Management's Discussion and Analysis

February 8, 2018

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 years ended December 31, 2017 and 2016 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2017 and 2016. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2017 issued on February 8, 2018. 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.yp.ca. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the financial information herein was derived from those statements. All amounts in this MD&A are in Canadian dollars, unless otherwise specified. Please refer to the section "Definitions Relative to Understanding Our Results" for a list of defined non-IFRS financial measures and key performance indicators.

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)).

Caution Regarding 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, as at February 8, 2018, about our business and the markets we operate in, and on various estimates and assumptions.

Forward-looking information and statements are based on several assumptions which may lead to actual results that differ materially from our expectations expressed in, or implied by, such forward-looking information and statements, and that our business strategies, objectives and plans may not be achieved. As a result, we cannot guarantee that any forward-looking statement will materialize and we caution you against relying on any of these forward-looking statements. Forward-looking information and statements are included in this MD&A for the purpose of assisting investors and others in understanding our business strategies, objectives and plans. Readers are cautioned that such information may not be appropriate for other purposes. In making certain forward-looking statements, we have made the following assumptions:

- that general economic conditions in Canada will not deteriorate;
- that we will be able to attract and retain key personnel in key positions;
- that we will be able to introduce, sell and provision the new products and services that support our customer base and ARPC assumptions;
- that the decline in print revenues will remain at or below 25% per annum;
- that YP segment gross profit margins will not deteriorate materially from current levels;
- that continuing reductions in spending will mitigate the cash flow impact of any revenue declines on cash flows; and
- that exposure to foreign exchange risk arising from foreign currency transactions will remain insignificant.

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;
- Failure by the Corporation to stabilize or grow its revenues and customer base;
- 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;
- Delays or inability in implementing technology systems and platforms required to support the Corporation's business activities;
- 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.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization, Impairment of Intangible Assets and Goodwill, 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 goodwill, 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 35 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of loss. 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.

Adjusted EBITDA less CAPEX

Adjusted EBITDA less CAPEX 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 Adjusted EBITDA less CAPEX as Adjusted EBITDA, or revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of loss, less additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows, net of lease incentives received, as reported in the Operating Activities section of the Company's consolidated statements of cash flows. We use Adjusted EBITDA less CAPEX as the key performance measure for our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX to evaluate the performance of businesses in our industry. Please refer to Section 1 – *Our Business and Customer Offerings* for a reconciliation of additions to intangible assets and property equipment net of lease incentives received to CAPEX.

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 presented in the Operating Activities section of the Company's 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 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. 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 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 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 Customer Offerings
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 Customer Offerings

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

Yellow Pages offers, through its YP segment, 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 digital media properties, 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 650 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 229,000 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.

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 marketing solutions that reach potential customers. JUICE, a 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 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 to sell their homes in a 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.

YP Media Properties

The Company's YP media properties, primarily desktop, mobile and print, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover businesses in their neighbourhoods 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 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.

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 year ended December 31, 2017 include:

- Digital Revenues – Consolidated digital revenues decreased 2.3% year-over-year and amounted to $543.0 million for the year ended December 31, 2017, representing 72.8% of consolidated revenues;
- Adjusted EBITDA – Adjusted EBITDA totalled $184.0 million, or 24.7% of revenues for the year ended December 31, 2017, relative to $235.2 million or 28.8% of revenues for the same period last year;
- Customer Count – The Company's customer count was 229,000 customers for the year ended December 31, 2017, as compared to 241,500 customers for same period last year. This represents a net customer count decline of 12,500 year-over-year, compared to 3,500 net customers lost during the same period last year;
- Total Digital Visits – Total digital visits (TDV) totalled 644.9 million for the year ended December 31, 2017, up from 464.8 million during the same period last year, attributable to Yellow Pages syndicating listings and content across its YP digital 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; and
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX amounted to $125.4 million for the year ended December 31, 2017 compared to $179.8 million for the year ended December 31, 2016.

Customer Analytics[1]

For the years ended December 31,	2017	2016
Customer count	**229,000**	241,500
Net new customers	**(12,500)**	(3,500)
Average Revenue per Customer (ARPC)	**$ 2,488**	$ 2,689

[1] *YP segment only.*

CAPEX

(In thousands of Canadian dollars)

For the three-month periods and years ended December 31,	2017	2016	2017	2016
Additions to intangible assets	**$ 8,670**	$ 10,740	**$ 37,297**	$ 50,787
Additions to property and equipment	**13,018**	9,296	**30,412**	12,719
Less lease incentives received	**(5,892)**	(7,605)	**(9,094)**	(8,145)
CAPEX	**$ 15,796**	$ 12,431	**$ 58,615**	$ 55,361

2. Results

This section provides an overview of our financial performance in 2017 compared to 2016 and 2015. 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 2 and 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

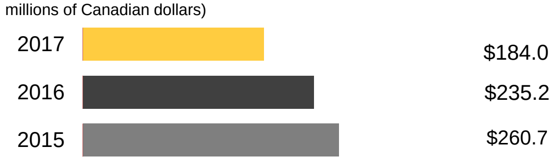
Highlights

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

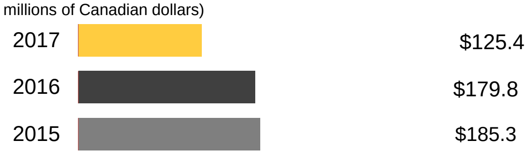
For the years ended December 31,		**2017**		2016		2015
Revenues	**$**	**745,852**	$	817,979	$	829,771
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**$**	**183,985**	$	235,191	$	260,687
Adjusted EBITDA margin		**24.7%**		28.8%	$	31.4%
Impairment of intangible assets and goodwill	**$**	**507,032**	$	600,000	$	–
Net (loss) earnings	**$**	**(589,327)**	$	(403,705)	$	61,055
Basic (loss) earnings per share	**$**	**(22.32)**	$	(15.23)	$	2.29
CAPEX	**$**	**58,615**	$	55,361	$	75,421
Adjusted EBITDA less CAPEX	**$**	**125,370**	$	179,830	$	185,266
Cash flows from operating activities	**$**	**115,344**	$	158,113	$	197,566
Free cash flow	**$**	**47,635**	$	94,607	$	122,145

Revenues
(In millions of Canadian dollars)

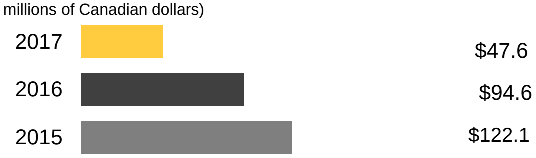
Adjusted EBITDA
(In millions of Canadian dollars)



Adjusted EBITDA less CAPEX
(In millions of Canadian dollars)



Free Cash Flow
(In millions of Canadian dollars)



Consolidated Operating and Financial Results

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

For the years ended December 31,		**2017**	**% of Revenues**		2016	% of Revenues		2015	% of Revenues
Revenues	**$**	**745,852**		$	817,979		$	829,771	
Cost of sales[1]		**352,528**	**47.3%**		357,821	43.7%		318,058	38.3%
Gross profit[1]		**393,324**	**52.7%**		460,158	56.3%		511,713	61.7%
Other operating costs		**209,339**	**28.1%**		224,967	27.5%		251,026	30.3%
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)		**183,985**	**24.7%**		235,191	28.8%		260,687	31.4%
Depreciation and amortization		**105,501**	**14.1%**		104,882	12.8%		80,837	9.7%
Impairment of intangible assets and goodwill		**507,032**	**68.0%**		600,000	73.4%		–	–
Restructuring and other charges		**34,400**	**4.6%**		22,961	2.8%		30,834	3.7%
(Loss) income from operations		**(462,948)**	**(62.1%)**		(492,652)	(60.2%)		149,016	18.0%
Financial charges, net		**48,150**	**6.5%**		56,130	6.9%		60,922	7.3%
Impairment of available-for-sale investments		**3,720**	**0.5%**		–	–		–	–
(Loss) earnings before income taxes and loss from investment in a jointly controlled entity		**(514,818)**	**(69.0%)**		(548,782)	(67.1%)		88,094	10.6%
Provision for (recovery of) income taxes		**72,405**	**9.7%**		(145,517)	(17.8%)		27,039	3.3%
Loss from investment in a jointly controlled entity		**2,104**	**0.3%**		440	0.1%		–	–
Net (loss) earnings	**$**	**(589,327)**	**(79.0%)**	$	(403,705)	(49.4%)	$	61,055	7.4%
Basic (loss) earnings per share	**$**	**(22.32)**		$	(15.23)		$	2.29	
Diluted (loss) earnings per share	**$**	**(22.32)**		$	(15.23)		$	2.05	
Adjusted EBITDA less CAPEX	**$**	**125,370**		$	179,830		$	185,266	

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

As at December 31,		**2017**		2016		2015
Total assets	**$**	**529,914**	$	1,099,937	$	1,710,627
Long-term debt (including current portion, excluding exchangeable debentures)	**$**	**309,113**	$	310,028	$	407,353
Exchangeable debentures	**$**	**94,067**	$	92,174	$	90,478
Total long-term debt to total assets		**76.1%**		36.6%		29.1%

Segmented Information

The Company manages its business, assesses performance and allocates resources relative to 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 digital 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 publishes 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

Fiscal year 2017 versus 2016

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	2016	% Change
YP	**$ 587,194**	$ 657,822	(10.7%)
Print	**181,697**	238,756	(23.9%)
Digital	**405,497**	419,066	(3.2%)
Agency	**78,104**	74,524	4.8%
Print	**5,416**	1,000	441.6%
Digital	**72,688**	73,524	(1.1%)
Real Estate	**62,724**	66,415	(5.6%)
Print	**11,913**	18,319	(35.0%)
Digital	**50,811**	48,096	5.6%
Other	**22,555**	24,361	(7.4%)
Print	**3,924**	4,587	(14.5%)
Digital	**18,631**	19,774	(5.8%)
Intersegment eliminations	**(4,725)**	(5,143)	(8.1%)
Print	**(68)**	(455)	(85.1%)
Digital	**(4,657)**	(4,688)	(0.7%)
Total revenues	**745,852**	817,979	(8.8%)
Print	**202,882**	262,207	(22.6%)
Digital	**$ 542,970**	$ 555,772	(2.3%)

Operational Indicators

For the years ended December 31,	2017	2016
Digital-only customers[1]	**84,700**	76,800
Digital revenues (in thousands of Canadian dollars)	**$ 542,970**	$ 555,772
Digital revenues as a percentage of total revenues	**72.8%**	67.9%

1 *YP segment only.*

Total revenues for the year ended December 31, 2017 decreased by 8.8% year-over-year and amounted to $745.9 million as compared to $818.0 million for the same period last year. Total revenue decline for the year ended December 31, 2017 as compared to the same period in 2016 is due mainly to lower print revenues as well as digital revenue declines in all segments, with the exception of the Real Estate segment which gained 5.6% over 2016.

