UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

September 30, 2018 and 2017

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at	September 30, 2018	December 31, 2017	January 1, 2017
ASSETS		(Restated – Note 2)	(Restated – Note 2)
CURRENT ASSETS			
Cash and restricted cash (Note 3)	**$ 152,062**	$ 46,405	$ 17,260
Trade and other receivables (Note 4)	**158,702**	187,524	191,067
Prepaid expenses	**9,626**	8,760	8,934
Deferred publication costs	**2,302**	3,977	4,524
Income taxes receivable	**2,357**	3,214	3,057
TOTAL CURRENT ASSETS	**325,049**	249,880	224,842
NON-CURRENT ASSETS			
Deferred commissions (Note 5)	**10,685**	16,879	19,955
Financial and other assets (Note 17)	**6,589**	13,338	4,008
Investment in jointly controlled entity	–	–	1,157
Property and equipment	**42,301**	50,966	35,864
Right-of-use assets	**33,171**	50,644	40,937
Net investment in sublease	**7,135**	–	–
Intangible assets	**118,545**	193,352	740,932
Goodwill (Note 16)	–	26,829	45,342
Deferred income taxes	**2,612**	2,487	49,447
TOTAL NON-CURRENT ASSETS	**221,038**	354,495	937,642
TOTAL ASSETS	**$ 546,087**	$ 604,375	$ 1,162,484
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	**$ 61,821**	$ 83,627	$ 79,494
Provisions	**33,105**	45,251	51,684
Deferred revenues (Note 4)	**3,945**	7,530	8,131
Current portion of lease obligations (Note 6)	**4,993**	1,888	9,045
Current portion of senior secured notes (Note 7)	**140,000**	54,939	75,161
TOTAL CURRENT LIABILITIES	**243,864**	193,235	223,515
NON-CURRENT LIABILITIES			
Provisions	**1,897**	8,380	3,343
Deferred income taxes	**22,101**	24,102	7,108
Post-employment benefits (Note 10)	**117,040**	143,372	154,172
Lease obligations (Note 6)	**71,838**	84,291	52,607
Senior secured notes (Note 7)	**139,413**	253,959	234,508
Exchangeable debentures (Note 8)	**95,631**	94,067	92,174
TOTAL NON-CURRENT LIABILITIES	**447,920**	608,171	543,912
TOTAL LIABILITIES	**691,784**	801,406	767,427
CAPITAL AND RESERVES	**6,594,803**	6,595,521	6,597,891
DEFICIT	**(6,740,500)**	(6,792,552)	(6,202,834)
TOTAL DEFICIENCY	**(145,697)**	(197,031)	395,057
TOTAL LIABILITIES AND DEFICIENCY	**$ 546,087**	$ 604,375	$ 1,162,484

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

Interim Condensed Consolidated Statements of Income (Loss)

(in thousands of Canadian dollars, except share and per share information – Unaudited)

For the three and nine-month periods ended September 30,	2018	2017	2018	2017
		(Restated – Note 2)		(Restated – Note 2)
Revenues	**$ 130,150**	$ 175,696	**$ 452,676**	$ 549,419
Operating costs	**83,889**	129,752	**301,260**	411,999
Income from operations before depreciation and amortization, and restructuring and other charges	**46,261**	45,944	**151,416**	137,420
Depreciation and amortization	**18,945**	29,915	**59,031**	86,760
Restructuring and other charges (Note 9)	**5,220**	6,784	**14,664**	16,848
Income from operations	**22,096**	9,245	**77,721**	33,812
Financial charges, net (Note 14)	**13,074**	12,492	**41,213**	37,725
Gain on sale of businesses (Note 15)	**(6,827)**	–	**(5,924)**	–
Impairment of available-for-sale investments	**–**	3,720	**–**	3,720
Earnings (loss) before income taxes and loss from investment in a jointly controlled entity	**15,849**	(6,967)	**42,432**	(7,633)
(Recovery of) provision for income taxes (Note 16)	**(11,276)**	(902)	**(420)**	410
Loss from investment in a jointly controlled entity	**–**	1,116	**–**	1,837
Net earnings (loss)	**$ 27,125**	$ (7,181)	**$ 42,852**	$ (9,880)
Basic earnings (loss) per share	**$ 1.03**	$ (0.27)	**$ 1.62**	$ (0.37)
Weighted average shares outstanding – basic earnings (loss) per share (Note 11)	**26,451,968**	26,234,188	**26,408,348**	26,446,365
Diluted earnings (loss) per share	**$ 0.89**	$ (0.27)	**$ 1.49**	$ (0.37)
Weighted average shares outstanding – diluted earnings (loss) per share (Note 11)	**32,736,051**	26,234,188	**32,690,199**	26,446,365

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(in thousands of Canadian dollars – Unaudited)

For the three and nine-month periods ended September 30,	2018	2017	2018	2017
		(Restated – Note 2)		(Restated – Note 2)
Net earnings (loss)	**$ 27,125**	$ (7,181)	**$ 42,852**	$ (9,880)
Other comprehensive income :				
Items that will be reclassified subsequently to net earnings (loss)				
Net change in fair value of derivatives designated as cash flow hedges	–	(518)	–	(1,300)
Reclassification to earnings of derivatives designated as cash flow hedges	–	253	–	(148)
Income taxes relating to items that will be reclassified subsequently to net earnings (loss)	–	72	–	389
	–	(193)	–	(1,059)
Items that will not be reclassified subsequently to net earnings (loss)				
Net change in fair value of equity investments reported in other comprehensive income (“FVOCI”) (Note 17)	–	–	**(5,502)**	–
Actuarial gains (losses) (Note 10)	**15,653**	11,667	**26,405**	6,540
Income taxes relating to items that will not be reclassified subsequently to net earnings	**(4,216)**	(3,134)	**(7,103)**	(1,757)
	11,437	8,533	**13,800**	4,783
Other comprehensive income	**11,437**	8,340	**13,800**	3,724
Total comprehensive income (loss)	**$ 38,562**	$ 1,159	**$ 56,652**	$ (6,156)

