UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

September 30, 2019 and 2018

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at		September 30, 2019		December 31, 2018
ASSETS				
CURRENT ASSETS				
Cash and restricted cash (Note 3)	$	**94,903**	$	81,452
Trade and other receivables (Note 4)		**92,827**		132,534
Prepaid expenses		**6,629**		6,330
Deferred publication costs		**2,326**		2,191
Net investment in subleases (Note 6)		**743**		13
Income taxes receivable		**354**		668
TOTAL CURRENT ASSETS		**197,782**		223,188
NON-CURRENT ASSETS				
Deferred commissions (Note 5)		**4,131**		8,518
Financial and other assets		**1,772**		6,685
Right-of-use assets (Note 6)		**17,107**		32,583
Net investment in subleases (Note 6)		**20,385**		7,379
Property and equipment (Note 6)		**14,700**		29,518
Intangible assets		**95,692**		117,096
Deferred income taxes		**1,763**		17,402
TOTAL NON-CURRENT ASSETS		**155,550**		219,181
TOTAL ASSETS	$	**353,332**	$	442,369
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	$	**38,793**	$	47,520
Provisions		**19,082**		37,673
Deferred revenues		**2,832**		3,190
Current portion of lease obligations (Note 6)		**2,710**		4,352
Current portion of senior secured notes (Note 7)		**79,502**		90,000
TOTAL CURRENT LIABILITIES		**142,919**		182,735
NON-CURRENT LIABILITIES				
Provisions		**1,306**		1,810
Post-employment benefits (Note 10)		**133,082**		132,352
Lease obligations (Note 6)		**55,789**		70,968
Senior secured notes (Note 7)		**–**		77,489
Exchangeable debentures (Note 8)		**97,925**		96,179
TOTAL NON-CURRENT LIABILITIES		**288,102**		378,798
TOTAL LIABILITIES		**431,021**		561,533
CAPITAL AND RESERVES		**6,595,578**		6,595,147
DEFICIT		**(6,673,267)**		(6,714,311)
TOTAL DEFICIENCY		**(77,689)**		(119,164)
TOTAL LIABILITIES AND DEFICIENCY	$	**353,332**	$	442,369

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

Interim Condensed Consolidated Statements of Income

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

For the three and nine-month periods ended September 30,	2019	2018	2019	2018
Revenues	**$ 98,147**	$ 130,150	**$ 309,706**	$ 452,676
Operating costs	**60,361**	83,889	**183,117**	301,260
Income from operations before depreciation and amortization, and restructuring and other charges	**37,786**	46,261	**126,589**	151,416
Depreciation and amortization	**9,221**	18,945	**30,431**	59,031
Restructuring and other charges (Note 9)	**2,347**	5,220	**6,780**	14,664
Income from operations	**26,218**	22,096	**89,378**	77,721
Financial charges, net (Note 14)	**7,019**	13,074	**32,240**	41,213
Loss (gain) on sale of subsidiaries (Note 17)	**160**	(6,827)	**357**	(5,924)
Earnings before income taxes	**19,039**	15,849	**56,781**	42,432
Provision for (recovery of) income taxes (Note 15)	**5,200**	(11,276)	**15,709**	(420)
Net earnings	**$ 13,839**	$ 27,125	**$ 41,072**	$ 42,852
Basic earnings per share	**$ 0.52**	$ 1.03	**$ 1.55**	$ 1.62
Weighted average shares outstanding – basic earnings per share (Note 11)	**26,528,295**	26,451,968	**26,511,425**	26,408,348
Diluted earnings per share	**$ 0.49**	$ 0.89	**$ 1.44**	$ 1.49
Weighted average shares outstanding – diluted earnings per share (Note 11)	**32,609,102**	32,736,051	**32,592,232**	32,690,199

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

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars – Unaudited)

For the three and nine-month periods ended September 30,	**2019**	2018	**2019**	2018
Net earnings	**$ 13,839**	$ 27,125	**$ 41,072**	$ 42,852
Other comprehensive income (loss):				
Items that will not be reclassified subsequently to net earnings				
Net change in fair value of equity investments reported in other comprehensive income (“FVOCI”) (Note 16)	**–**	–	**–**	(5,502)
Actuarial gains (losses) (Note 10)	**4,233**	15,653	**(38)**	26,405
Income taxes relating to items that will not be reclassified subsequently to net earnings	**(1,139)**	(4,216)	**10**	(7,103)
Other comprehensive income (loss)	**3,094**	11,437	**(28)**	13,800
Total comprehensive income	**$ 16,933**	$ 38,562	**$ 41,044**	$ 56,652