Total digital revenues decreased by 2.3% year-over-year and amounted to $543.0 million in 2017, or 72.8% of revenues. This compares to $555.8 million, or 67.9% of revenues, for the same period last year. Total digital revenue decline for the year ended December 31, 2017. For the year ended December 31, 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 22.6% year-over-year and amounted to $202.9 million in 2017, adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital among our customers.

Reportable Segments Revenues

YP

Customer Penetration

As at December 31,	2017	2016
Print	**63%**	68%
YP Digital Media[1]	**70%**	70%
Online priority placement	**60%**	61%
Mobile priority placement	**27%**	26%
Digital Services[2]	**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 Website, Search Engine Optimization (SEO), Search Engine Marketing (SEM), Facebook Solution, and/or Smart Digital Display product.*

Revenues for the YP segment for the year ended December 31, 2017 totalled $587.2 million compared to $657.8 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower print revenues, with the decline rate stable year-over-year. The decline in digital revenues generated from our higher margin YP digital media products was partially 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 year ended December 31, 2017 increased to $78.1 million as compared to $74.5 million for the same period last year. The increase in Agency revenues for the year ended December 31, 2017 is due to the inclusion of Totem, acquired in September 2016 as well as the inclusion of JUICE, acquired in March 2016, offset by pressure from insourcing within the national agency industry and weaker than expected penetration of large account opportunities in the U.S. market.

Real Estate

Revenues in the Real Estate segment amounted to $62.7 million for the year ended December 31, 2017 as compared to $66.4 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower print revenues from Yellow Pages NextHome.

Other

Other revenues remained amounted to $22.6 million for the year ended December 31, 2017 as compared to $24.4 million for the same period last year. The decline in Other revenues is to a loss of a reseller and turnover in the sales department.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2017	%		2016	%	% Change
YP	**$**	**343,395**	**58.5%**	$	401,529	61.0%	(14.5%)
Agency		**11,791**	**15.1%**		20,153	27.0%	(41.5%)
Real Estate		**28,815**	**45.9%**		28,460	42.9%	1.2%
Other		**9,818**	**43.5%**		11,257	46.2%	(12.8%)
Intersegment eliminations		**(495)**	**10.5%**		(1,241)	24.1%	(60.1%)
Total gross profit	**$**	**393,324**	**52.7%**	$	460,158	56.3%	(14.5%)

Gross profit decreased to $393.3 million, or 52.7% of total revenues, for the year ended December 31, 2017 compared to $460.2 million, or 56.3% of total revenues, for the same period last year. The decrease in gross profit for the year ended December 31, 2017 is primarily due to the decline in revenues in the YP segment, where the Company earns higher gross profit as a percentage of revenues relative to the Company's other segments, and a 12% decline in the Agency segment's gross profit as a percentage of revenues. The decline in gross profit as a percentage of revenue is mainly attributable to the fact that sales, delivery and support costs in the YP segment have been reduced at a slower rate than the decline in revenues due to shifts in product mix and declines in sales productivity, in addition to weak U.S. sales results in the Agency segment.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the year ended December 31, 2017 totalled $343.4 million, or 58.5% of revenues, compared to $401.5 million, or 61.0% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to a decline in sales productivity including a change in digital product mix toward lower priced, lower margin products and the continuing decline in print revenues.

Agency

Agency gross profit for the year ended December 31, 2017 amounted to $11.8 million, or 15.1% of revenues, as compared to $20.2 million, or 27.0% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 in Agency gross profit is due to weakness in the U.S. market for JUICE due to competitive challenges and a trend toward agency insourcing 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 $28.8 million, or 45.9% of revenues, for the year ended December 31, 2017 as compared to $28.5 million, or 42.9% of revenues, for the same period last year. The increase for the year ended December 31, 2017 in both gross profit and gross profit margin 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 $9.8 million, or 43.5% of revenues, for the year ended December 31, 2017, as compared to $11.3 million, or 46.2% of revenues, for the same period last year. The decrease for the year ended December 31, 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 years ended December 31,	2017	2016	% Change
YP	**$ 160,554**	$ 176,154	(8.9%)
Agency	**16,502**	16,705	(1.2%)
Real Estate	**24,906**	25,107	(0.8%)
Other	**7,872**	8,242	(4.5%)
Intersegment eliminations	**(495)**	(1,241)	(60.1%)
Total other operating costs	**$ 209,339**	$ 224,967	(6.9%)

Other operating costs, which represent indirect costs, decreased 6.9% to $209.3 million in 2017, compared to $225.0 million in 2016. The decrease in total other operating costs for the year ended December 31, 2017 was due to cost reductions in employee related expenses, lower branding expenditures and cost optimizations in ISIT.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the year ended December 31, 2017 totalled $160.6 million as compared to $176.2 for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower employee related expenses, branding expenditures as well as cost optimizations in ISIT.

Agency

Other operating costs for the Agency segment decreased to $16.5 million for the year ended December 31, 2017 as compared to $16.7 million for the same period last year. The decrease in other operating costs for the year ended December 31, 2017 for the Agency segment is due primarily to lower employee related expenses, partially offset by 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 year ended December 31, 2017 as compared to the same period last year.

Other

Other operating costs for the Other segment remained relatively stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	%	2016	%	% Change
YP	**$ 182,841**	**31.1%**	$ 225,375	34.3%	(18.9%)
Agency	**(4,711)**	**(6.0%)**	3,448	4.6%	(236.6%)
Real Estate	**3,909**	**6.2%**	3,353	5.0%	16.6%
Other	**1,946**	**8.6%**	3,015	12.4%	(35.5%)
Total Adjusted EBITDA	**$ 183,985**	**24.7%**	$ 235,191	28.8%	(21.8%)

Adjusted EBITDA decreased by $51.2 million to $184.0 million during 2017, compared to $235.2 million during 2016. Our Adjusted EBITDA margin for 2017 was 24.7% compared to 28.8% for 2016. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 was mainly impacted by lower overall revenues and unfavourable changes in product mix in the YP segment, partly offset by cost saving initiatives.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2017 totalled $182.8 million compared to $225.4 million for the same period last year. The Adjusted EBITDA margin for the YP segment for 2017 was 31.1% compared to 34.3% for 2016. The decrease for the year ended December 31, 2017 is mainly due to lower overall revenues and unfavourable changes in product mix, including lower print revenues and an increase in the proportion of lower priced, lower margin services, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the year ended December 31, 2017 amounted to a loss of $4.7 million, or (6.0%) of revenues, as compared to income of $3.4 million, or 4.6% of revenues, for the same period last year. Agency Adjusted EBITDA for the year ended December 31, 2017 was negatively impacted by lower revenues due to competitive pressures, including a trend toward insourcing within the national agency industry and weaker pricing and penetration of large account opportunities in the U.S. market. Adjusted EBITDA for the year ended December 31, 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 $3.9 million, or 6.2% of revenues, for the year ended December 31, 2017 as compared to $3.4 million, or 5.0% of revenues, for the same period last year. The increase for the year ended December 31, 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 year ended December 31, 2017, amounted to $1.9 million, or 8.6% of revenues, as compared to $3.0 million, or 12.4% of revenues, for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 is mainly due to lower revenues.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	2016	% Change
YP	**$ 129,760**	$ 174,852	(25.8%)
Adjusted EBITDA	**182,841**	225,375	(18.9%)
CAPEX	**53,081**	50,523	5.1%
Agency	**(6,749)**	1,213	(656.4%)
Adjusted EBITDA	**(4,711)**	3,448	(236.6%)
CAPEX	**2,038**	2,235	(8.8%)
Real Estate	**2,642**	2,070	27.6%
Adjusted EBITDA	**3,909**	3,353	16.6%
CAPEX	**1,267**	1,283	(1.2%)
Other	**(283)**	1,695	(116.7%)
Adjusted EBITDA	**1,946**	3,015	(35.5%)
CAPEX	**2,229**	1,320	68.9%
Total Adjusted EBITDA less CAPEX	**125,370**	179,830	(30.3%)
Adjusted EBITDA	**183,985**	235,191	(21.8%)
CAPEX	**$ 58,615**	$ 55,361	5.9%

Adjusted EBITDA less CAPEX decreased by $54.5 million to $125.4 million during 2017, compared to $179.8 million during 2016. The decrease in Adjusted EBITDA less CAPEX for the year ended December 31, 2017 was mainly impacted by lower Adjusted EBITDA as well as higher capital expenditures related primarily to leasehold improvements associated with office relocations.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the year ended December 31, 2017 totalled $129.8 million compared to $174.9 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower Adjusted EBITDA and increased capital expenditures in leasehold improvements associated with office relocations.