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

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars – Unaudited)

For the nine-month periods ended September 30,

2018

	Shareholders' capital (Note 11)	**Restricted shares**	**Warrants**	**Compound financial instruments[1]**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total deficiency**
Balance, December 31, 2017, as previously reported	$ 4,031,685	$ (27,572)	$ 1,456	$ 3,619	$ 129,280	$ 2,457,053	**$ 6,595,521**	$ (6,814,317)	**$ (218,796)**
Adjustment for IFRS 15 (Note 2)	–	–	–	–	–	–	**–**	28,898	**28,898**
Adjustment for IFRS 16 (Note 2)	–	–	–	–	–	–	**–**	(7,133)	**(7,133)**
Restated balance, December 31, 2017	**4,031,685**	**(27,572)**	**1,456**	**3,619**	**129,280**	**2,457,053**	**6,595,521**	**(6,792,552)**	**(197,031)**
Adjustment for IFRS 9 (Note 2)	–	–	–	–	–	–	**–**	(4,600)	**(4,600)**
Restated balance, January 1, 2018	**4,031,685**	**(27,572)**	**1,456**	**3,619**	**129,280**	**2,457,053**	**6,595,521**	**(6,797,152)**	**(201,631)**
Other comprehensive income	–	–	–	–	–	–	–	13,800	**13,800**
Net earnings	–	–	–	–	–	–	–	42,852	**42,852**
Total comprehensive income	–	–	–	–	–	–	–	56,652	**56,652**
Restricted shares settled	–	3,993	–	–	(3,993)	–	–	–	–
Restricted shares (Note 13)	–	–	–	–	(1,087)	–	(1,087)	–	**(1,087)**
Stock options (Note 13)	–	–	–	–	369	–	369	–	**369**
Balance, September 30, 2018	**$ 4,031,685**	**$ (23,579)**	**$ 1,456**	**$ 3,619**	**$ 124,569**	**$ 2,457,053**	**$ 6,594,803**	**$ (6,740,500)**	**$ (145,697)**

2017

	Shareholders' capital	Restricted shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
Balance, December 31, 2016, as previously reported	$ 4,031,685	$ (31,848)	$ 1,456	$ 3,619	$ 135,926	$ 2,457,053	$ 6,597,891	$ (6,228,987)	$ 368,904
Adjustment for IFRS 15 (Note 2)	–	–	–	–	–	–	–	31,042	31,042
Adjustment for IFRS 16 (Note 2)	–	–	–	–	–	–	–	(4,889)	(4,889)
Restated balance at December 31, 2016 and January 1, 2017	4,031,685	(31,848)	1,456	3,619	135,926	2,457,053	6,597,891	(6,202,834)	395,057
Other comprehensive income	–	–	–	–	(1,059)	–	(1,059)	4,783	3,724
Restated net loss (Note 2)	–	–	–	–	–	–	–	(9,880)	(9,880)
Restated total comprehensive loss	–	–	–	–	(1,059)	–	(1,059)	(5,097)	(6,156)
Restricted shares settled	–	7,133	–	–	(7,133)	–	–	–	–
Restricted shares (Note 13)	–	(3,129)	–	–	2,841	–	(288)	–	(288)
Stock options (Note 13)	–	–	–	–	(247)	–	(247)	–	(247)
Restated balance, September 30, 2017	$ 4,031,685	$ (27,844)	$ 1,456	$ 3,619	$ 130,328	$ 2,457,053	$ 6,596,297	$ (6,207,931)	$ 388,366

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2017 - $1.3 million).*

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

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars – Unaudited)

For the nine-month periods ended September 30,	2018	2017
		(Restated – Note 2)
OPERATING ACTIVITIES		
Net earnings (loss)	**$ 42,852**	$ (9,880)
Adjusting items		
Stock-based compensation (recovery) expense – equity settled	**(718)**	2,594
Depreciation and amortization	**59,031**	86,760
Restructuring and other charges	**14,664**	16,848
Financial charges, net	**41,213**	37,725
Gain on sale of businesses	**(5,924)**	–
Impairment of available-for-sale investments	–	3,720
(Recovery of) provision for income taxes	**(420)**	410
Loss from investment in a jointly controlled entity	–	1,837
Change in operating assets and liabilities	**3,612**	8,700
Funding of post-employment benefit plans in excess of costs	**(5,696)**	(8,860)
Restructuring and other charges paid	**(29,402)**	(17,251)
Interest paid	**(26,399)**	(29,982)
Income taxes (received) paid, net	**64**	(53)
	92,877	92,568
INVESTING ACTIVITIES		
Additions to intangible assets	**(11,086)**	(28,627)
Additions to property and equipment	**(1,060)**	(17,394)
Lease incentives received	**4,150**	1,027
Payments received from net investment in sublease	**237**	–
Proceeds on sale of businesses (Notes 3, 15 and 16)	**55,965**	–
Purchase of available-for-sale investments	–	(5,452)
Investment in a jointly controlled entity	–	(680)
Business acquisition	**(400)**	(400)
	47,806	(51,526)
FINANCING ACTIVITIES		
Repayment of senior secured notes	**(30,244)**	(17,421)
Purchase of restricted shares (Note 13)	–	(3,129)
Payment of lease obligations	**(4,782)**	(5,902)
	(35,026)	(26,452)
NET INCREASE IN CASH AND RESTRICTED CASH	**105,657**	14,590
CASH, BEGINNING OF YEAR	**46,405**	17,260
CASH AND RESTRICTED CASH, END OF PERIOD (Note 3)	**$ 152,062**	$ 31,850

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

1. Description

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

Yellow Pages Limited's registered head office is located at 1751 Rue Richardson, Montreal, Québec, Canada, H3K 1G6 and the common shares of Yellow Pages Limited are listed on the Toronto Stock Exchange ("TSX") under the symbol "Y".

