UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

March 31, 2018 and 2017

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at	March 31, 2018	December 31, 2017	January 1, 2017
ASSETS		(Restated – Note 2)	(Restated – Note 2)
CURRENT ASSETS			
Cash	**$ 70,793**	$ 46,405	$ 17,260
Trade and other receivables (Note 3)	**164,215**	187,524	191,067
Prepaid expenses	**9,154**	8,760	8,934
Deferred publication costs	**3,879**	3,977	4,524
Income taxes receivable	**3,365**	3,214	3,057
TOTAL CURRENT ASSETS	**251,406**	249,880	224,842
NON-CURRENT ASSETS			
Deferred commissions (Note 4)	**15,052**	16,879	19,955
Financial and other assets (Note 14)	**7,397**	13,338	4,008
Investment in jointly controlled entity	–	–	1,157
Property and equipment	**48,404**	50,966	35,864
Right-of-use assets	**48,164**	50,644	40,937
Intangible assets	**181,298**	193,352	740,932
Goodwill	**26,829**	26,829	45,342
Deferred income taxes	**2,444**	2,487	49,447
TOTAL NON-CURRENT ASSETS	**329,588**	354,495	937,642
TOTAL ASSETS	**$ 580,994**	$ 604,375	$ 1,162,484
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	**$ 76,674**	$ 83,627	$ 79,494
Provisions	**36,597**	45,251	51,684
Deferred revenues (Note 3)	**8,071**	7,530	8,131
Current portion of lease obligations (Note 5)	**2,400**	1,888	9,045
Current portion of senior secured notes (Note 6)	**54,939**	54,939	75,161
TOTAL CURRENT LIABILITIES	**178,681**	193,235	223,515
NON-CURRENT LIABILITIES			
Provisions	**8,632**	8,380	3,343
Deferred income taxes	**27,394**	24,102	7,108
Post-employment benefits (Note 9)	**139,945**	143,372	154,172
Lease obligations (Note 5)	**83,282**	84,291	52,607
Senior secured notes (Note 6)	**254,204**	253,959	234,508
Exchangeable debentures (Note 7)	**94,575**	94,067	92,174
TOTAL NON-CURRENT LIABILITIES	**608,032**	608,171	543,912
TOTAL LIABILITIES	**786,713**	801,406	767,427
CAPITAL AND RESERVES	**6,595,818**	6,595,521	6,597,891
DEFICIT	**(6,801,537)**	(6,792,552)	(6,202,834)
TOTAL DEFICIENCY	**(205,719)**	(197,031)	395,057
TOTAL LIABILITIES AND DEFICIENCY	**$ 580,994**	$ 604,375	$ 1,162,484

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

Interim Condensed Consolidated Statements of Loss

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

For the three-month periods ended March 31,		2018		2017
				(Restated – Note 2)
Revenues	**$**	**159,314**	$	180,208
Operating costs		**111,381**		138,674
Income from operations before depreciation and amortization, and restructuring and other charges		**47,933**		41,534
Depreciation and amortization		**20,884**		27,583
Restructuring and other charges (Note 8)		**11,198**		7,286
Income from operations		**15,851**		6,665
Financial charges, net (Note 13)		**14,162**		12,425
Earnings before income taxes and loss from investment in a jointly controlled entity		**1,689**		(5,760)
Provision for income taxes		**2,608**		(1,032)
Loss from investment in a jointly controlled entity		–		359
Net loss	**$**	**(919)**	$	(5,087)
Basic loss per share	**$**	**(0.03)**	$	(0.19)
Weighted average shares outstanding – basic loss per share (Note 10)		**26,446,315**		26,443,924
Diluted loss per share	**$**	**(0.03)**	$	(0.19)
Weighted average shares outstanding – diluted loss per share (Note 10)		**26,446,315**		26,443,924

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

Interim Condensed Consolidated Statements of Comprehensive (Loss) Income

(in thousands of Canadian dollars – Unaudited)