Agency

Agency Adjusted EBITDA less CAPEX for the year ended December 31, 2017 amounted to a loss of $6.7 million as compared to income of $1.2 million. Reduced capital expenditures during the year ended December 31, 2017 compared to the same period last year mitigated the Adjusted EBITDA shortfall in 2017 compared to 2016.

Real Estate

Adjusted EBITDA less CAPEX for the Real Estate segment amounted to $2.6 million for the year ended December 31, 2017 as compared to $2.1 million for the same period last year. The increase for the year ended December 31, 2017 is mainly due to higher Adjusted EBITDA. Capital expenditures remained stable year-over-year.

Other

Adjusted EBITDA less CAPEX for the Other segment for the year ended December 31, 2017, amounted to a loss of $0.3 million as compared to income of $1.7 million for the same period last year. The decrease in Adjusted EBITDA less CAPEX is mainly due to lower Adjusted EBITDA as well as increased capital expenditures during the year ended December 31, 2017 primarily comprised of leasehold improvements associated with an office relocation as compared to the same period last year.

Depreciation and Amortization

Depreciation and amortization remained relatively stable and amounted to $105.5 million during 2017 compared to $104.9 million in 2016.

Restructuring and Other Charges

In 2017, we recorded restructuring and other charges of $34.4 million associated primarily with lease contracts related to office closures, internal reorganizations and workforce reductions. In 2016, we recorded restructuring and other charges of $23.0 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with the acquisition of JUICE.

Impairment of Intangible Assets and Goodwill

In the context of its annual impairment testing during the fourth quarter of 2017 and as a result of a shortfall in revenues in the Yellow Pages and Other CGUs compared to previous estimates and uncertainty with regards to future long-term trends, the Company revised estimates of future cash flows to reflect recent historical trends as the basis. In conjunction, the Company recorded an impairment loss of $500 million in the Yellow Pages and Other CGUs as the carrying value of the Yellow Pages and Other CGUs exceeded their recoverable amount. The impairment loss was applied to trademarks and non-competition agreements of the Yellow Pages CGU and primarily to goodwill of the Other CGUs. During the fourth quarter of 2017, the Company also impaired $7 million of assets that were decommissioned, namely software.

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter of 2016 related to certain of our intangible assets, namely our trademarks and non-competition agreements.

The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Financial Charges

Financial charges decreased by $8.0 million to $48.2 million during 2017 compared to $56.1 million for 2016. The decrease is primarily due to a non-recurring charge in 2016 of $2.4 million related to a sales tax assessment associated with financing costs as well as a lower level of indebtedness, partially offset by the issuance of the $315 million principal amount 10.00% senior secured notes on October 19, 2017 and the repayment of the 9.25% senior secured notes on November 18, 2017, thereby the Company incurred interest on both sets of senior secured notes for a 30 day period. In addition, the $315 million principal amount senior secured notes accrue interest at a higher rate than the prior senior secured notes. The Company's effective average interest rate on our debt portfolio as at December 31, 2017 was 9.5% (2016 – 8.9%).

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% and 26.9% for the years ended December 31, 2017 and 2016, respectively. The Company recorded a provision for income taxes of $72.4 million during 2017, comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500 million on certain of its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $75 million during the fourth quarter of 2017. These expenses are non-cash items.

In comparison, the Company recorded a recovery of $145.5 million during 2016, comprised of a recovery of income taxes of $161 million associated with an impairment loss of $600 million on certain of its intangible assets recorded during the fourth quarter of 2016. The recovery of income taxes of $161 million is a non-cash item.

The Company recorded a provision for income taxes of (14.0%) on the loss for the year ended December 31, 2017 compared to 26.5% on the loss for the year ended December 31, 2016. The difference between the effective and the statutory rates in 2017 is mainly due to the reversal and the non-recognition of tax attributes and deductible temporary differences from the current and previous years. The difference between the effective and the statutory rates in 2016 is due to the non-deductibility of certain expenses for tax purposes.

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 $2.1 million for the year ended December 31, 2017. We recorded a loss from our investment in a jointly controlled entity of $0.4 million during the year ended December 31, 2016.

Net Loss

We recorded a net loss of $589.3 million during 2017 compared with a net loss of $403.7 million during 2016. The net loss for the years ended December 31, 2017 and 2016 is principally explained by an impairment of intangible assets and goodwill of $507 million and $600 million in 2017 and 2016, respectively. The net loss for the year ended December 31, 2017 was also impacted by the reversal of tax attributes and deductible temporary differences representing an income tax expense of $75 million.

Fiscal year 2016 versus 2015

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	2015	% Change
YP	$ 657,822	$ 729,286	(9.8%)
Print	238,756	315,138	(24.2%)
Digital	419,066	414,148	1.2%
Agency	74,524	37,197	100.3%
Print	1,000	87	1,049.4%
Digital	73,524	37,110	98.1%
Real Estate	66,415	45,899	44.7%
Print	18,319	24,900	(26.4%)
Digital	48,096	20,999	129%
Other	24,361	22,894	6.4%
Print	4,587	3,470	32.2%
Digital	19,774	19,424	1.8%
Intersegment eliminations	(5,143)	(5,505)	(6.6%)
Print	(455)	(170)	167.6%
Digital	(4,688)	(5,335)	(12.1%)
Total revenues	817,979	829,771	(1.4%)
Print	262,207	343,425	(23.6%)
Digital	$ 555,772	$ 486,346	14.3%

Total revenues for the year ended December 31, 2016 decreased by 1.4% year-over-year and amounted to $818.0 million as compared to $829.8 million for the same period last year. Total revenue decline for the year ended December 31, 2016 as compared to the same period in 2015 is due mainly to lower print revenues. Included in revenues for the year ended December 31, 2016 were revenues generated from CFDP and JUICE, acquired on July 1, 2015 and March 17, 2016, respectively. On a pro forma basis, which adjusts revenues for the full inclusion of CFDP and JUICE in 2015 as well as for the full inclusion of JUICE during the first quarter of 2016, total revenues decreased 6.2% year-over-year.

Total digital revenues grew 14.3% year-over-year to reach $555.8 million in 2016, or 67.9% of revenues. This compares to $486.3 million, or 58.6% of revenues, for the same period in 2015. On a pro forma basis, digital revenues for the year ended December 31, 2016 increased approximately 5% year-over-year. For the years ended December 31, 2016 and 2015, 83% of renewing customers maintained or increased their annual spending.

Total print revenues decreased 23.6% year-over-year and amounted to $262.2 million in 2016, adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2016 totalled $657.8 million compared to $729.3 million for the same period the year prior. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues, which decreased 24.2% during the year ended December 31, 2016 and amounted to $238.9 million as compared to $315.1 million for the same period last year. Digital revenues increased by 1.2% during the year ended December 31, 2016 and amounted to $419.1 million as compared to $414.1 million for the year ended December 31, 2015.

Agency

Agency revenues for the year ended December 31, 2016 amounted to $74.5 million as compared to $37.2 million for the same period in 2015. The increase in Agency revenues for the year ended December 31, 2016 is due to the acquisitions of JUICE and Totem, acquired in March 2016 and September 2016, respectively.

Real Estate

Revenues in the Real Estate segment amounted to $66.4 million for the year ended December 31, 2016 as compared to $45.9 million for the same period in 2015. The increase for the year ended December 31, 2016 is due to the acquisition of CFDP on July 1, 2015.

Other

Other revenues amounted to $24.4 million for the year ended December 31, 2016 as compared to $22.9 million for the same period in 2015.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2016	%		2015	%	% Change
YP	$	401,529	61.0%	$	476,820	65.4%	(15.8%)
Agency		20,153	27.0%		6,177	16.6%	226.3%
Real Estate		28,460	42.9%		19,674	42.9%	44.7%
Other		11,257	46.2%		10,466	45.7%	7.6%
Intersegment eliminations		(1,241)	24.1%		(1,424)	25.9%	(12.9%)
Total gross profit	$	460,158	56.3%	$	511,713	61.7%	(10.1%)

Gross profit decreased to $460.2 million, or 56.3% of total revenues, for the year ended December 31, 2016 compared to $511.7 million, or 61.7% of total revenues, for the same period in 2015. The decrease for the year ended December 31, 2016 in gross profit and gross profit as a percentage of total revenues is primarily due to a change in product mix. For the year ended December 31, 2016, the gross profit margin was further impacted by the acquisitions of CFDP and JUICE, which operate at a lower gross profit margin.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the year ended December 31, 2016 totalled $401.5 million, or 61.0% of revenues, compared to $476.8 million, or 65.4% of revenues, for the same period in 2015. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues and a change in digital product mix toward lower margin products.

Agency

Agency gross profit for the year ended December 31, 2016 amounted to $20.2 million, or 27.0% of revenues, as compared to $6.2 million, or 16.6% of revenues, for the same period the year prior. The increase for the year ended December 31, 2016 in Agency gross profit is due to the acquisitions of JUICE on March 17, 2016 and Totem in September 2016.

Real Estate

Gross profit for the Real Estate segment amounted to $28.5 million, or 42.9% of revenues, for the year ended December 31, 2016 compared to $19.7 million, or 42.9% of revenues, for the same period in 2015. The increase in gross profit for the year ended December 31, 2016 is due to the acquisition of CFDP, acquired in July 2015.