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,

2019

	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, 2018	$ 4,031,685	$ (23,421)	$ 1,456	$ 3,619	$ 124,755	$ 2,457,053	$ 6,595,147	$ (6,714,311)	**$ (119,164)**
Other comprehensive loss	–	–	–	–	–	–	–	(28)	**(28)**
Net earnings	–	–	–	–	–	–	–	41,072	**41,072**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41,044**	**41,044**
Restricted shares settled	–	1,288	–	–	(1,288)	–	–	–	**–**
Restricted shares (Note 13)	–	–	–	–	(419)	–	(419)	–	**(419)**
Stock options (Note 13)	–	–	–	–	850	–	850	–	**850**
Balance, September 30, 2019	**$ 4,031,685**	**$ (22,133)**	**$ 1,456**	**$ 3,619**	**$ 123,898**	**$ 2,457,053**	**$ 6,595,578**	**$ (6,673,267)**	**$ (77,689)**

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 equity
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	–	–	–	–	–	–	–	26,050	26,050
Adjustment for IFRS 16	–	–	–	–	–	–	–	(7,133)	(7,133)
Restated balance at December 31,2017	4,031,685	(27,572)	1,456	3,619	129,280	2,457,053	6,595,521	(6,795,400)	(199,879)
Adjustment for IFRS 9	–	–	–	–	–	–	–	(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	(6,800,000)	(204,479)
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	$ (6,743,348)	$ (148,545)

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2018 - $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,	**2019**	2018
OPERATING ACTIVITIES		
Net earnings	**$ 41,072**	$ 42,852
Adjusting items		
Stock-based compensation expense (recovery) – equity settled	**431**	(718)
Depreciation and amortization	**30,431**	59,031
Restructuring and other charges	**6,780**	14,664
Financial charges, net	**32,240**	41,213
Loss (gain) on sale of subsidiaries	**357**	(5,924)
Provision for (recovery of) income taxes	**15,709**	(420)
Change in operating assets and liabilities	**20,688**	3,612
Funding of post-employment benefit plans in excess of costs	**(3,190)**	(5,696)
Restructuring and other charges paid	**(14,875)**	(29,402)
Interest paid	**(17,163)**	(26,399)
Income taxes received, net	**254**	64
	112,734	92,877
INVESTING ACTIVITIES		
Additions to intangible assets	**(7,674)**	(11,086)
Additions to property and equipment	**(83)**	(1,060)
Lease incentives received (Note 6)	**–**	4,150
Payments received from net investment in subleases	**318**	237
Proceeds on sale of subsidiaries (Note 17)	**1,744**	55,965
Business acquisition	**(400)**	(400)
	(6,095)	47,806
FINANCING ACTIVITIES		
Repayment of senior secured notes	**(90,000)**	(30,244)
Payment of lease obligations (Note 6)	**(3,188)**	(4,782)
	(93,188)	(35,026)
NET INCREASE IN CASH AND RESTRICTED CASH	**13,451**	105,657
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD	**81,452**	46,405
CASH AND RESTRICTED CASH, END OF PERIOD	**$ 94,903**	$ 152,062

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 interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2019 and 2018, were approved by our Board of Directors (the "Board") on November 12, 2019.

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, 2018 and 2017, except for new standards adopted on January 1, 2019 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, 2018 and 2017.

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

The Company adopted, effective January 1, 2019, the narrow amendments to IAS 12 – *Income Taxes* and IAS 23 – *Borrowing Costs*, stemming from the Annual Improvements 2015-2017 Cycle project. The adoption of these narrow amendments did not have a significant impact on the Company's interim consolidated financial statements.

IFRIC 23 – ***Uncertainty Over Income Tax Treatments***

The Company has applied IFRIC 23 – *Uncertainty Over Income Tax Treatments* effective for annual periods beginning on or after January 1, 2019. 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. The adoption of IFRIC 23 has not had a significant impact on the interim consolidated financial statements of Yellow Pages Limited.

Amendments to IAS 19 – ***Employee Benefits***

Yellow Pages Limited has applied the amendments to IAS 19 effective for annual periods beginning on or after January 1, 2019. The amendments 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).

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

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 recognized 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 recognized in other comprehensive income.

The amendments to IAS 19 have not had a significant impact on the interim consolidated financial statements of Yellow Pages Limited.