For the three-month periods ended March 31,		2018		2017
				(Restated – Note 2)
Net loss	**$**	**(919)**	$	(5,087)
Other comprehensive (loss) income:				
Items that will be reclassified subsequently to net loss				
Net change in fair value of derivatives designated as cash flow hedges		–		(400)
Reclassification to loss of derivatives designated as cash flow hedges		–		(99)
Income taxes relating to items that will be reclassified subsequently to net earnings		–		133
		–		(366)
Items that will not be reclassified subsequently to net loss				
Net change in fair value of equity investments reported in other comprehensive income (“FVOCI”) (Note 14)		**(5,514)**		–
Actuarial gains (Note 9)		**2,775**		10,415
Income taxes relating to items that will not be reclassified subsequently to net earnings		**(727)**		(2,798)
		(3,466)		7,617
Other comprehensive (loss) income		**(3,466)**		7,251
Total comprehensive (loss) income	**$**	**(4,385)**	$	2,164

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 three-month periods ended March 31,

2018

	Shareholders' capital (Note 10)	**Restricted shares**	**Warrants**	**Compound financial instruments[1]**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total 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 loss	–	–	–	–	–	–	**–**	(3,466)	**(3,466)**
Net loss	–	–	–	–	–	–	**–**	(919)	**(919)**
Total comprehensive loss	–	–	–	–	–	–	**–**	(4,385)	**(4,385)**
Restricted shares settled	–	3,743	–	–	(3,743)	–	**–**	–	**–**
Restricted shares (Note 12)	–	–	–	–	183	–	**183**	–	**183**
Stock options (Note 12)	–	–	–	–	114	–	**114**	–	**114**
Balance, March 31, 2018	**$ 4,031,685**	**$ (23,829)**	**$ 1,456**	**$ 3,619**	**$ 125,834**	**$ 2,457,053**	**$ 6,595,818**	**$ (6,801,537)**	**$ (205,719)**

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	–	–	–	–	(366)	–	(366)	7,617	7,251
Restated net loss (Note 2)	–	–	–	–	–	–	–	(5,087)	(5,087)
Restated total comprehensive income	–	–	–	–	(366)	–	(366)	2,530	2,164
Restricted shares settled	–	5,831	–	–	(5,831)	–	–	–	–
Restricted shares (Note 12)	–	–	–	–	1,494	–	1,494	–	1,494
Stock options (Note 12)	–	–	–	–	160	–	160	–	160
Restated balance, March 31, 2017	$ 4,031,685	$ (26,017)	$ 1,456	$ 3,619	$ 131,383	$ 2,457,053	$ 6,599,179	$ (6,200,304)	$ 398,875

[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 three-month periods ended March 31,	2018	2017
		(Restated – Note 2)
OPERATING ACTIVITIES		
Net loss	$ **(919)**	$ (5,087)
Adjusting items		
Stock-based compensation expense – equity settled	**297**	1,654
Depreciation and amortization	**20,884**	27,583
Restructuring and other charges	**11,198**	7,286
Financial charges, net	**14,162**	12,425
Provision for income taxes	**2,608**	(1,032)
Loss from investment in a jointly controlled entity	–	359
Change in operating assets and liabilities	**(3,199)**	(9,478)
Funding of post-employment benefit plans in excess of costs	**(2,266)**	(3,603)
Restructuring and other charges paid	**(9,423)**	(5,636)
Interest paid	**(1,780)**	(8,407)
Income taxes paid, net	**(151)**	(84)
	31,411	15,980
INVESTING ACTIVITIES		
Additions to intangible assets	**(5,858)**	(9,577)
Additions to property and equipment	**(100)**	(5,281)
Lease incentives received	**563**	–
Purchase of available-for-sale investments	–	(100)
Investment in a jointly controlled entity	–	(330)
	(5,395)	(15,288)
FINANCING ACTIVITIES		
Payment of lease obligation	**(1,628)**	(2,234)
	(1,628)	(2,234)
NET INCREASE (DECREASE) IN CASH	**24,388**	(1,542)
CASH, BEGINNING OF YEAR	**46,405**	17,260
CASH, END OF PERIOD	$ **70,793**	$ 15,718