The Board of Directors (the "Board") approved the interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2018 and 2017 and authorized their publication on November 8, 2018.

2. Basis of presentation

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are consistent with International Financial Reporting Standards ("IFRS") and are the same as those applied by Yellow Pages Limited in its audited consolidated financial statements as at and for the years ended December 31, 2017 and 2016, except for new standards adopted from January 1, 2018 as described below. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and 2016.

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

The following revised standards are effective for annual periods beginning on January 1, 2018 and their adoption has not had any impact on the amounts reported in these interim condensed consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IFRS 2 – *Share-based Payment*

In June 2016, the International Accounting Standards Board ("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 did not 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 did not have a significant impact on the consolidated financial statements of Yellow Pages Limited.

2.3 Standards, interpretations and amendments to published standards adopted with an effect on the interim condensed consolidated financial statements

IFRS 15 – *Revenue from Contracts with Customers*

Yellow Pages Limited has applied IFRS 15 – *Revenue from Contracts with Customers* effective for annual reporting periods beginning on or after January 1, 2018. Yellow Pages Limited has applied IFRS 15 in accordance with the full retrospective approach, therefore requiring restatement of the comparative periods presented.

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

Under IFRS 15, revenues from print products are recognized upon delivery of the print directories instead of over the term of the publication period of twelve months (adjustment a). Similarly, publication costs and commissions will be deferred and recognized upon delivery of the publication (adjustment b). Previously, the deferred publication costs and commissions were deferred and amortized over the economic life of the directory, digital products and services. The recognition of revenue for the digital products has not been materially impacted by the adoption of this standard and will continue to be recognized into income on a monthly basis from the point at which service is first provided over the life of the contract. Certain revenues, such as website and video design fees, continue to be recognized upon completion of the design of the website and video. Applying the practical expedient under IFRS 15, the Company recognizes as an expense the commissions paid to media account consultants for contract renewals with revenue recognized over one year or less. However, costs to obtain contracts relating to the commission fees paid to media account consultants as a result of obtaining new sales contracts are amortized on a straight-line basis over a two-year period as this reflects the expected period of benefit (adjustment c).

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 for the prior periods is presented below.

Impact of the application of IFRS 15

Impact on net (liabilities) assets as at:

Differences increasing (decreasing) net assets (liabilities)	Adjustment note	December 31, 2017	January 1, 2017
Trade and other receivables	(a)	$ 63,473	$ 76,213
Deferred publication costs	(b)	(49,602)	(56,620)
Deferred commissions (previously presented in deferred publication costs)	(c)	10,102	12,019
Deferred revenues	(a)	7,211	10,796
Deferred income taxes		(2,286)	(11,366)
Net increase		$ 28,898	$ 31,042

Impact on net earnings for the three and nine-month periods ended September 30, 2017:

Differences increasing (decreasing) reported net earnings (loss)	Adjustment note	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Revenues	(a)	$ (5,671)	$ (12,675)
Operating costs	(b), (c)	2,787	5,000
Provision for income taxes		775	2,062
Net decrease		$ (2,109)	$ (5,613)

The application of IFRS 15 resulted in a $31.0 million reduction of the Company's deficit, and an increase in total equity of $31.0 million as at January 1, 2017.

There was no impact on other comprehensive income (loss) for the periods ended September 30, 2017 and December 31, 2017 associated with the application of IFRS 15.

As a result of the application of IFRS 15, the Consolidated Statements of Cash Flows has been restated, with no effect on cash and restricted cash.

IFRS 16 – ***Leases***

Yellow Pages Limited has early adopted IFRS 16 – *Leases* on January 1, 2018, which is effective for annual reporting periods beginning on or after January 1, 2019. Yellow Pages Limited has applied IFRS 16 in accordance with the full retrospective approach, therefore requiring restatement of the comparative periods presented. Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company and classified operating lease payments as operating costs. Under IFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset (adjustment a) and a lease obligation representing its obligation to make lease payments (adjustment b). The right-of-use asset is initially measured at cost and subsequently depreciated. Initial measurement of costs is determined by the amount of the initial measurement of the lease obligations, less any lease inducements receivable and any lease payments made at or before the commencement date, plus any initial direct costs, and any restoration costs. The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate. The lease obligation is measured at amortized cost using the effective interest rate method and is subsequently adjusted for interest and lease payments. Onerous leases previously accrued in provisions are now impairing right-of-use assets (adjustment c).

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On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under previous standards were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2018.

Under IFRS 16, the Company is required to assess the classification of a sublease as a finance or operating lease, with reference to the right-of-use asset and not the underlying asset. The Company assessed and classified its sublease as a finance lease under IFRS 16, and therefore derecognized the right-of-use asset relating to the head lease being sublet, and recognized a lease receivable equal to the net investment in the sublease, retained the previously recognized lease obligation in its capacity as lessee, recognized the related interest expense thereafter, and recognized interest income on the sublease receivable in its capacity as finance lessor.

The amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the prior periods is presented below.

Impact of the application of IFRS 16

Impact on net (liabilities) assets as at:

Differences increasing (decreasing) net assets (liabilities)	Adjustment note	December 31, 2017	January 1, 2017
Property and equipment (reclassification of pre-IFRS 16 right-of-use assets)	(a)	$ (195)	$ (330)
Right-of-use assets	(a)	50,644	40,937
Provisions	(c)	8,299	2,310
Long-term debt (reclassification of pre-IFRS 16 lease obligations)	(b)	215	359
Lease obligations	(b)	(86,179)	(61,652)
Deferred lease inducements	(a), (b)	17,749	11,821
Deferred income taxes		2,334	1,666
Net decrease		$ (7,133)	$ (4,889)

Impact on net earnings for the three and nine-month periods ended September 30, 2017:

Differences increasing (decreasing) reported net earnings (loss)	Adjustment note	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Operating costs	(b)	$ 2,656	$ 8,023
Depreciation and amortization	(a)	(1,926)	(5,645)
Financial charges, net	(b)	(1,623)	(4,197)
Provision for income taxes		267	520
Net decrease		$ (626)	$ (1,299)

The application of IFRS 16 resulted in a $4.9 million increase of the Company's deficit, and a decrease in total equity of $4.9 million as at January 1, 2017.