3. Restricted cash

As at December 31, 2018, cash amounting to $1.4 million was restricted for use by the Company and its subsidiaries, primarily in respect of cash held in escrow, subject to the terms of the Senior Secured Notes agreement. This amount was included in the scheduled Senior Secured Notes redemption payment made on May 31, 2019. As at September 30, 2019, the restricted cash balance is $nil.

4. Trade and other receivables[1]

As at	**September 30, 2019**	December 31, 2018
Current	**$ 61,938**	$ 85,331
Past due less than 180 days	**12,824**	21,975
Past due over 180 days	**9,146**	11,238
Trade receivables	**$ 83,908**	$ 118,544
Other receivables[2]	**$ 8,919**	$ 13,990
Trade and other receivables	**$ 92,827**	$ 132,534

1 *Trade and other receivables are presented net of allowance for doubtful accounts and allowance for revenue adjustments and credit losses.*

2 *Other receivables as at September 30, 2019 included a loan receivable associated with a forward contract. Other receivables as at December 31, 2018 included a loan receivable associated with a forward contract and accrued receivables related to JUICE and Mediative.*

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

As at	**September 30, 2019**	December 31, 2018
Contract assets	**$ 45,712**	$ 51,601
Loss allowance for revenue adjustments and credit losses	**(4,047)**	(3,656)
Contract assets net of loss allowance for revenue adjustments and credit losses	**$ 41,665**	$ 47,945

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 change in contract assets for the nine-month period ended September 30, 2019 is primarily related to the fluctuation in print product revenue.

The revenues related to the performance obligations that are unsatisfied (or partially unsatisfied at the reporting date) are expected to be recognized over the next twelve (12) months.

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5. Deferred Commissions

Deferred commissions paid to sales representatives 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 the benefit. During the three and nine-month periods ended September 30, 2019, Yellow Pages Limited recorded amortization charges related to the costs to obtain contracts of $1.8 million and $6.7 million, respectively (2018 – $3.5 million and $12.4 million, respectively). The Company recognizes the commissions paid to sales representatives for contract renewals with revenue recognized within one year or less as an expense.

6. Leases

During the nine-month period ended September 30, 2019, the Company surrendered the leases of some vacated office locations resulting in a decrease in right-of-use assets and property and equipment related to these office locations, consisting mainly of leasehold improvements and office equipment as well as a decrease in lease obligations. The Company also subleased some office spaces previously vacated, resulting in a decrease in right-of-use assets and property and equipment related to these office locations consisting mainly of leasehold improvements and office equipment as well as an increase in net investment in subleases.

The impact of the transactions described above resulted in following:

- A reduction in right-of-use assets of $14.6 million;
- A reduction in lease obligations of $14.1 million;
- An increase in net investment in subleases of $13.6 million; and
- A reduction in property and equipment of $12.4 million.

As a result of the transactions described above the Company recorded an expense of $0.2 million and a recovery of $0.5 million to restructuring and other charges for the three and nine-month periods ended September 30, 2019, respectively.

During the three and nine-month periods ended September 30, 2019, the Company also recorded an amortization charge on right-of-use assets of $0.3 million and $1.2 million, respectively.

Lease obligations

The following table summarizes the continuity of the lease obligations:

As at	**September 30, 2019**	December 31, 2018
Lease obligations, opening balance	**$ 75,320**	$ 86,179
Additions	**461**	1,180
Lease incentives received	**–**	4,150
Surrenders or disposals of right-of-use assets	**(14,094)**	(9,906)
Payment of lease obligations	**(3,188)**	(6,283)
Lease obligations, closing balance	**$ 58,499**	$ 75,320

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7. Senior secured notes

The Senior secured notes is comprised of the following:

As at	September 30, 2019	December 31, 2018
Principal amount of the senior secured notes (at maturity, November 1, 2022)	**$ 80,231**	$ 170,231
Less unaccreted discount	**729**	2,742
	$ 79,502	$ 167,489
Less current portion[1]	**79,502**	90,000
Non-current portion	**$ –**	$ 77,489

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

On November 1, 2019, the Company made an optional redemption payment of $30.0 million toward the principal amount of the Senior secured notes.

8. Exchangeable debentures

As at	September 30, 2019	December 31, 2018
Principal amount of exchangeable debentures (at maturity, November 30, 2022)	**$ 107,089**	$ 107,089
Less unaccreted interest	**9,164**	10,910
	$ 97,925	$ 96,179

9. Restructuring and other charges

Yellow Pages Limited recorded restructuring and other charges of $2.3 million for the three-month period ended September 30, 2019 (2018 – $5.2 million) consisting of restructuring charges of $1.8 million relating to workforce reductions, a $0.3 million charge relating to future operation costs provisioned related to lease contracts for office closures as well as an impairment of right-of-use assets of $0.2 million. Yellow Pages Limited recorded restructuring and other charges of $5.2 million for the three-month period ended September 30, 2018 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.

