ended September 30, 2017, 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 \$3.1 million as compared to \$10.5 million for the same period last year.

Financial and Other Instruments

(See Note 22 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2016 and 2015).

The Company's financial instruments primarily consist of cash, trade and other receivables, trade and other payables, long-term debt, Exchangeable Debentures and derivatives designated as cash flow hedges.

There is no carrying value of embedded derivatives as at September 30, 2017. 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

(In thousands of Canadian dollars)

For the three and nine-month periods ended September 30,	2017		2016 ¹	
Cash flows from operating activities	\$ 36,788	\$ 73,364	\$ 87,800	\$ 130,239
Change in operating assets and liabilities	7	(29,292)	7,311	(10,431)
Capital expenditures	(18,940)	(15,142)	(46,021)	(43,470)
Free cash flow	\$ 17,855	\$ 28,930	\$ 49,090	\$ 76,338

¹ Free cash flow for the three and nine-month periods ended September 30, 2016 has been restated to conform to the current year presentation, which includes an adjustment for change in operating assets and liabilities.

5. Critical Assumptions and Estimates

When we prepare our interim condensed 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 years ended December 31, 2016 and 2015. These critical assumptions and estimates relate to intangible assets, goodwill, property and equipment, employee future benefits, and income taxes. Please refer to Section 5 – *Critical Assumptions* of our MD&A for the years ended December 31, 2016 and 2015.

Accounting Standards

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 in our 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 International Accounting Standard (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*.

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 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.

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 in 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 office rentals, 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 other charges, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to apply IFRS 16 for the annual period beginning on January 1, 2018 and is in the process of quantifying the accounting impact of the adoption of IFRS 16. Progress made to date is consistent with management's planned timeline and management expects to complete this evaluation in the fourth quarter of 2017.

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.

6. Risks and Uncertainties

Please refer to the Risks and Uncertainties section of our MD&A for the years ended December 31, 2016 and 2015 and our Annual Information Form dated March 23, 2017 for a complete description of the risks factors to which the Corporation 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 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 years ended December 31, 2016 and 2015, except as described in the Forward-Looking Information section of this MD&A. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2016 and 2015.

7. Controls and Procedures

As a public entity, we must take steps to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of YP. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

The evaluation of the design and effectiveness of DC&P (as defined in National Instrument 52-109) was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They concluded that the Company's DC&P were effective, as at September 30, 2017.

Internal Control over Financial Reporting (ICFR)

The design and effectiveness of ICFR (as defined in National Instruments 52-109) were evaluated under the supervision of the President and Chief Executive Officer and Chief Financial Officer. Based on the evaluations, they concluded that the Company's ICFR was effective, as at September 30, 2017.

During the quarter beginning on July 1, 2017 and ended on September 30, 2017, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.