There was no impact on other comprehensive income for the periods ended September 30, 2017 and December 31, 2017 associated with the adoption of IFRS 16.

As a result of the application of IFRS 16, the Consolidated Statements of Cash Flows has been restated, with no effect on cash and restricted cash.

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

Cumulative impact of the application of IFRS 15 and IFRS 16

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 and IFRS 16 for the prior periods is presented below.

Impact on net (liabilities) assets as at:

	December 31, 2017	January 1, 2017
Net (liabilities) assets[1] as previously reported	$ (218,796)	$ 368,904
IFRS 15	28,898	31,042
IFRS 16	(7,133)	(4,889)
Net (liabilities) assets, restated	$ (197,031)	$ 395,057

[1] *Represents total assets less total liabilities as presented in the consolidated statements of financial position.*

Impact on net loss for the three and nine-month periods ended September 30, 2017:

	Adjustment note	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Net loss as previously reported		$ (4,446)	$ (2,968)
IFRS 15		(2,109)	(5,613)
IFRS 16		(626)	(1,299)
Net loss, restated		$ (7,181)	$ (9,880)

Impact on basic and diluted loss per share for the three and nine-month periods ended September 30, 2017:

	Three-month period ended September 30, 2017	Nine-month period ended September 30, 2017
Basic and diluted loss per share as previously reported	$ (0.17)	$ (0.11)
IFRS 15	(0.08)	(0.21)
IFRS 16	(0.02)	(0.05)
Basic and diluted loss per share, restated	$ (0.27)	$ (0.37)

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*. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment for financial assets and general hedge accounting. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below. The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in deficit as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The classification and measurement of financial assets is determined on the basis of the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity financial assets are subsequently measured at fair value through profit or loss unless the Company has made an irrevocable election to measure them at fair value through other comprehensive income. The change in fair value of equity financial assets designated as such shall not be subsequently transferred to profit or loss upon their disposal. On transition to IFRS 9, the Company has made the irrevocable election to present fair value gains and losses on equity investments in other comprehensive income ("OCI").

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

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 1, 2018. There were no changes to the measurement categories under IFRS 9 for the Company's financial liabilities as at January 1, 2018 and therefore the Company's financial liabilities are not presented in the table below.

As at January 1, 2018	Original classification under IAS 39	New Classification under IFRS 9	Original Carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash	Loans and receivables	Amortized cost	$ 46,405	$ 46,405
Trade and other receivables	Loans and receivables	Amortized cost	124,051	119,451
Investments	Available-for-sale	FVOCI – equity instrument	5,502	5,502
Total			**$ 175,958**	**$ 171,358**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognized. For trade receivables and contract assets, the Company applied the simplified approach permitted under IFRS 9, which requires lifetime ECL to be recognized from initial recognition. While cash and other receivables are also subject to the impairment requirements under IFRS 9, the identified expected credit loss was immaterial.

At each reporting date, the Company assesses whether financial assets are credit impaired. The Company will consider a financial asset to be in default when the indebted party is unlikely to pay its obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any). The Company elected to consider that default does not occur when a financial asset is 90 days past due as the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate and that default risk is not necessarily increased. In assessing whether an indebted party is in default, the Company will consider indicators that are qualitative (e.g. breach of conditions), quantitative (e.g. overdue status), and data developed internally and obtained from external sources. Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect circumstances.

For assets in the scope of IFRS 9 impairment model, expected credit losses are generally expected to increase. The Company has determined that the application of IFRS 9's impairment requirements as at January 1, 2018 results in an additional expected credit loss allowance as follows.

Loss allowance at December 31, 2017 under IAS 39	$ **17,064**
Additional expected credit loss allowance recognized as at January 1, 2018 on:	
Trade and other receivables as at January 1, 2018	2,800
Contract assets recognized on adoption of IFRS 15	1,800
Expected credit loss allowance at January 1, 2018 under IFRS 9	$ 21,664

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

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.

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

Amendments to IAS 19 – *Employee Benefits*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company. Yellow Pages is evaluating the impact those amendments will have on its consolidated financial statements.

3. Cash and restricted cash

At September 30, 2018, cash amounting to $53.6 million was restricted for use by the Company and its subsidiaries, primarily in respect of cash held in escrow, which is subject to the terms of the Senior Secured Notes agreement. This balance results from the net proceeds from the sale of ComFree/DuProprio ("CFDP") and of the assets related to the operations of the RedFlagDeals division. The net cash proceeds are to be included in the next scheduled senior secured notes redemption payment, on November 30, 2018.

4. Contract assets and liabilities

The following table provides information about contract assets which are included in trade and other receivables.

As at	**September 30, 2018**	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Contract assets	$ 59,055	$ 68,473	$ 81,213
Less provisions for impairment	2,302	1,677	1,989
Contract assets net of provisions for impairment	$ 56,753	$ 66,796	$ 79,224

The contract assets which are included in trade and other receivables consist of payments for print products on delivered directories that are not yet due from the customer and represent the Company's right to consideration for the services rendered. Any amount previously recognized as a contract asset is reclassified to trade and other receivables at the point at which it is invoiced to the customer.

The contract liabilities consist of deferred revenues which primarily relate to the advance consideration received from customers for which revenue is recognized over time.

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5. Deferred Commissions

Deferred commissions paid to media account consultants represent costs to obtain new sales contracts. These costs are amortized on a straight-line basis over a two-year period as this reflects the expected period of benefit. During the three and nine-month periods ended September 30, 2018, Yellow Pages Limited recorded, in operating costs, amortization charges related to deferred commissions of $3.5 million and $12.4 million, respectively (2017 – $5.0 million and $15.2 million, respectively). Applying the practical expedient under IFRS 15, the Company recognizes as an expense the commissions paid to media account consultants for contract renewals with revenue recognized within one year or less.