Yellow Pages Limited recorded restructuring and other charges of $6.8 million for the nine-month period ended September 30, 2019 of which $6.1 million consisted of restructuring charges due to workforce reductions and $0.7 million related to future operation costs provisioned related to lease contracts for office closures as well as an impairment of right-of-use assets. For the nine-month period ended September 30, 2018, Yellow Pages Limited recorded restructuring and other charges of $14.7 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 which includes the impairment of right-of-use assets and future operation costs provisioned related to lease contracts for office closures as a result of a more favorable lease recovery than anticipated ($7.3) million, partially offset by an additional 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 $3.1 million in other comprehensive income (loss), net of income tax expense of $1.1 million, for the three-month period ended September 30, 2019, primarily due to a higher than expected return on plan assets. Yellow Pages Limited recorded an actuarial gain of $11.5 million in other comprehensive income (loss), 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%

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Yellow Pages Limited recorded a nominal amount, as an actuarial loss in other comprehensive income (loss), for the nine-month period ended September 30, 2019, primarily due to a decrease in the discount rate from 3.80% to 3.00% and inflation rate from 1.40% to 1.30%, almost completely offset by a higher than expected return on plan assets. Yellow Pages Limited recorded an actuarial gain of $19.3 million in other comprehensive income (loss), net of income tax expense of $7.1 million, for the nine-month period ended September 30, 2018, as a result of 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.

11. Shareholders' capital

Common shares – Issued

As at September 30, 2019 and December 31, 2018, the Company had a total of 28,075,308 common shares outstanding for an amount of $4,031,685.

Warrants

During the nine-month period ended September 30, 2019, no common share purchase warrants ("Warrants") were exercised in exchange for common shares of Yellow Pages Limited (2018 – 2 Warrants). As at September 30, 2019 and December 31, 2018, the Company had a total of 2,995,484 Warrants outstanding.

Earnings 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 used in the computation of basic earnings per share to net earnings adjusted for any dilutive effect:

For the three and nine-month periods ended September 30,	**2019**	2018	**2019**	2018
Weighted average number of shares outstanding used in computing basic earnings per share[1]	**26,528,295**	26,451,968	**26,511,425**	26,408,348
Dilutive effect of restricted share units and performance share units	**456,385**	657,429	**456,385**	657,429
Dilutive effect of stock options	**–**	2,232	**–**	–
Dilutive effect of exchangeable debentures	**5,624,422**	5,624,422	**5,624,422**	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share[1]	**32,609,102**	32,736,051	**32,592,232**	32,690,199

For the three and nine-month periods ended September 30,	**2019**	2018	**2019**	2018
Net earnings used in the computation of basic earnings per share	**$ 13,839**	$ 27,125	**$ 41,072**	$ 42,852
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	**2,004**	1,958	**5,973**	5,838
Net earnings used in the computation of diluted earnings per share	**$ 15,843**	$ 29,083	**$ 47,045**	$ 48,690

[1] *The weighted average number of shares outstanding used in the earnings 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, 2019 and September 30, 2018, 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

Following the organizational changes made throughout fiscal year 2018 including the disposal or liquidation of several affiliates, the Chief Operating Decision Maker made changes during the first quarter of 2019 to how the business is reviewed, performance is assessed and resources are allocated. The Company's operations are now categorized into two reportable segments: YP and Other. The comparative figures have been restated to reflect the changes to the reportable segments.

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 also includes the 411.ca digital directory service helping users find and connect with people and local businesses.

The Other segment includes YP Dine digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities until its sale on April 30, 2019. This segment also includes Mediative until its liquidation on January 31, 2019. Mediative's offers included dedicated marketing and performance media services to national clients Canada-wide. The operations of the businesses sold in 2018 are also included in this segment until their respective disposal date, namely:

- JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms that facilitate the automatic buying and selling of mobile advertising between brands and advertisers, until its sale on December 31, 2018;
- Totem which provided customized content creation and delivery for global brands until the operations were sold as of May 31, 2018;
- Western Media Group, magazines generating local lifestyle content specific to the Western Canada region until its sale as of May 31, 2018;
- RedFlagDeals.com™, a Canadian provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018;
- ComFree/DuProprio (CFDP) provided homeowners in Canada with media to sell their homes in a cost-effective manner, sold as of July 6, 2018; and
- Yellow Pages NextHome sold as of July 23, 2018.