Other

Gross profit for the Other segment remained relatively stable for the year ended December 31, 2016 and totalled $11.3 million, or 46.2% of revenues, as compared to $10.5 million, or 45.7% of revenues, for the year ended December 31, 2015.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	2015	% Change
YP	$ 176,154	$ 215,887	(18.4%)
Agency	16,705	10,295	62.3%
Real Estate	25,107	18,368	36.7%
Other	8,242	7,900	4.3%
Intersegment eliminations	(1,241)	(1,424)	(12.9%)
Total other operating costs	$ 224,967	$ 251,026	(10.4%)

Other operating costs, which represent indirect costs, decreased 10.4% to $225.0 million in 2016, compared to $251.0 million in 2015. The decrease in total other operating costs for the year ended December 31, 2016 was due to cost saving initiatives in the YP segment, net of increased costs associated with the inclusion of acquisitions in the Agency and Real Estate segments.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the year ended December 31, 2016 totalled $176.2 million as compared to $215.9 for the same period last year. The decrease for the year ended December 31, 2016 is mainly due to lower employee related expenses.

Agency

Other operating costs for the Agency segment for the year ended December 31, 2016 amounted to $16.7 million. This compares to $10.3 million for the same period in 2015. The increase in other operating costs for the year ended December 31, 2016 for the Agency segment is due primarily to the inclusion of JUICE, acquired in March 2016 as well as the inclusion of Totem, acquired in September 2016.

Real Estate

Other operating costs for the Real Estate segment totalled $25.1 million during the year ended December 31, 2016 as compared to $18.4 million for the same period the year prior. The increase is due to the inclusion of CFDP, acquired in July 2015.

Other

Other operating costs for the Other segment remained relatively stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	%	2015	%	% Change
YP	$ 225,375	34.3%	$ 260,933	35.8%	(13.6%)
Agency	3,448	4.6%	(4,118)	(11.1%)	183.7%
Real Estate	3,353	5.0%	1,306	2.8%	156.7%
Other	3,015	12.4%	2,566	11.2%	17.5%
Total Adjusted EBITDA	$ 235,191	28.8%	$ 260,687	31.4%	(9.8%)

Adjusted EBITDA decreased by $25.5 million to $235.2 million during 2016, compared with a decline of $55.3 million to $260.7 million during 2015. This represents a year-over-year decline of 9.8% during 2016, as compared to a year-over-year decline of 17.5% the year prior. Our Adjusted EBITDA margin for 2016 was 28.8% compared to 31.4% for 2015. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2016 was mainly associated with lower print revenues and an increase in the mix of lower margin digital products in the YP segment, partly offset by cost saving initiatives. The decline in the Adjusted EBITDA margin was also impacted by the acquisitions of CFDP and JUICE, which operate at a lower Adjusted EBITDA margin relative to Yellow Pages prior to the acquisitions.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2016 totalled $225.4 million compared to $260.9 million for the same period last year. The Adjusted EBITDA margin for the YP segment for 2016 was 34.3% compared to 35.8% for 2015. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues and a shift in the mix of digital revenues toward lower price and lower margin products, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the year ended December 31, 2016 amounted to $3.4 million, or 4.6% of revenues, as compared to a loss of $4.1 million, or 11.1% of revenues, for the same period last year. Agency Adjusted EBITDA for the year ended December 31, 2016 was favourably impacted by higher revenues resulting from the acquisition of JUICE in March 2016.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to $3.4 million, or 5.0% of revenues, for the year ended December 31, 2016 as compared to $1.3 million, or 2.8% of revenues, for the same period last year. The increase for the year ended December 31, 2016 is due to the acquisition of CFDP in July 2015.

Other

Adjusted EBITDA for the Other segment amounted to $3.0 million, or 12.4% of revenues, for the year ended December 31, 2016 as compared to $2.6 million, or 11.2% of revenues, for the same period in 2015.

Depreciation and Amortization

Depreciation and amortization increased to $104.9 million during 2016 compared to $80.8 million in 2015. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms as the Company implements its digital transformation as well as amortization of the intangible assets related to the acquisition of JUICE.

Impairment of Intangible Assets

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter related to certain of our intangible assets, namely our trademarks and non-competition agreements. The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Restructuring and Other charges

In 2016, we recorded restructuring and other charges of $23.0 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with business acquisitions. In 2015, we recorded restructuring and other charges of $30.8 million associated primarily with workforce reductions related to the corporate realignment, internal reorganizations, transaction costs associated with business acquisitions, and contract termination costs, partially offset by a curtailment gain related to workforce reductions.

Financial Charges

Financial charges decreased by $4.8 million to $56.1 million during 2016 compared to $60.9 million for 2015. The decrease is due to a lower level of indebtedness, partially offset by sales taxes resulting from the settlement of a sales tax assessment relating to financing costs and foreign currency losses. As at December 31, 2016, the effective average interest rate on our debt portfolio was 8.9% (2015 – 9%).

(Recovery of) Provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.9% and 26.7% for the years ended December 31, 2016 and 2015, respectively. The Company recorded a recovery of $145.5 million during 2016, comprised of a recovery of income taxes of $161 million associated with an impairment loss of $600 million on certain of its intangible assets recorded during the fourth quarter of 2016. The recovery of income taxes of $161 million is a non-cash item. The Company recorded an income tax expense of $27,0 million in 2015. The Company recorded a recovery of 26.5% on the loss for the year ended December 31, 2016 compared to an expense of 30.7% on earnings for the year ended December 31, 2015.

The difference between the effective and the statutory rates in 2016 and 2015 is due to the non-deductibility of certain expenses for tax purposes.

Loss from Investment in a Jointly Controlled Entity

On October 3, 2016, we acquired a 50% ownership in 9778730 Canada Inc., which owns 100% of Coupgon Inc., a digital coupon solutions provider. We recorded a loss from our investment in a jointly controlled entity in the amount of $0.4 million during the year ended December 31, 2016.

Net (Loss) Earnings

We recorded a net loss of $403.7 million during 2016 as compared to net earnings of $61.1 million for 2015. The decrease for the year is principally explained by an impairment of our intangible assets of $600 million as well as lower Adjusted EBITDA and higher depreciation and amortization, mainly resulting from a higher level of capital expenditures in the context of the Company's digital evolution as well as amortization of intangible assets related to the acquisition of JUICE.

Summary of Consolidated Quarterly Results

Quarterly Results

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

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**$ 183,759**	$ 181,366	$ 191,219	$ 189,508	$ 202,723	$ 201,142	$ 210,487	$ 203,627
Operating costs	**136,846**	135,194	146,794	143,033	145,305	144,193	151,556	141,734
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**46,913**	46,172	44,425	46,475	57,418	56,949	58,931	61,893
Adjusted EBITDA margin	**25.5%**	25.5%	23.2%	24.5%	28.3%	28.3%	28.0%	30.4%
Depreciation and amortization	**24,386**	27,989	27,346	25,780	27,745	26,838	25,440	24,859
Impairment of intangible assets and goodwill	**507,032**	–	–	–	600,000	–	–	–
Restructuring and other charges	**17,552**	6,784	2,778	7,286	7,493	9,691	1,519	4,258
(Loss) income from operations	**(502,057)**	11,399	14,301	13,409	(577,820)	20,420	31,972	32,776
Financial charges, net	**14,622**	10,869	11,329	11,330	12,661	13,323	15,950	14,196
Net (loss) earnings	**(586,359)**	(4,446)	820	658	(431,583)	3,774	10,953	13,151
Basic (loss) earnings per share	**$ (22.33)**	$ (0.17)	$ 0.03	$ 0.02	$ (16.35)	$ 0.14	$ 0.41	$ 0.49
Diluted (loss) earnings per share	**$ (22.33)**	$ (0.17)	$ 0.03	$ 0.02	$ (16.35)	$ 0.14	$ 0.38	$ 0.45

Revenues have generally decreased throughout the quarters principally due to revenue declines in the YP segment associated with overall loss of customers, and declining average revenue per customer. 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 and fourth quarters 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 and fourth quarters of 2017 decreased primarily from lower employee related expenses and branding expenditures, and cost optimizations in ISIT.

The Adjusted EBITDA margin declined starting in the second quarter of 2016 mainly as a result of the acquisition of JUICE and further declined in the first half of 2017 due primarily to declining revenues without proportionate declines in costs, including the impact of changes in sales mix to products with higher proportionate delivery costs. The Adjusted EBITDA margin improved in the third and fourth quarters of 2017 due to cost saving initiatives as well as lower variable compensation associated with lower revenues.

Depreciation and amortization expense in 2016 and 2017 were mainly associated with the deployment of platforms and applications. Amortization was further increased starting in the second 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.

The Company's restructuring and other charges mainly relate to workforce optimization, lease contracts associated with office closures and acquisition activities.

Financial charges have steadily decreased over the quarters primarily due to a lower level of indebtedness. Financial charges in the fourth quarter of 2017 increased due partially to the issuance of the 10.00% senior secured notes on October 19, 2017 and the repayment of the 9.25% senior secured notes on November 18, 2017.

Our net losses for the fourth quarters of 2017 and 2016 were caused by impairment losses of $507 million and 600 million, respectively related to certain of our intangible assets and goodwill. 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.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the three-month periods and years ended December 31,		2017		2016	% Change		2017		2016	% Change
Severance, benefits and outplacement	**$**	**3,574**	$	6,699	(46.6%)	**$**	**15,098**	$	19,775	(23.7%)
Lease contracts associated with office closures		**13,555**		479	2,729.9%		**17,188**		1,360	1,163.8%
Transaction costs		**–**		103	(100%)		**601**		1,535	(60.8%)
Pension settlement costs and past service service costs (recovery), net		**557**		(43)	1,395.3%		**1,332**		(43)	3,197.7%
Other fees		**(134)**		255	(152.2%)		**181**		334	(45.8%)
Total restructuring and other charges	**$**	**17,552**	$	7,493	134.2%	**$**	**34,400**	$	22,961	49.8%

Restructuring and other charges for the three-month period and year ended December 31, 2017 amounted to $17.6 million and $34.4 million, respectively and was comprised primarily of lease contracts associated with office closures as well as internal reorganizations and workforce reductions. During the three-month period and year ended December 31, 2016, the Company recorded restructuring and other charges of $7.5 million and $23.0 million, mainly comprised of internal reorganizations and workforce reductions as well as transaction costs associated with business acquisitions.