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-month periods ended March 31, 2018 and 2017 and authorized their publication on May 11, 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. 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 when the related print revenue is recognized (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). Yellow Pages Limited has applied IFRS 15 in accordance with the full retrospective approach.

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

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:

	Adjustment note	December 31, 2017	January 1, 2017
Net (liabilities) assets[1] as previously reported		$ (218,796)	$ 368,904
Differences increasing (decreasing) net assets (liabilities)			
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 (liabilities) assets		$ (189,898)	$ 399,946

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

Impact on net (loss) earnings for the year and three-month periods ended:

	Adjustment note	December 31, 2017	March 31, 2017
Net (loss) earnings as previously reported		$ (589,327)	$ 658
Differences (increasing) decreasing reported net (loss) earnings			
Revenues	(a)	(17,885)	(9,300)
Operating costs	(b), (c)	6,662	1,721
Provision for income taxes		9,080	2,044
Net (loss) earnings		$ (591,470)	$ (4,877)

Impact on basic (loss) earnings per share for the year and three-month periods ended:

	December 31, 2017	March 31, 2017
Basic (loss) earnings per share as previously reported	$ (22.32)	$ 0.02
IFRS 15	(0.08)	(0.21)
Basic loss per share	$ (22.40)	$ (0.19)

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

Impact on diluted (loss) earnings per share for the year and three-month periods ended:

	December 31, 2017	March 31, 2017
Diluted (loss) earnings per share as previously reported	$ (22.32)	$ 0.02
IFRS 15	(0.08)	(0.21)
Diluted loss per share	$ (22.40)	$ (0.19)

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) as at March 31, 2017 and December 31, 2017 associated with the application of IFRS 15.

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. 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 liability 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 liability, 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 liability 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 liability 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 reducing right-of-use assets (adjustment c). Yellow Pages Limited has applied IFRS 16 in accordance with the full retrospective approach.

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.

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:

	Adjustment note	December 31, 2017	January 1, 2017
Net (liabilities) assets as previously reported		$ (218,796)	$ 368,904
Differences increasing (decreasing) net assets (liabilities)			
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 (liabilities) assets		$ (225,929)	$ 364,015

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

Impact on net (loss) earnings for the year and three-month periods ended:

	Adjustment note	December 31, 2017	March 31, 2017
Net (loss) earnings as previously reported		$ (589,327)	$ 658
Differences (increasing) decreasing reported net (loss) earnings			
Operating costs	(b)	10,347	2,638
Depreciation and amortization	(a)	(7,463)	(1,803)
Financial charges, net	(b)	(5,796)	(1,095)
Provision for income taxes		668	50
Net (loss) earnings		$ (591,571)	$ 448

Impact on basic (loss) earnings per share for the year and three-month periods ended:

	December 31, 2017	March 31, 2017
Basic (loss) earnings per share as previously reported	$ (22.32)	$ 0.02
IFRS 16	(0.09)	(0.01)
Basic (loss) earnings per share	$ (22.41)	$ 0.01

Impact on diluted (loss) earnings per share for the year and three-month periods ended:

	December 31, 2017	March 31, 2017
Diluted (loss) earnings per share as previously reported	$ (22.32)	$ 0.02
IFRS 16	(0.09)	(0.01)
Diluted (loss) earnings per share	$ (22.41)	$ 0.01

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 (loss) as at March 31, 2017 and December 31, 2017 associated with the adoption of IFRS 16.

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 asset 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 retained earnings 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 OCI.

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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.