6. Lease obligations

As at	September 30, 2018	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Lease obligations	**$ 76,831**	$ 86,179	$ 61,652
Less current portion	**4,993**	1,888	9,045
Non-current portion	**$ 71,838**	$ 84,291	$ 52,607

7. Senior secured notes

The senior secured notes is comprised of the following:

As at	September 30, 2018	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Principal amount of the 10.00% senior secured notes	**$ 284,756**	$ 315,000	$ 309,669
Less unaccreted discount	**5,343**	6,102	–
	$ 279,413	$ 308,898	$ 309,669
Less current portion[1]	**140,000**	54,939	75,161
Non-current portion	**$ 139,413**	$ 253,959	$ 234,508

[1] *The current portion of the 10.00% senior secured notes may vary subject to the Excess Cash Flow clause as well as the minimum cash balance requirement on the last day of the mandatory redemption period under the indenture governing the 10.00% senior secured notes.*

8. Exchangeable debentures

As at	September 30, 2018	December 31, 2017	January 1, 2017
Principal amount of exchangeable debentures	**$ 107,089**	$ 107,089	$ 107,089
Less unaccreted interest	**11,458**	13,022	14,915
	$ 95,631	$ 94,067	$ 92,174

9. Restructuring and other charges

Yellow Pages Limited recorded restructuring and other charges of $5.2 million for the three-month period ended September 30, 2018 (2017 – $6.8 million) consisting of restructuring charges of $2.5 million mainly due to workforce reductions, as well as impairment of right-of-use assets and future operation costs provisioned for lease contracts for office closures of $2.7 million.

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Yellow Pages Limited recorded restructuring and other charges of $14.7 million for the nine-month period ended September 30, 2018 (2017 – $16.8 million) consisting of restructuring charges of $27.8 million mainly due to workforce reductions, offset by the $10.6 million impact of a favorable litigation settlement on a contractual obligation with a vendor. Additionally, the restructuring charges were offset by a net recovery of $2.5 million, related to the impairment of right-of-use assets and future operation costs provisioned related to lease contracts for office closures. Included in this amount is a net recovery of $7.3 million as a result of a more favorable lease recovery than anticipated, partially offset by the impairment of right-of-use assets and future operation costs related to lease contracts for office closures.

10. Post-employment benefits

Yellow Pages Limited recorded an actuarial gain of $11.5 million in other comprehensive income, net of income tax expense of $4.2 million, for the three-month period ended September 30, 2018, primarily as a result of an increase in the discount rate used to measure the post-employment benefits obligation from 3.60% to 3.80%. Yellow Pages Limited recorded an actuarial gain of $8.6 million in other comprehensive income, net of income tax of $3.1 million, for the three-month period ended September 30, 2017, primarily as a result of an increase in the discount rate used to measure the post-employment benefits obligation from 3.50% to 3.75%.

Yellow Pages Limited recorded an actuarial gain of $19.3 million in other comprehensive income, net of income tax expense of $7.1 million, for the nine-month period ended September 30, 2018, primarily due to an increase in the discount rate from 3.50% to 3.80% and a decrease in the inflation rate from 1.75% to 1.70% in the first quarter of 2018. Yellow Pages Limited recorded an actuarial gain of $4.8 million in other comprehensive income, net of income tax of $1.8 million, for the nine-month period ended September 30, 2017, as a result of a gain due to the plan assets' performance.

11. Shareholders' capital

Common shares – Issued

For the nine-month period ended September 30, 2018	**Number of Shares**		**Amount**
Balance, December 31, 2017	28,075,306	$	4,031,685
Exchange of common share purchase warrants	2		–
Balance, September 30, 2018	**28,075,308**	**$**	**4,031,685**

Warrants

During the nine-month period ended September 30, 2018, 2 common share purchase warrants ("Warrants") were exercised in exchange for 2 common shares of Yellow Pages Limited (2017 – 2 Warrants). As at September 30, 2018 and December 31, 2017, the Company had a total of 2,995,484 and 2,995,486 Warrants outstanding, respectively.

Earnings (loss) per share

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

For the three and nine-month periods ended September 30,	**2018**	2017	**2018**	2017
Weighted average number of shares outstanding used in computing basic earnings per share	**26,451,968**	26,234,188	**26,408,348**	26,446,365
Dilutive effect of restricted share units and performance share units	**657,429**	–	**657,429**	–
Dilutive effect of stock options	**2,232**	–	**–**	–
Dilutive effect of exchangeable debentures	**5,624,422**	–	**5,624,422**	–
Weighted average number of shares outstanding used in computing diluted earnings per share[1]	**32,736,051**	26,234,188	**32,690,199**	26,446,365

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For the three and nine-month periods ended September 30,		2018		2017 (Restated – Note 2)		2018		2017 (Restated – Note 2)
Net earnings (loss) used in the computation of basic earnings per share	$	**27,125**	$	(7,181)	$	**42,852**	$	(9,880)
Impact of assumed conversion of exchangeable debentures, net of applicable taxes		**1,958**		–		**5,838**		–
Net earnings (loss) used in the computation of diluted earnings per share	$	**29,083**	$	(7,181)	$	**48,690**	$	(9,880)

[1] *The weighted average number of shares outstanding used in the earnings (loss) per share calculation is reduced by the shares held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan").*

For the three and nine-month periods ended September 30, 2017, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures as they are not dilutive. For the three and nine-month periods ended September 30, 2018 and the three and nine-month periods ended September 30, 2017, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as stock options that are not in the money as they are not dilutive.