On January 16, 2018, Yellow Pages announced that it had taken a significant step in its program to reduce spending to drive improvement in its key operating measure of Adjusted EBITDA less CAPEX by reducing its workforce by approximately 500 positions across Canada and in all functions of the organization. This represented a reduction of approximately 18% of its workforce on a consolidated basis. The Company announced that it expects to record a restructuring charge of approximately $17 million in the first quarter ending March 31, 2018 associated with this workforce reduction.

ANALYSIS OF FOURTH QUARTER 2017 RESULTS

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	2016	% Change
YP	**$ 139,748**	$ 157,817	(11.4%)
Print	**42,070**	53,274	(21.0%)
Digital	**97,678**	104,543	(6.6%)
Agency	**27,164**	26,457	2.7%
Print	**1,105**	989	11.7%
Digital	**26,059**	25,468	2.3%
Real Estate	**13,027**	13,751	(5.3%)
Print	**2,436**	4,125	(40.9%)
Digital	**10,591**	9,626	10.0%
Other	**5,597**	6,191	(9.6%)
Print	**1,136**	1,240	(8.4%)
Digital	**4,461**	4,951	(9.9%)
Intersegment eliminations	**(1,777)**	(1,493)	19.0%
Print	**(16)**	(28)	(42.9%)
Digital	**(1,761)**	(1,465)	20.2%
Total revenues	**183,759**	202,723	(9.4%)
Print	**46,731**	59,600	(21.6%)
Digital	**$ 137,028**	$ 143,123	(4.3%)

Total revenues for the three-month period ended December 31, 2017 of $183.8 million decreased by 9.4% year-over-year relative to $202.7 million for the same period last year. The total revenue decline for the three-month period ended December 31, 2017 as compared to the same period in 2016 is due mainly to lower print revenues in the YP segment.

Total digital revenues decreased by 4.3% year-over-year and amounted to $137.0 million for the fourth quarter ended December 31, 2017, or 74.6% of total revenues. This compares to $143.1 million, or 70.6% of revenues, for the same period last year. Total digital revenue decline for the three-month ended December 31, 2017 is mainly attributable to the YP segment.

Total print revenues of $46.7 million decreased 21.6% during the fourth quarter 2017 due to a declining number of print customers and the transition of print marketing spending to digital among our customers.

Reportable Segments Revenues

YP

Revenues for the YP segment for the three-month period ended December 31, 2017 totalled $139.7 million compared to $157.8 million for the same period the year prior. The decrease for the three-month period ended December 31, 2017 is mainly due to lower print revenues, with the decline rate stable year-over-year. The decline in digital revenues generated from our higher margin YP digital media products was partially 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 quarter ended December 31, 2017 increased to $27.2 million compared to $26.5 million for the same period last year due to growth at JUICE.

Real Estate

Revenues in the Real Estate segment amounted to $13.0 million for the fourth quarter ended December 31, 2017 as compared to $13.8 million for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower print revenues at Yellow Pages NextHome, partially offset by growth at CFDP.

Other

Other revenues for the fourth quarter ended December 31, 2017 amounted to $5.6 million as compared to $6.2 million for the same period last year. The decrease is mainly due to the loss of a reseller and turnover in the sales department.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2017	%		2016	%	% Change
YP	$	**84,111**	**60.2%**	$	94,923	60.1%	(11.4%)
Agency		**3,509**	**12.9%**		6,567	24.8%	(46.6%)
Real Estate		**5,127**	**39.4%**		5,724	41.6%	(10.4%)
Other		**2,648**	**47.3%**		2,880	46.5%	(8.1%)
Intersegment eliminations		**(174)**	**9.8%**		(63)	4.2%	176.2%
Total gross profit	$	**95,221**	**51.8%**	$	110,031	54.3%	(13.5%)

Gross profit decreased to $95.2 million, or 51.8% of total revenues, for the three-month period ended December 31, 2017 compared to $110.0 million, or 54.3% of total revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 in gross profit and gross profit as a percentage of total revenues is primarily due to pressure on gross profit margins in the Agency segment resulting from increased competition, particularly in the U.S. market, and a trend toward insourcing within the national agency industry.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the three-month period ended December 31, 2017 totalled $84.1 million, or 60.2% of revenues, compared to $94.9 million, or 60.1% of revenues, for the same period last year. The stability in gross profit as a percentage of revenues is mainly due to cost saving initiatives to offset the impact of a change in sales mix toward lower margin products.

Agency

Agency gross profit for the three-month period ended December 31, 2017 amounted to $3.5 million, or 12.9% of revenues, as compared to $6.6 million, or 24.8% of revenues, for the same period last year. The decrease for the fourth quarter ended December 31, 2017 in Agency gross profit is due to competitive pricing pressures, particularly in the U.S. market, and a trend toward insourcing within the national agency industry.

Real Estate

Gross profit for the Real Estate segment amounted to $5.1 million, or 39.4% of revenues, for the three-month period ended December 31, 2017 as compared to $5.7 million, or 41.6% of revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 in gross profit is due to lower revenues in Yellow Pages NextHome, and the decrease in gross profit margin for the fourth quarter of 2017 is due to product and regional mix at CFDP.

Other

Gross profit for the Other segment totalled $2.6 million, or 47.3% of revenues, for the three-month period ended December 31, 2017, as compared to $2.9 million, or 46.5% of revenues, for the same period last year.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	2016	% Change
YP	**$ 37,973**	$ 40,119	(5.3%)
Agency	**2,558**	4,931	(48.1%)
Real Estate	**6,016**	5,686	5.8%
Other	**1,935**	1,940	(0.3%)
Intersegment eliminations	**(174)**	(63)	176.2%
Total other operating costs	**$ 48,308**	$ 52,613	(8.2%)

Other operating costs, which represent indirect costs, decreased 8.2% to $48.3 million for the fourth quarter ended December 31, 2017, compared to $52.6 million in 2016. The decrease in total other operating costs for the three-month period ended December 31, 2017 was due to lower branding and employee related expenses.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the three-month period ended December 31, 2017 totalled $38.0 million as compared to $40.1 for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower branding and employee related expenses.

Agency

Other operating costs for the Agency segment for the three-month period ended December 31, 2017 amounted to $2.6 million. This compares to $4.9 million for the same period last year. The decrease in other operating costs for the three-month period ended December 31, 2017 for the Agency segment is due primarily to lower employee related expenses.

Real Estate

Other operating costs for the Real Estate segment remained relatively stable year-over-year amounting to $6.0 million during the fourth quarter ended December 31, 2017 as compared to $5.7 million for the same period last year.

Other

Other operating costs for the Other segment remained stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		2017	%		2016	%	% Change
YP	**$**	**46,138**	**33.0%**	$	54,804	34.7%	(15.8%)
Agency		**951**	**3.5%**		1,636	6.2%	(41.9%)
Real Estate		**(889)**	**(6.8%)**		38	0.3%	(2,439.5%)
Other		**713**	**12.7%**		940	15.2%	(24.1%)
Total Adjusted EBITDA	**$**	**46,913**	**25.5%**	$	57,418	28.3%	(18.3%)

Adjusted EBITDA decreased by $10.5 million to $46.9 million during the fourth quarter ended December 31, 2017, compared to $57.4 million during the same period last year. Our Adjusted EBITDA margin for the fourth quarter of 2017 was 25.5% compared to 28.3% for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three-month period ended December 31, 2017 was mainly impacted by lower overall revenues and unfavourable changes in product mix, partly offset by cost saving initiatives in the YP segment.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the three-month period ended December 31, 2017 totalled $46.1 million, or 33% of revenues, compared to $54.8 million, or 34.7% of revenues, for the same period last year. The decrease for the year ended December 31, 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 December 31, 2017 amounted to $1.0 million, or 3.5% of revenues, as compared to $1.6 million, or 6.2% of revenues, for the same period last year. Agency Adjusted EBITDA for the three-month period ended December 31, 2017 relative to the same period in 2016 was due to a decline in gross margin, partially mitigated by lower employee related expenses.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to a loss of $0.9 million, or (6.8%) of revenues, for the three-month period ended December 31, 2017 as compared to $38 thousand, or 0.3% of revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower revenues at Yellow Pages NextHome, partly offset by cost saving initiatives.

Other

Adjusted EBITDA for the Other segment for the three-month period ended December 31, 2017, amounted to $0.7 million, or 12.7% of revenues as compared to $0.9 million, or 15.2% of revenues, for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 is mainly due to lower revenues.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	2016	% Change
YP	**$ 31,010**	$ 43,736	(29.1%)
Adjusted EBITDA	**46,138**	54,804	(15.8%)
CAPEX	**15,128**	11,068	36.7%
Agency	**996**	1,169	(14.8%)
Adjusted EBITDA	**951**	1,636	(41.9%)
CAPEX	**(45)**	467	(109.6%)
Real Estate	**(1,543)**	(629)	(145.3%)
Adjusted EBITDA	**(889)**	38	(2,439.5%)
CAPEX	**654**	667	(1.9%)
Other	**654**	711	(8.0%)
Adjusted EBITDA	**713**	940	(24.1%)
CAPEX	**59**	229	(74.2%)
Total Adjusted EBITDA less CAPEX	**31,117**	44,987	(30.8%)
Adjusted EBITDA	**46,913**	57,418	(18.3%)
CAPEX	**$ 15,796**	$ 12,431	27.1%

Adjusted EBITDA less CAPEX decreased by $13.9 million to $31.1 million during the fourth quarter of 2017, compared to $45.0 million during the same period in 2016. The decrease in Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2017 was mainly impacted by lower Adjusted EBITDA as well as higher capital expenditures related primarily to leasehold improvements associated with office relocations.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the three-month period ended December 31, 2017 totalled $31.0 million compared to $43.7 million for the same period last year. The decrease for the fourth quarter ended December 31, 2017 is mainly due to lower Adjusted EBITDA and increased capital expenditures in leasehold improvements associated with office relocations.