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 December 31, 2017	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)

3. Contract assets

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

As at	**March 31, 2018**	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Contract assets	$ **62,778**	$ 68,473	$ 81,213
Less provisions for impairment	**1,536**	1,677	1,989
Contract asset net of provisions for impairment	$ **61,242**	$ 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 deferred revenues primarily relate to the advance consideration received from customers for which revenue is recognized over time.

4. 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-month period ended March 31, 2018, Yellow Pages Limited recorded amortization charges related to the cost to obtain contracts of $4.6 million (2017 – $5.1 million). 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.

5. Lease obligations

As at	**March 31, 2018**	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Lease obligations	**$ 85,682**	$ 86,179	$ 61,652
Less current portion	**2,400**	1,888	9,045
Non-current portion	**$ 83,282**	$ 84,291	$ 52,607

6. Senior secured notes

The senior secured notes is comprised of the following:

As at	**March 31, 2018**	December 31, 2017 (Restated – Note 2)	January 1, 2017 (Restated – Note 2)
Principal amount of the 10.00% senior secured notes	**$ 315,000**	$ 315,000	$ 309,669
Less unaccreted discount	**5,857**	6,102	–
	$ 309,143	$ 308,898	$ 309,669
Less current portion[1]	**54,939**	54,939	75,161
Non-current portion	**$ 254,204**	$ 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.*

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

7. Exchangeable debentures

As at		March 31, 2018		December 31, 2017		January 1, 2017
Principal amount of exchangeable debentures	$	107,089	$	107,089		107,089
Less unaccreted interest		12,514		13,022		14,915
	$	94,575	$	94,067	$	92,174

8. Restructuring and other charges

During the three-month period ended March 31, 2018, Yellow Pages Limited recorded restructuring and other charges of $11.2 million (2017 – $7.3 million), primarily consisting of restructuring charges of $19.6 million associated mainly due to workforce reductions, as well as impairment of right-of-use assets and future operation costs related to lease contracts for offices closures of $2.1 million, partially offset by the $10.6 million impact of a favorable litigation settlement on a contractual obligation with a vendor.

9. Post-employment benefits

For the three-month period ended March 31, 2018, Yellow Pages Limited recorded an actuarial gain of $2.0 million in other comprehensive income, net of income taxes of $0.7 million. The increase in the discount rate from 3.50% to 3.60% and the decrease in the inflation rate from 1.75% to 1.70% lead to a gain of $11.2 million which was partially offset by a loss of $8.4 million due to lower than expected actual return on plan assets. For the three-month period ended March 31, 2017, Yellow Pages Limited recorded an actuarial gain of $7.6 million in other comprehensive income net of income taxes of $2.8 million as a result of a gain due to the plan assets' performance. The discount rate used to measure the post-employment benefits obligation was 3.75% as at March 31, 2017 and December 31, 2017.

10. Shareholders' capital

Common shares

For the three-month period ended March 31, 2018	Number of Shares		Amount
Balance, December 31, 2017	28,075,306	$	4,031,685
Exchange of common share purchase warrants	2		–
Balance, March 31, 2018[1]	**28,075,308**	**$**	**4,031,685**

[1] The weighted average number of shares outstanding used in the 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").

Warrants

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

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

Loss per share

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

For the three-month periods ended March 31,		2018		2017
Weighted average number of shares outstanding used in computing basic and diluted loss per share[1]		26,446,315		26,443,924
		2018		2017 (Restated – Note 2)
For the three-month periods ended December 31,				
Net loss used in the computation of basic and diluted earnings per share	**$**	**(919)**	$	(5,087)

[1] *The weighted average number of shares outstanding used in the 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").*

Yellow Pages Limited did not calculate the diluted loss per share for the three-month periods ended March 31, 2018 and 2017 as the conversion of the restricted share units, performance share units, stock options, exchangeable debentures and warrants would not be dilutive.

11. 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.