12. Segmented information

The operations are divided into four reportable segments: YP, Agency, Real Estate and Other, which operate primarily in Canada, with substantially all of their assets also in Canada. The financial information has been prepared in the same manner as the December 31, 2017 audited financial statements except for reflecting changes for the new standards adopted on January 1, 2018 in note 2.3.

The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising. This segment included the operations of RedFlagDeals.com™, Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018.

The Agency segment provides national advertising services to brands and publishers, primarily through its Mediative division, and JUICE Mobile and Totem subsidiaries. Mediative offers dedicated marketing and performance media services to national clients Canada-wide. JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms facilitate the automatic buying and selling of mobile advertising between brands and advertisers. This segment included the operations of Totem which provided customized content creation and delivery for global brands until the operations were sold as of May 31, 2018. Subsequent to the quarter ended September 30, 2018, the Company decided to exit the Agency segment by the end of the year through the liquidation of its Mediative division and sale of its JUICE Mobile assets excluding working capital. The Company has entered into a binding letter of intent (LOI) for the sale of its JUICE Mobile assets excluding working capital for $1.0 million with the expected closing date of December 31, 2018.

The Company divested all of the operations of its Real Estate segment through the sales of ComFree/DuProprio (CFDP) as of July 6, 2018 and Yellow Pages NextHome as of July 23, 2018. The Real Estate segment provided homeowners in Canada with media to sell their homes in a proven and cost-effective manner as well as published locally-targeted real estate listings. It addressed the needs of the consumer in the Canadian real estate market via its ComFree/DuProprio (CFDP) and Yellow Pages NextHome subsidiaries.

Yellow Pages Other segment includes the 411.ca digital directory service and until the sale as of May 31, 2018 of Western Media Group, magazines generating local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

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

Print revenues are recognized at a point in time, whereas 99% of digital revenues were recognized over the term of the contract and 1% at a point in time for the three-month period ended September 30, 2018. 91% of digital revenues were recognized over the term of the contract and 9% at a point in time for the nine-month period ended September 30, 2018.

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The following tables present financial information for the three-month periods ended September 30, 2018 and 2017.

For the three-month period ended September 30, 2018

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 29,039	$ –	$ 445	$ –	$ (4)	**$ 29,480**
Digital	86,516	10,828	815	3,117	(606)	**100,670**
Total revenues	**115,555**	**10,828**	**1,260**	**3,117**	**(610)**	**130,150**
Operating costs	69,900	10,480	1,552	2,567	(610)	**83,889**
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 45,655	$ 348	$ (292)	$ 550	$ –	**$ 46,261**
Depreciation and amortization						**18,945**
Restructuring and other charges						**5,220**
Financial charges, net						**13,074**
Gain on sale of businesses						**(6,827)**
Recovery of income taxes						**(11,276)**
Net earnings						**$ 27,125**
Additions to intangible assets and property and equipment, net of lease incentives received	$ 2,019	$ 96	$ (18)	$ 88	$ –	**$ 2,185**

For the three-month period ended September 30, 2017[1] (Restated – Note 2)

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 38,684	$ 1,152	$ 2,727	$ 779	$ (16)	$ 43,326
Digital	101,134	16,410	11,283	4,674	(1,131)	132,370
Total revenues	139,818	17,562	14,010	5,453	(1,147)	175,696
Operating costs	95,127	17,818	12,968	4,986	(1,147)	129,752
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 44,691	$ (256)	$ 1,042	$ 467	$ –	$ 45,944
Depreciation and amortization						29,915
Restructuring and other charges						6,784
Financial charges, net						12,492
Impairment of investments						3,720
Recovery of income taxes						(902)
Loss from investment in a jointly controlled entity						1,116
Net loss						$ (7,181)
Additions to intangible assets and property and equipment, net of lease incentives received	$ 16,611	$ 521	$ 242	$ 877	$ –	$ 18,251

[1] *The three-month period ended September 30, 2017 was restated to reflect the adoption of IFRS 15 and 16, which were applied using the full retrospective approach.*

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

The following tables present financial information for the nine-month periods ended September 30, 2018 and 2017.

For the nine-month period ended September 30, 2018

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 99,837	$ 2,017	$ 4,863	$ 1,163	$ (26)	**$ 107,854**
Digital	268,327	37,495	30,816	10,396	(2,212)	**344,822**
Total revenues	368,164	39,512	35,679	11,559	(2,238)	**452,676**
Operating costs	221,804	38,570	32,756	10,368	(2,238)	**301,260**
Income from operations before depreciation and amortization, and restructuring and other charges	$ 146,360	$ 942	$ 2,923	$ 1,191	$ –	**$ 151,416**
Depreciation and amortization						**59,031**
Restructuring and other charges						**14,664**
Financial charges, net						**41,213**
Gain on sale of businesses						**(5,924)**
Recovery of income taxes						**(420)**
Net earnings						**$ 42,852**
Additions to intangible assets and property and equipment, net of lease incentives received	$ 6,838	$ 240	$ 463	$ 455	$ –	**$ 7,996**

For the nine-month period ended September 30, 2017[1] (Restated – Note 2)

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 128,324	$ 4,311	$ 9,478	$ 2,788	$ (52)	$ 144,849
Digital	307,654	46,629	39,013	14,170	(2,896)	404,570
Total revenues	435,978	50,940	48,491	16,958	(2,948)	549,419
Operating costs	300,674	55,673	43,011	15,589	(2,948)	411,999
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 135,304	$ (4,733)	$ 5,480	$ 1,369	$ –	$ 137,420
Depreciation and amortization						86,760
Restructuring and other charges						16,848
Financial charges, net						37,725
Impairment of investments						3,720
Provision for income taxes						410
Loss from investment in a jointly controlled entity						1,837
Net loss						$ (9,880)
Additions to intangible assets and property and equipment, net of lease incentives received	$ 39,739	$ 2,001	$ 631	$ 2,623	$ –	$ 44,994

[1] *The nine-month period ended September 30, 2017 was restated to reflect the adoption of IFRS 15 and 16, which were applied using the full retrospective approach.*

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13. Stock-based compensation plans

The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan") amounted to 1,614,635 as at September 30, 2018.