Agency

Agency Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2017 amounted to $1.0 million as compared to $1.2 million for the same period last year. Reduced capital expenditures during the three-month period ended December 31, 2017 compared to the same period last year mitigated the Adjusted EBITDA shortfall for the fourth quarter ended December 31, 2017 compared to the fourth quarter ended December 31, 2016.

Real Estate

Adjusted EBITDA less CAPEX for the Real Estate segment amounted to a loss of $1.5 million for the three-month period ended December 31, 2017 as compared to a loss of $0.6 million for the same period last year. The decrease for the fourth quarter ended December 31, 2017 is mainly due to lower Adjusted EBITDA. Capital expenditures remained stable for the fourth quarter ended December 31, 2017 compared to the same period last year.

Other

Adjusted EBITDA less CAPEX for the Other segment remained stable and amounted to $0.7 million for the three-month periods ended December 31, 2017 and 2016.

Depreciation and Amortization

Depreciation and amortization amounted to $24.4 million during the fourth quarter of 2017 compared to $27.7 million during the fourth quarter in 2016. The charge for the three-month period ended December 31, 2017 is primarily associated with capital expenditures for 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 were 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.

Impairment of Intangible Assets and Goodwill

In the context of its annual impairment testing during the fourth quarter of 2017 and as a result of a shortfall in revenues in the Yellow Pages and Other CGUs compared to previous estimates and uncertainty with regards to future long-term trends, the Company revised estimates of future cash flows to reflect recent historical trends as the basis. In conjunction, the Company recorded an impairment loss of $500 million in the Yellow Pages and Other CGUs as the carrying value of the Yellow Pages and Other CGUs exceeded their recoverable amount. The impairment loss was applied to trademarks and non-competition agreements of the Yellow Pages CGU and primarily to goodwill of the Other CGUS. During the fourth quarter of 2017, the Company also impaired $7 million of assets that were decommissioned, namely software.

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter of 2016 related to certain of our intangible assets, namely our trademarks and non-competition agreements.

The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Restructuring and Other charges

During the fourth quarter of 2017, we recorded restructuring and other charges of $17.6 million associated primarily with lease contracts related to office closures, internal reorganizations and workforce reductions. During the fourth quarter of 2016, we recorded restructuring and other charges of $7.5 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with business acquisitions.

Financial Charges

Financial charges increased by $2.0 million to $14.6 million during the fourth quarter of 2017 compared to $12.7 million for the same period in 2016. The increase is due to the issuance of $315 million principal amount 10.00% senior secured notes on October 19, 2017. The Company used the net proceeds from the sale of the 10.00% senior secured notes to redeem on November 18, 2017 all of its 9.25% senior secured notes due November 30, 2018.

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% and 26.9% for the three-month periods ended December 31, 2017 and 2016, respectively. During the fourth quarter of 2017, the Company recorded a provision for income taxes of $69.4 million comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500 million on its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $75 million during the fourth quarter of 2017. These expenses are non-cash items.

In comparison, the Company recorded a recovery of income taxes of $159.3 million during the fourth quarter of 2016, comprised of a recovery of $161 million associated with the impairment loss of $600 million on certain of its intangible assets. The recovery of income taxes of $161 million is a non-cash item.

The difference between the effective and the statutory rates for the fourth quarter of 2017 is mainly due to the reversal and the non-recognition of tax attributes and deductible temporary differences from the current and previous years. The difference between the effective and the statutory rates for the fourth quarter of 2016 is due to the non-deductibility of certain expenses for tax purposes.

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. We recorded a loss from our investment in an associate in the amount of $0.3 million during the fourth quarter of 2017 related to closure costs. We recorded a loss from our investment in a jointly controlled entity in the amount of $0.4 million during the fourth quarter of 2016.

Net loss

We recorded net losses of $586.4 million and $431.6 million during the fourth quarters of 2017 and 2016, respectively. The net losses for the fourth quarter of 2017 and 2016 were due to charges of $507 million and $600 million in the fourth quarter of 2017 and 2016, respectively, related to the impairment of intangible assets and goodwill. The net loss for the three-month period ended December 31, 2017 was also impacted by the reversal of tax attributes and deductible temporary differences representing an income tax expense of $75 million.

3. Liquidity and Capital Resources

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

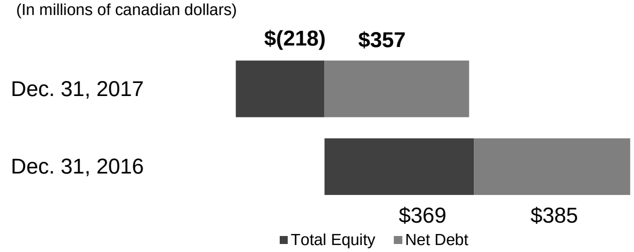
Capital Structure

(In thousands of Canadian dollars, except percentage information)

As at December 31,	2017	2016
Cash	$ 46,405	$ 17,260
10.00% senior secured notes	$ 308,898	$ –
9.25% senior secured notes	–	309,669
Exchangeable debentures	94,067	92,174
Obligations under finance leases	215	359
Net debt	$ 356,775	$ 384,942
Equity	(218,796)	368,904
Total capitalization	$ 137,979	$ 753,846
Net debt to total capitalization	258.6%	51.1%

Net Debt To Latest Twelve-Month Adjusted EBITDA[1] Ratio

Capital Structure
(In millions of canadian dollars)



As at December 31, 2017, Yellow Pages had $356.8 million of net debt, compared to $384.9 million as at December 31, 2016.

The net debt to Latest Twelve-Month Adjusted EBITDA[1] ratio as at December 31, 2017 was 1.9 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 goodwill, 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 pages 2 and 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 December 31, 2017, the Company had $6.4 million of letters of credit issued and outstanding under the ABL. As such, $43.6 million of the ABL was available as at December 31, 2017. As at December 31, 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 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, or $6.3 million discount. The New Notes accrued 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 and any designated net proceeds from asset sales 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 Company's lease liability.

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.

As at December 31, 2017, the Company was in compliance with all covenants under 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 was payable in cash, quarterly in arrears, in equal instalments on the last day of February, May, August and November of each year. The Company used 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 was $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 December 31, 2017 and 2016, the face value of the Exchangeable Debentures was $107.1 million. As at December 31, 2017, the value of the Exchangeable Debentures less unaccreted interest was $94.1 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 December 31, 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 February 7, 2018, the Company had approximately $52.8 million of cash and $43.8 million available under the ABL.

Options

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

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

Share Data

Outstanding Share Data

As at	February 7, 2018	December 31, 2017	December 31, 2016
Common shares outstanding	28,075,308	28,075,306	28,075,304
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,484	2,995,486	2,995,488
Stock options outstanding[2]	1,021,450	1,024,550	630,950

1 *As at February 7, 2018, 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 1,021,450 and 1,024,550 as at February 7, 2018 and December 31, 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.*

Contractual Obligations and Other Commitments

Contractual obligations

(in thousands of Canadian dollars)

		Payments due for the years following December 31, 2017			
	Total	1 year	2 – 3 years	4 – 5 years	After 5 years
Long-term debt[1,2]	$ 315,000	$ 54,800	$ –	$ 260,200	$ –
Obligations under finance leases	215	139	76	–	–
Exchangeable Debentures[1]	107,089	–	–	107,089	–
Operating leases	236,978	14,336	31,714	28,921	162,007
Other	47,420	24,981	16,155	3,967	2,317
Total contractual obligations	**$ 706,702**	$ 94,256	$ 47,945	$ 400,177	$ 164,324

1 *Principal amount.*

2 *The repayment of the New Notes may vary subject to the Excess Cash Flow under the indenture governing the New Notes as well as the minimum cash balance requirement on the last day of the mandatory redemption period under the indenture governing the New Notes.*

Obligations under finance leases

We enter into finance lease agreements for office equipment and software. As at December 31, 2017, minimum payments under these finance leases up to 2019 totalled $0.2 million.

Operating leases

We rent our premises and office equipment under various operating leases. As at December 31, 2017, minimum payments under these operating leases up to 2034 totalled $237.0 million and include anticipated net obligations associated with vacated premises that have been recognized in restructuring.

Purchase obligations

We use the services of outside suppliers to distribute and print our directories and have entered into long-term agreements with a number of these suppliers. These agreements expire between 2017 and 2038. We also have purchase obligations under service contracts for both operating and capital expenditures. As at December 31, 2017, we have an obligation to purchase services for $47.4 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Obligations

YP sponsors a pension plan registered with the Canada Revenue Agency and the Financial Services Commission of Ontario with defined benefit (DB) for employees hired prior to January 1, 2006, and defined contribution (DC) components for the non-Québec based employees hired on or after January 1, 2006 (the YP Pension Plan) as well as a DC plan registered with the Régie des Rentes du Québec (the YP Québec Plan), for the Québec based employees hired on or after January 1, 2006. Both plans together cover substantially all employees of the Company.

As at December 31, 2017, the DB component of the YP Pension Plan's assets totalled $505.2 million and were invested in a diversified portfolio of Canadian fixed income securities and Canadian and international equity securities. Its rate of return on assets was 9.5% for 2017, 0.7% above our benchmark portfolio.

The most recent actuarial valuation of the defined benefit component of the YP Pension Plan for funding purposes was performed as at March 31, 2017. The March 2017 valuation resulted in a solvency deficit of $50.0 million to be funded over a five-year period. The next actuarial valuation will be as at March 31, 2020.