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. 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 ComFree/DuProprio and Yellow Pages Homes Limited subsidiaries.

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

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

The following tables present financial information for the three-month periods ended March 31, 2018 and 2017.

For the three-month period ended March 31, 2018	**YP**	**Agency**	**Real Estate**	**Other**	**Intersegment eliminations**	**Yellow Pages Limited**
Revenues						
Print	$ 32,974	$ 1,112	$ 2,395	$ 494	$ (12)	**$ 36,963**
Digital	92,460	12,573	14,294	3,818	(794)	**122,351**
Total revenues	**125,434**	**13,685**	**16,689**	**4,312**	**(806)**	**159,314**
Operating costs	78,472	14,154	15,575	3,986	(806)	111,381
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	$ 46,962	$ (469)	$ 1,114	$ 326	$ –	**$ 47,933**
Depreciation and amortization						20,884
Restructuring and other charges						11,198
Financial charges, net						14,162
Provision for income taxes						2,608
Net loss						**$ (919)**
Additions to intangible assets and property and equipment, net of lease incentives received	$ (4,892)	$ (126)	$ (162)	$ (215)	$ –	**$ (5,395)**

For the three-month period ended March 31, 2017[1] (Restated – Note 2)	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 40,339	$ 909	$ 3,767	$ 684	$ (14)	$ 45,685
Digital	103,417	13,617	13,592	4,676	(779)	134,523
Total revenues	143,756	14,526	17,359	5,360	(793)	180,208
Operating costs	100,942	18,264	15,260	5,001	(793)	138,674
Income from operations before depreciation and amortization, and restructuring and other charges	$ 42,814	$ (3,738)	$ 2,099	$ 359	$ –	$ 41,534
Depreciation and amortization						27,583
Restructuring and other charges						7,286
Financial charges, net						12,425
Provision for income taxes						(1,032)
Loss from investment in a jointly controlled entity						359
Net loss						$ (5,087)
Additions to intangible assets and property and equipment, net of lease incentives received	$ (13,649)	$ (853)	$ (121)	$ (235)	$ –	$ (14,858)

[1] *The three-month period ended March 31, 2017 was restated to reflect the adoption of IFRS 15 and 16, which were applied using the full retrospective approach.*

Print revenues are recognized at a point in time, whereas 89% of digital revenues are recognized over time of the contract and 11% at a point in time.

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

12. 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 1,628,993 as at March 31, 2018.

The following table summarizes the continuity of the RSUs and PSUs during the three-month periods ended March 31:

		2018		2017
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**763,624**	**795,811**	444,355	596,114
Granted	**88,487**	**–**	104,313	243,398
Additional (reduction in) payout related to achievement of targets[2]	**–**	**(56,802)**	–	20,043
Settled	**(143 256)**	**(34,788)**	(123,220)	(187,627)
Forfeited	**(105 761)**	**(155 806)**	(10,820)	(20,521)
Outstanding, end of period	**603 094**	**548 415**	414,628	651,407
Weighted average remaining life (years)	**1.61**	**1.15**	1.4	1.4

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 832,311 common shares as at March 31, 2018 (2017 – 325,657 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 three-month period ended March 31, 2018 (2017 – additional 12%).*

During the three-month period ended March 31, 2018, an expense of $0.2 million (2017 – $1.5 million) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

The following table summarizes the continuity of the deferred share units ("DSUs") during the three-month periods ended March 31:

		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]	**117,633**	**239**	47,704	209
Forfeited	**(2,472)**	**(43)**		
Variation due to change in stock price	**–**	**(461)**	–	(2,382)
Outstanding, end of period	**447,406**	**$ 2,528**	294,596	$ 2,195
Vested, end of period	**359,181**	**$ 2,528**	258,818	$ 2,195

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 March 31.*

(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 three-month periods ended March 31:

	2018		2017	
	Number of options	**Liability[1]**	Number of options	Liability
Outstanding, beginning of period	**701,875**	**$ 194**	–	$ –
Variation due to change in fair value and accretion	**–**	**$ 121**	–	$ –
Outstanding, end of period	**701,875**	**$ 315**	–	$ –
Vested, end of period	**136,476**	**$ 315**	–	$ –

[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.*

[2] *The liability related to the stock options granted represents the portion that is vested as at March 31.*

The following table summarizes the continuity of all stock options under the Stock Option Plan during the three-month periods ended March 31:

	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	**775,963**	**$ 7.61**	–	$ –
Forfeited	**(265,521)**	**$ 13.06**	–	$ –
Outstanding, end of period	**1,534,992**	**$ 8.34**	630,950	$ 16.73
Exercisable, end of period	**66,625**	**$ 18.06**	366,500	$ 15.74

The following table provides additional information about Yellow Pages Limited's Stock Option Plan as at March 31:

	2018		2017	
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$7.61	**749,242**	**3.9**	–	–
$7.97	**701,875**	**2.5**	–	–
$10.12	**11,375**	**2.1**	167,375	3.1
$16.44	**24,300**	**3.9**	166,050	4.9
$17.83	**20,800**	**4.9**	163,000	5.9
$17.96	**–**	**–**	4,600	5.2
$19.61	**7,700**	**3.2**	7,700	4.2
$20.33	**4,900**	**3.2**	4,900	4.2
$24.65	**14,800**	**2.9**	117,325	3.9
Outstanding, end of period	**1,534,992**	**3.2**	630,950	4.5
Exercisable, end of period	**66,625**	**3.4**	366,500	3.8

(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 based on the historical share price volatility over the average expected life of the options granted. The following table shows the key inputs into the valuation model for the three-month periods ended March 31:

	2018	2017
Weighted average grant date share price	**$ 7.60**	$ –
Exercise price	**$ 7.61**	$ –
Expected volatility	**43.3%**	–
Option life	**4 years**	–
Risk-free interest rate	**2.41%**	–
Weighted average remaining life	**3.9 years**	–

During the three-month period ended March 31, 2018, an expense of $0.1 million (2017 – $0.2 million) was recorded in the interim condensed consolidated statement 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") during the three-month periods ended March 31:

		2018		2017
	Number of SARs	**Liability[1]**	Number of SARs	Liability
Outstanding, beginning of period	**701,875**	**$ 194**	–	$ –
Granted[2]	**–**	**$ 181**	–	$ –
Variation due to change in fair value	**–**	**$ 43**	–	$ –
Outstanding, end of period	**701,875**	**$ 418**	–	$ –
Vested, end of period	**136,476**	**$ 418**	–	$ –

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.*

2 *The liability related to the SARs granted represents the portion that is vested as at March 31.*

SARs were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the SARs granted. The following table shows the key inputs into the valuation model as at March 31:

	2018	2017
Weighted average grant date share price	**$ 9.12**	$ –
Exercise price	**$ 7.97**	–
Expected volatility	**46.90%**	–
SAR life	**3 years**	–
Risk-free interest rate	**2.2%**	–
Weighted average remaining life	**2.5 years**	–

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

13. Financial charges, net

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

For the three-month periods ended March 31,	**2018**	2017 (Restated – Note 2)
Interest on senior secured notes and exchangeable debentures	**$ 10,771**	$ 9,759
Interest on lease obligation	**1,725**	1,095
Net interest on the defined benefit obligations	**1,237**	1,420
Other, net	**429**	151
	$ 14,162	$ 12,425

14. 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.

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	**March 31, 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 current quarter, this investment was written down 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 March 31, 2018. The fair value of 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	$ 309,143	$ 320,221
Exchangeable debentures	1	$ 94,575	$ 96,519

15. Comparative figures

Yellow Pages Limited reclassified certain items in the interim condensed consolidated financial statements to conform to the current period's presentation.