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

		2018		2017
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**763,624**	**795,811**	444,355	596,114
Granted	**90,344**	**–**	846,007	1,042,796
Additional (reduction in) payout related to achievement of targets[2]	**–**	**(59,339)**	–	21,451
Settled	**(155,339)**	**(36,340)**	(169,805)	(200,793)
Forfeited	**(263,646)**	**(477,686)**	(236,232)	(448,076)
Outstanding, end of period	**434,983**	**222,446**	884,325	1,011,492
Weighted average remaining life (years)	**1.6**	**1.1**	1.9	1.7

[1] *The outstanding number of PSUs represents a payout of 100%. In addition, the potential payout in excess of 100% and limited to a maximum payout of 150% pursuant to the achievement of certain performance targets, amounted to 111,206 common shares as at September 30, 2018 (2017 – 505,705 common shares).*

[2] *The additional (reduction in) payout is related to the achievement of certain performance targets in excess (shortfall) of 100% and amounted to a reduction of 62% for the nine-month period ended September 30, 2018 (2017 – additional 12%).*

During the three and nine-month periods ended September 30, 2018, an expense of $0.1 million and $1.1 million, respectively (2017 – a recovery of $0.1 million and an expense of $2.8 million, respectively) was recorded in the interim condensed consolidated statements of income in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

The following table summarizes the continuity of the deferred share units ("DSUs") during the nine-month periods ended September 30:

		2018		2017
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of period	**332,245**	**$ 2,793**	246,892	$ 4,368
Granted[2]	**126,338**	**756**	97,578	830
Forfeited	**(34,451)**	**(238)**	–	–
Settled	**(79,953)**	**(731)**	(14,196)	(112)
Variation due to change in stock price	**–**	**198**	–	(2,397)
Outstanding, end of period	**344,179**	**$ 2,778**	330,274	$ 2,689
Vested, end of period	**319,303**	**$ 2,778**	311,632	$ 2,689

[1] *The liability related to the DSU Plan is recorded in trade and other payables, and the expense related to the units vested and the variation due to changes in stock price is included in operating costs.*

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

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

Stock options

The following table summarizes the continuity of the stock options presented as a liability during the nine-month periods ended September 30:

	2018		2017	
	Number of options	**Liability[1]**	Number of options	Liability
Outstanding, beginning of period	**701,875**	**$ 194**	–	$ –
Granted	**–**	**$ –**	–	$ –
Variation due to change in fair value and vesting	**–**	**$ 425**	–	$ –
Outstanding, end of period	**701,875**	**$ 619**	–	$ –
Vested, end of period	**253,454**	**$ 619**	–	$ –

[1] *The liability related to the stock options is recorded in trade and other payables, and the expense related to the vested options and the variation due to change in fair value are included in operating costs.*

The following table summarizes the continuity of all stock options under the Stock Option Plan during the nine-month periods ended September 30:

	2018		2017	
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**1,024,550**	**$ 10.11**	630,950	$ 16.73
Granted	**801,202**	**$ 7.70**	701,875	$ 7.97
Forfeited	**(391,496)**	**$ 11.52**	(245,750)	$ 19.00
Outstanding, end of period	**1,434,256**	**$ 8.38**	1,087,075	$ 10.56
Exercisable, end of period	**60,425**	**$ 18.22**	281,325	$ 14.28

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

	2018		2017	
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$7.61	**632,567**	**3.4**	–	–
$7.97	**701,875**	**2.0**	701,875	3.0
$10.12	**11,375**	**1.6**	167,375	2.6
$10.47	**25,239**	**3.9**	–	–
$16.44	**15,000**	**3.4**	83,800	4.4
$17.83	**20,800**	**4.4**	63,000	5.4
$19.61	**7,700**	**2.7**	7,700	3.7
$20.33	**4,900**	**2.7**	4,900	3.7
$24.65	**14,800**	**2.4**	58,425	3.4
Outstanding, end of period	**1,434,256**	**2.7**	1,087,075	3.2
Exercisable, end of period	**60,425**	**2.8**	281,325	3.1

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

Stock options were valued using a binomial option pricing model. Expected volatility is determined by the implied volatility from the current market price of the company's outstanding warrants. The following table shows the key inputs into the valuation model for the nine-month periods ended September 30:

	2018	2017
Weighted average grant date share price	$ 7.68	$ 9.12
Exercise price	$ 7.70	$ 7.97
Expected volatility	43.2%	41.0%
Option life	4 years	3 years
Risk-free interest rate	2.41%	2.04%
Weighted average remaining life	3.4 years	3 years

During the three and nine-month periods ended September 30, 2018, an expense of $0.2 million and $0.8 million, respectively (2017 – a recovery of $0.5 million and $0.2 million, respectively) was recorded in the interim condensed consolidated statements of income in operating costs in relation to the Stock Option Plan.

Share appreciation rights plan

The following table summarizes the continuity of the share appreciation rights ("SARs") under the SARs Plan during the nine-month periods ended September 30:

		2018		2017
	Number of SARs	Liability[1]	Number of SARs	Liability
Outstanding, beginning of period	701,875	$ 194	–	$ –
Granted	–	–	701,875	–
Variation due to change in fair value and vesting	–	$ 425	–	$ 60
Outstanding, end of period	701,875	$ 619	701,875	$ 60
Vested, end of period	253,454	$ 619	19,496	$ 60

[1] *The liability related to the SAR Plan is recorded in trade and other payables, and the expense related to the units vested and the variation due to change in fair value are included in operating costs.*

SARs were valued using a binomial option pricing model. Expected volatility is determined by the implied volatility from the current market price of the company's outstanding warrants.The following table shows the key inputs into the valuation model as at September 30:

	2018	2017
Weighted average grant date share price	$ 9.12	$ 9.12
Exercise price	$ 7.97	$ 7.97
Expected volatility	42.2%	41.0%
SAR life	3 years	3 years
Risk-free interest rate	2.3%	2.04%
Weighted average remaining life	2 years	3 years

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

14. Financial charges, net

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

For the three and nine-month periods ended September 30,		2018		2017 (Restated – Note 2)		2018		2017 (Restated – Note 2)
Interest on senior secured notes and exchangeable debentures	**$**	**10,057**	$	9,381	**$**	**31,553**	$	28,773
Interest on lease obligation		**1,532**		1,623		**4,842**		4,197
Net interest on the defined benefit obligations		**1,235**		1,414		**3,707**		4,253
Other, net		**250**		74		**1,111**		502
	$	**13,074**	$	12,492	**$**	**41,213**	$	37,725

15. Gain on sale of businesses

During the three-month period ended June 30, 2018, Yellow Pages divested of Totem and Western Media Group, two affiliates of the Company. A loss of $0.1 million was recorded in the interim condensed consolidated statements of income (loss).

On July 6, 2018, the Company's affiliate, Yellow Pages Digital & Media Solutions Limited, sold CFDP to Purplebricks Group PLC for cash consideration of $51.0 million on a cash free debt free basis, which was subject to a working capital adjustment. An amount of $1.9 million has been put in escrow, and is expected to be received 18 months following the sale. A loss of $0.8 million was recorded in the interim condensed consolidated statements of income (loss), of which an impairment loss of $1.0 million was recorded in the second quarter ended June 30, 2018.

On July 23, 2018 Yellow Pages Limited disposed of Yellow Pages NextHome business for a nominal amount. A loss of $0.7 million was recorded in the interim condensed consolidated statements of income (loss).

On August 22, 2018 Yellow Pages Limited sold the assets related to the operations of its RedFlagDeals division to VerticalScope Inc. for a value of $12.0 million payable in two $6.0 million tranches. The first installment was received on closing and the second installment is due upon meeting certain conditions of the sale agreement. The Company expects to meet these conditions and has therefore recorded the $6.0 million second tranche in trade and other receivables. A gain of $7.5 million was recorded in the interim condensed consolidated statements of income (loss). On November 7, 2018, the Company received $4.9 million of the second tranche with the balance of $1.1 million to be received pending completion of the remaining conditions of the sale agreement.

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

The carrying value of the assets and liabilities at the time of disposal of CFDP, the assets related to the operations of its RedFlagDeals division, Yellow Pages NextHome business, Totem, and Western Media Group are as follows:

Assets		
Prepaid expenses	$	94
Property and equipment		1,236
Right-of-use assets		1,040
Intangible assets		36,112
Goodwill		26,829
	$	65,311
Liabilities		
Trade and other payables	$	50
Provisions		8
Deferred revenues		308
Deferred income taxes		7,267
Lease obligations		1,061
	$	8,694
Net assets and liabilities	$	56,617
Net cash inflow		
Consideration received in cash[1]	$	55,965

1 *The sale of the assets of its RedFlagDeals division was payable in two $6.0 million tranches. The first installment was received on closing and the second installment is due upon meeting certain conditions of the sale agreement. The company expects to meet these conditions and has therefore recorded the $6.0 million second tranche in trade and other receivables.*

16. Income Taxes

The combined statutory provincial and federal tax rates was 26.93% for the three and nine-month periods ended September 30, 2018 and 26.86% for the same period in 2017. The Company recorded a recovery of income taxes of $11.3 million and $0.4 million for the three and nine-month periods ended September 30, 2018, respectively (2017 – a recovery of $0.9 million and an expense of $0.4 million, respectively). The Company recorded a recovery of 71.1% and 1% of earnings for the three and nine-month periods ended September 30, 2018, respectively (2017 – a recovery of 12.8% and an expense of 5.5% of losses, respectively).

The difference between the effective and the statutory rates for the three and nine-month periods ended September 30, 2018 and 2017 is due to the non-deductibility of certain expenses for tax purposes and the increase in the non-recognition of certain tax attributes. Furthermore, for the three-month period ended September 30, 2018, a reversal of income tax provisions of $18.3 million was recorded with respect to previous taxation years.

17. Financial Instruments - Fair values and Risk Management

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

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

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

As at	Level	**September 30, 2018**	December 31, 2017	January 1, 2017
Financial asset or liability				
Equity investments classified at FVOCI	3	**$** –	$ 5,502	$ 5,502

Yellow Pages Limited's investments are comprised of privately held equity securities and are carried at fair value based on estimates on market rates prevailing at the statement of financial position date. The investments are presented in financial and other assets in the consolidated statements of financial position.

During the year ended December 31, 2017, the Company invested $5.4 million in Melian Labs, Inc., which operates an all-in-one commerce platform, MyTime, which includes online booking, automated marketing, point of sale and analytics for local businesses. During the first quarter of 2018, this investment was written down in Net change in FVOCI to the expected realizable value following management's decision to no longer invest in this business.

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

The fair value of the senior secured notes and the exchangeable debentures is evaluated based on quoted market prices as at the statement of financial position date. The Company has not adopted any hedge accounting during the period.

The following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the consolidated statement of financial position as at September 30, 2018. The fair value of cash and restricted cash, trade and other receivables, and trade and other payables are not included, as their carrying amount is a reasonable approximation of fair value due to their short-term maturity:

	Level	**Carrying Value**	**Fair Value**
Senior secured notes	1	$ 279,413	$ 292,779
Exchangeable debentures	1	$ 95,631	$ 104,149

18. Subsequent event

Subsequent to the quarter ended September 30, 2018, the Company decided to exit the Agency segment by the end of the year through the liquidation of its Mediative division and sale of its JUICE Mobile assets excluding working capital. The Company has entered into a binding letter of intent (LOI) for the sale of its JUICE Mobile assets excluding working capital for $1.0 million with the expected close date being December 31, 2018.