In 2017, the Company made annual contributions equivalent to the current service cost (the Annual Employer Cost) of $25.0 million, including $12.3 million to fund the deficit. Total cash payments are expected to amount to $17.8 million for 2018, of which $6.9 million will be to fund the deficit.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,	2017	2016
Cash flows from operating activities		
Cash flows from operations, excluding change in operating assets and liabilities	$ 133,186	$ 167,547
Change in operating assets and liabilities	(17,842)	(9,434)
	$ 115,344	$ 158,113
Cash flows used in investing activities		
Additions to intangible assets	$ (37,297)	$ (50,787)
Additions to property and equipment	(30,412)	(12,719)
Purchase of available-for-sale investments	(5,452)	(50)
Business acquisitions	(400)	(35,271)
Investment in a jointly controlled entity	(680)	(1,597)
	$ (74,241)	$ (100,424)
Cash flows used in financing activities		
Issuance of long-term debt, net of discount	$ 308,700	$ –
Repayment of long-term debt	(309,813)	(97,325)
Debt issuance costs	(7,716)	–
Purchase of restricted shares	(3,129)	(10,472)
Issuance of common shares upon exercise of stock options	–	115
	$ (11,958)	$ (107,682)
NET INCREASE (DECREASE) IN CASH	$ 29,145	$ (49,993)
CASH, BEGINNING OF YEAR	17,260	67,253
CASH, END OF YEAR	$ 46,405	$ 17,260

Cash flows from operating activities

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

Cash flows from operations decreased by $34.4 million from $167.5 million for the year ended December 31, 2016 to $133.2 million for the same period in 2017. Cash flows from operations in 2017 were impacted by lower cash Adjusted EBITDA of $57.8 million, partially offset by lower payments for restructuring and other charges and lower interest paid.

Change in operating assets and liabilities

The change in operating assets and liabilities for the year ended December 31, 2017 generated an outflow of $17.8 million compared to $9.4 million for the same period last year. The outflow for the year ended December 31, 2017 was due principally to a higher level of trade receivables and accounts payable as well as the payment of annual variable incentive compensation provisioned for as at December 31, 2016, partially offset by the variable incentive compensation for the year ended December 31, 2017. The outflow for the year ended December 31, 2016 was due to a higher level of trade receivables associated primarily with longer collection cycles in the national advertising industry, lower deferred revenues mainly due to declining revenues, and a decrease in trade payables, partially offset by 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 $74.2 million for the year ended December 31, 2017 compared with $100.4 million for the same period last year. During the year ended December 31, 2017, we invested in software development in the amount of $37.3 million and office and computer equipment and leasehold improvements associated with office relocations in the amount of $30.4 million. During the year ended December 31, 2016, we invested $50.8 million in software development and $12.7 million in office and computer equipment and leasehold improvements. Capital expenditures incurred during the year ended December 31, 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 year ended December 31, 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 $12.0 million for the year ended December 31, 2017 compared to $107.7 million for the same period last year. During the year ended December 31, 2017, we issued $308.7 million of New Notes, net of a discount of $6.3 million. We used the net proceeds from the sale of the New Notes to redeem all of our 9.25% Senior Secured Notes that were due to mature November 30, 2018. The total repayments of the 9.25% Senior Secured Notes for 2017 amounted to $309.7 million of the Senior Secured Notes compared to $97.1 million during the same period last year. During the year ended December 31, 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 21 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2017 and 2016).

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

There is no carrying value of embedded derivatives as at December 31, 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-month periods and years ended December 31,	**2017**	2016	**2017**	2016
Cash flows from operating activities	**$ 27,544**	$ 27,874	**$ 115,344**	$ 158,113
Capital expenditures	**(21,688)**	(20,036)	**(67,709)**	(63,506)
Free cash flow	**$ 5,856**	$ 7,838	**$ 47,635**	$ 94,607

5. Critical Assumptions and Estimates

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

In this section, we provide detailed information on these important estimates and assumptions which are under continuous evaluation by the Company.

Intangible assets, goodwill and property and equipment

The values associated with identifiable intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates require considerable judgment which could affect Yellow Pages' future results if the current estimates of future performance and fair values change. These determinations may affect the amount of amortization expense on identifiable intangible assets recognized in future periods and impairment of goodwill, intangible assets and property and equipment.

Yellow Pages assesses impairment by comparing the recoverable amount of an identifiable intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant management judgment.

Yellow Pages performed its annual test for impairment of goodwill and indefinite life intangible assets in accordance with the policy described in Note 3.12 of the Audited Consolidated Financial Statements of Yellow Pages Limited for the years ended December 31, 2017 and 2016.

The recoverable amount of the cash generating units (CGUs) was determined based on the value-in-use approach using a discounted cash flow model which relies on significant key assumptions, including after-tax cash flows forecasted over an extended period of time, terminal growth rates and discount rates. We use published statistics or seek advice where possible when determining the assumptions we use. Details of Yellow Pages' impairment reviews are disclosed in Note 7 of the Audited Consolidated Financial Statements of Yellow Pages Limited for the years ended December 31, 2017 and 2016.

Employee future benefits

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of the benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actual results may differ from results which are estimated based on assumptions.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages' ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages' assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages' ability to utilize the underlying future tax deductions changes, Yellow Pages would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Yellow Pages is subject to taxation in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Pages maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Yellow Pages reviews the adequacy of these provisions at each statement of financial position date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

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 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. The IASB published the final clarifications to IFRS 15 in April 2016, which 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 consolidated financial statements of Yellow Pages Limited. Upon adoption of IFRS 15, print revenues will be recognized upon delivery of the print directories instead of over the term of the publication period of twelve months. Similarly, deferred publication costs will be deferred and recognized when the related print revenue is recognized. In addition, the accounting for IFRS 15 is subject to other adjustments, such as recognition of commissions.

Based on the preliminary assessment, when Yellow Pages Limited applies IFRS 15 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $30 million, total liabilities will decrease by $1 million and deficit will be reduced by approximately $31 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $8 million with the corresponding decrease in deficit. Basic and diluted loss per share will decrease by $0.31. Total assets as at December 31, 2017 will increase by approximately $23 million with the corresponding decrease in deficit.

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 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. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

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, virtually all are 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, impairment of intangible assets and goodwill, and 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 early adopt IFRS 16 for the annual period beginning on January 1, 2018.

Based on management's preliminary assessment, when Yellow Pages Limited applies IFRS 16 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $40 million with an increase to total liabilities of approximately $45 million and deficit will be reduced by $5 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $0.1 million with the corresponding adjustment in opening deficit. Basic and diluted loss per share will decrease by $0.01. Total assets as at December 31, 2017 will increase by approximately $52 million with an increase in total liabilities of approximately $57 million and deficit will be reduced by $5 million.

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-vesting 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 require 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 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 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 consolidated financial statements.

6. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YP's future business results.

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. Please refer to the "Risk Factors" section of our AIF for a complete description of these risk factors. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful.

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

The Corporation competes with other directory, advertising media and classified advertising businesses and across various media and platforms. This includes the internet, newspapers, television, radio, mobile telecommunication devices, magazines, billboards and direct mail advertising. In particular, the directories business faces substantial competition due to increased online penetration, through the use of online search engines and social networking organizations. The Corporation may not be able to compete effectively with these online competitors, some of which may have greater resources. The Corporation's internet strategy and its directories business may be adversely affected if major search engines build local sales forces or otherwise begin to more effectively reach local businesses for local commercial search services. These competitors may reduce their prices to increase their market share or may be able to offer their services at lower costs than the Corporation can.

The Corporation may be forced to reduce its prices or offer and perform other services in order to remain competitive. The Corporation's failure to compete effectively with its current or future competitors could have a number of impacts such as a reduction in its advertiser base, lower rates and increased costs. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation derives revenues principally from the sale of advertising in Yellow Pages print and digital directories across Canada. The Corporation's advertising revenues, as well as those of directories publishers in general, typically do not fluctuate widely with economic cycles. However, a prolonged economic downturn or recession affecting the Corporation's markets, or any deterioration in general economic conditions, could have a material adverse effect on the Corporation's business. The adverse effects of an economic downturn or recession on the Corporation could be compounded by the fact that the majority of the Corporation's customers are SMEs. Such businesses have fewer financial resources and higher rates of failure than larger businesses, and may be more vulnerable to prolonged economic downturns. Therefore, these SMEs may be more likely to reduce or discontinue advertising with the Corporation, which 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 Corporation could be materially adversely affected if the usage of print telephone directories declines at a rate higher than anticipated. The development of new technologies and the widespread use of internet is causing changes in preferences and consumer habits. The usage of internet-based products providing information, formerly exclusively available in print directories, has increased rapidly. The internet has become increasingly accessible as an advertising medium for businesses of all sizes. Further, the use of the internet, including as a means to transact commerce through mobile devices, has resulted in new technologies and services that compete with traditional advertising mediums. In particular, this has a significant influence on print products, and the decrease in usage gradually leads to lower advertising revenues. References to print business directories may decline faster than expected as users increasingly turn to digital and interactive media delivery devices for local commercial search information.

The inability of the Corporation to attract, retain and upsell customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

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.

The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The transition from print to digital causes uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues. If revenue from the Corporation's digital products does not increase significantly, the Corporation's cash flow, results of operations and financial condition will be materially adversely affected.

The Corporation expects to derive a greater portion of its total revenue from its digital and other new media products, as directory usage continues to shift from print directories to digital and other new media products.

The Corporation's transformational expansion towards digital and new media products is subject to a variety of challenges and risks, including the following:

- the Corporation may not continue to grow usage on its digital properties at the same rate as other providers or may grow at a slower rate than currently anticipated;
- internet usage as a source of information and a medium for advertising may not continue to grow, or may grow at a slower rate than currently anticipated, as a result of factors that the Corporation cannot predict or control;
- the Corporation may incur substantial additional costs and expenses related to investments in its information technology, modifications to existing products and development of new products and this may reduce profit margins in the future;
- the Corporation may be unable to develop and market new products in a timely and efficient manner, as the Corporation's markets are characterised by rapidly changing technology, introductions and enhancements to existing products and shifting advertising customer and end-user demands, including technology preferences;
- the Corporation may be unable to improve its information technology systems so as to efficiently manage increased levels of traffic on the Corporation's digital properties and provide new services and products;
- the Corporation may be unable to keep apprised of changes to search engines' terms of service or algorithms, which could cause the Corporation's digital properties, or its advertising customers' digital properties, to be excluded from or ranked lower in search results or make it more difficult or more expensive for the Corporation to provide search engine marketing and search engine optimisation solutions to its advertising customers;
- the Corporation's advertising customers may be unwilling to grow their investment in digital advertising; and
- the Corporation may be unable to increase or maintain the prices of its products and services in the future.

If any of the above-mentioned risks were to occur, the Corporation's digital revenue, as well as its business, results from operations and financial condition could be materially adversely affected.

The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its national customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation anticipates that it will continue to depend on various third-party relationships in order to grow its business, such as technology and content providers, real-time advertising exchanges and other strategic partners. The Corporation may not be able to maintain such relationships and these third parties may experience disruptions or performance problems, which could negatively affect the Corporation's efficiency and reputation.

In addition, the Corporation relies heavily on information technology systems to manage critical functions of its digital and mobile marketing solutions. The future success of the Corporation will depend in part upon its ability to continuously enhance and improve its existing solutions in a timely manner with features and pricing that meet changing advertiser needs. As marketing via new digital advertising channels, such as mobile advertising is emerging, it may evolve in unexpected ways, and the failure of the Corporation to adapt successfully to market evolution could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale, could have a material adverse effect on the Corporation's profitability

Digital advertising sold on the Corporation's owned and operated media currently operate at the highest level of profitability relative to digital service (websites, search engine optimization, content syndication and Facebook) solutions and resale (SEM) solutions. Revenues sourced from digital service and resale solutions that are proportionally materially higher than anticipated may have an adverse impact on the Corporation's profitability.

Failure by the Corporation to stabilize or grow its revenues and 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.

The Corporation's inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The success of the Corporation depends on the abilities, experience and personal efforts of senior management of the Corporation, including their ability to retain and attract skilled employees. The Corporation is also dependent on the number and experience of its sales representatives and ISIT employees. The loss of the services of such key personnel could have a material adverse effect on the Corporation, its business, its results from operations and financial condition.

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 success of numerous of our customers' marketing campaigns is dependent on how well they can attract valuable audiences. The Corporation will invest in order to protect digital audiences across its network of online and mobile properties by enhancing the quality, completeness and relevance of the content distributed to its properties, and by providing compelling verticalized sites and applications for local discovery. The Corporation may not be able to protect or grow traffic across its digital properties and such investments may not prove to be cost-effective. There can be no assurance that current traffic or potential growth in traffic across the Corporation's digital properties may maintain or increase advertising customer renewal rates and/or annual spending, or lead to a measurable increase in advertising customers.

Failure by either the Corporation or the Telco Partners to fulfill their obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition

We have four billing and collection services agreements with Bell Canada (for itself and as a successor to Bell Aliant Communications LP and MTS Inc.) (Bell) and expire on December 31, 2018. The agreement with with TELUS Communications Inc. (TELUS) expires in 2031. Through these agreements, our billing is included as a separate line item on the telephone bills of Bell and TELUS customers who use our services. Bell and TELUS (the Telco Partners) contract with third parties to conduct monthly billing of customers who use them as their local telephone service providers. In addition, the Telco Partners provide collection services for the Corporation with those customers who are also their customers. Additionally, the Corporation has entered into publishing agreements with each Telco Partner. If the Corporation fails to perform its obligations under these agreements and the agreements are consequently terminated by such Telco Partner, other agreements with such Telco Partners may also be terminated, including the Bell Canada Trademark License Agreement, the TELUS Trademark License Agreement, the MTS Inc. Branding and Trademark Agreement and the Bell Canada Inc. Branding and Trademark Agreement, as well as non-competition covenants we benefit from with such Telco Partners.

We have agreements with outside service suppliers to print and distribute our directories and publications. These agreements are for services that are integral to our business.

The failure of the Telco Partners or any of our other suppliers to fulfill their contractual obligations under these agreements could result in a material adverse effect on our business.

Customers who do not use the Telco Partners as their local telephone provider as well as all new customers are billed directly by the Corporation.

Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition

Certain non-management employees of the Corporation are unionized. Current union agreements range between one to five years in duration and are subject to expiration at various dates in the future. Four of these agreements have expired and are being renegotiated. If the Corporation is unable to renew these agreements as they come up for renegotiation from time to time, it could result in work stoppages and other labour disturbances which could have a material adverse effect on our business. Additionally, if a greater percentage of the Corporation’s workforce becomes unionized, this could have a material adverse effect on our business, results from operations and financial condition.

Challenge by tax authorities of the Corporation’s position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition

In the normal course of the Corporation's activities, the tax authorities are carrying out ongoing reviews. In that respect, the Corporation is of the view that all expenses claimed by the different entities of the group are reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties have been correctly determined. There is no assurance that the tax authorities may not challenge these positions. Such challenge, if successful, may have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The loss of key relationships or changes in the level of service provided by mapping applications and search engines could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation has entered into agreements with mapping applications and search engines to promote its online directories. These agreements facilitate access to the Corporation’s content and customer advertising, allow the Corporation to generate a higher volume of traffic than it would on its own as well as generate business leads for its advertisers, while retaining the client relationship. Loss of key relationships or changes in the level of service provided by the mapping applications and search engines could impact performance of the Corporation’s internet marketing solutions. In addition, internet marketing services are provided by many other competitors within the markets the Corporation serves and its clients could choose to work with other, sometimes larger providers of these services, or with other search engines directly. The foregoing could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The failure of the Corporation’s computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation’s business activities rely significantly on the efficient and uninterrupted operation of computers and communications systems as well as those of third parties. The Corporation’s media properties, sales and advertising processing, data storage, production, billing, collection and day-to-day operations could be adversely impaired by the failure of such technology, which could in turn have a material adverse effect on the Corporation, its business, results from operations and financial condition.

In addition, the Corporation’s computer and ISIT systems may be vulnerable to damage or interruption from a variety of sources and its disaster recovery systems may be deemed ineffective. Any failure of these systems could impair the Corporation’s business. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

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

On July 1, 2015, Yellow Pages acquired CFDP, growing the Corporation into a leading digital real estate marketplace. As a result of the acquisition, the Corporation has a greater presence in the real estate listing business. The CFDP business and financial performance are affected by the health of, and changes to, the real estate industry. Home-buying patterns are sensitive to economic conditions and tend to decline or grow more slowly during economic downturns. A decrease in real estate activities could lead to reductions in the purchase of package offerings by home sellers. CFDP is subject to rules and regulations in the real estate industry, which may change from time to time in a way that may restrict or complicate CFDP's ability to deliver its products and harm CFDP's business and operating results. Declines or disruptions in the real estate market could reduce demand for CFDP's products and could harm its business and operating results. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

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

The ability of the Corporation to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance. There can be no assurance that the Corporation will be able to generate sufficient cash from its operations to pay its debt obligations. The Corporation's ability to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions is, to a large extent, subject to economic, financial, competitive, operational and other factors, many of which are beyond the Corporation's control.

There can be no assurance that the Corporation will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to the Corporation to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome the challenges associated with the evolution of its business and support its business strategy if cash flows from operations and cash on hand are insufficient.

Failure to generate sufficient funds, whether from operations or debt or equity financings or refinancing transactions, could require the Corporation to delay or abandon some of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on the Corporation, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

The Corporation's amount of debt could adversely affect its efforts to refinance or reduce its indebtedness and could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's amount of debt could have material adverse effects on the Corporation, its business, results from operations and financial condition. For example, it could:

- increase the Corporation's vulnerability to adverse economic and industry conditions;
- require the Corporation to dedicate a substantial portion of its cash flows from operations to make payments on its debt, thereby reducing funds available for operations, future business opportunities or other purposes;
- limit the Corporation's flexibility in planning for, or reacting to, changes in its business and its industry;
- place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and
- limit the Corporation's ability to obtain additional financing, if needed, for working capital, capital expenditures, acquisitions, debt service requirements or other purposes.

In addition, the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures and the ABL contain a number of financial and other restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates and its business activities. A failure to comply with such obligations could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures or the ABL, as the case may be, were to be accelerated, there can be no assurance that the Corporation would have sufficient liquidity or access to capital to repay in full that indebtedness.

Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation is currently and may be required to make incremental contributions to its pension plans in the future depending on various factors including future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a materially negative effect on the Corporation's liquidity and results from operations. The Corporation is currently making incremental contributions to its pension plans to reduce its actuarial solvency deficits.

The funding requirements of the Corporation's pension plans, resulting from valuations of its pension plan assets and liabilities, depend on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from the Corporation's current estimates and could require the Corporation to make incremental contributions to its pension plans in the future and, therefore, could have a materially negative effect on the Corporation's liquidity, business, results from operations and financial condition.

There is no assurance that the Corporation's pension plans will be able to earn their assumed rate of return. A material portion of the Corporation's pension plans' assets is invested in public equity securities. As a result, the ability of the Corporation's pension plans to earn the rate of return that management has assumed depends significantly on the performance of capital markets. The market conditions also impact the discount rate used to calculate the Corporation's solvency obligations and thereby could also significantly affect the Corporation's cash funding requirements.

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 December 31, 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 December 31, 2017.

During the quarter beginning on October 1, 2017 and ended on December 31, 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.