Segment results include items directly attributable to the 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 and nine-month periods ended September 30, 2019, compared to 99% of digital revenues that were recognized over the term of the contract and 1% at a point in time for the three-month period ended September 30, 2018 and 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.The year-over-year change is mainly due to the divestitures of affiliates throughout 2018, which had digital revenues recognized at a point in time.

(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 September 30, 2019 and 2018.

For the three-month period ended September 30, 2019	**YP**	**Other**	**Intersegment eliminations**	**Yellow Pages Limited**
Revenues				
Print	$ 23,838	$ –	$ –	**$ 23,838**
Digital	74,309	–	–	**74,309**
Total revenues	98,147	–	–	**98,147**
Operating costs	60,361	–	–	**60,361**
Income from operations before depreciation and amortization, and restructuring and other charges	$ 37,786	$ –	$ –	**$ 37,786**
Depreciation and amortization				**9,221**
Restructuring and other charges				**2,347**
Financial charges, net				**7,019**
Loss on sale of subsidiaries				**160**
Provision for income taxes				**5,200**
Net earnings				**$ 13,839**
Additions to intangible assets and property and equipment	$ 2,351	$ –	$ –	**$ 2,351**

For the three-month period ended September 30, 2018	YP	Other	Intersegment eliminations	Yellow Pages Limited
Revenues				
Print	$ 29,038	$ 445	$ (3)	$ 29,480
Digital	88,609	12,314	(253)	100,670
Total revenues	117,647	12,759	(256)	130,150
Operating costs	71,623	12,522	(256)	83,889
Income from operations before depreciation and amortization, and restructuring and other charges	$ 46,024	$ 237	$ –	$ 46,261
Depreciation and amortization				18,945
Restructuring and other charges				5,220
Financial charges, net				13,074
Gain on sale of subsidiaries				(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	$ 1,763	$ 422	$ –	$ 2,185

(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, 2019 and 2018.

For the nine-month period ended September 30, 2019								
		YP		**Other**		**Intersegment eliminations**		**Yellow Pages Limited**
Revenues								
Print	$	79,832	$	–	$	–	**$**	**79,832**
Digital		228,600		1,274		–		**229,874**
Total revenues		308,432		1,274		–		**309,706**
Operating costs		182,174		943		–		**183,117**
Income from operations before depreciation and amortization, and restructuring and other charges	$	126,258	$	331	$	–	**$**	**126,589**
Depreciation and amortization								**30,431**
Restructuring and other charges								**6,780**
Financial charges, net								**32,240**
Loss on sale of subsidiaries								**357**
Provision for income taxes								**15,709**
Net earnings							**$**	**41,072**
Additions to intangible assets and property and equipment	$	7,479	$	278	$	–	**$**	**7,757**

For the nine-month period ended September 30, 2018								
		YP		Other		Intersegment eliminations		Yellow Pages Limited
Revenues								
Print	$	99,837	$	8,043	$	(26)	$	107,854
Digital		274,983		70,545		(706)		344,822
Total revenues		374,820		78,588		(732)		452,676
Operating costs		228,646		73,346		(732)		301,260
Income from operations before depreciation and amortization, and restructuring and other charges	$	146,174	$	5,242	$	–	$	151,416
Depreciation and amortization								59,031
Restructuring and other charges								14,664
Financial charges, net								41,213
Gain on sale of subsidiaries								(5,924)
Recovery of income taxes								(420)
Net earnings							$	42,852
Additions to intangible assets and property and equipment, net of lease incentives received	$	5,755	$	2,241	$	–	$	7,996

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

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 1,545,308 as at September 30, 2019.

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

		2019		2018
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**399,503**	**189,063**	763,624	795,811
Granted	**87,684**	**–**	90,344	–
Reduction in payout related to achievement of targets[2]	**–**	**(49,774)**	–	(59,339)
Settled	**(60,494)**	**–**	(155,339)	(36,340)
Forfeited	**(67,835)**	**(41,762)**	(263,646)	(477,686)
Outstanding, end of period	**358,858**	**97,527**	434,983	222,446
Weighted average remaining life (years)	**1.0**	**0.3**	1.6	1.1

[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 48,746 common shares as at September 30, 2019 (2018 – 111,206 common shares).*

[2] *The reduction in payout is related to the under-achievement of certain performance targets resulting in a reduction of 100% for the nine-month period ended September 30, 2019 (2018 – 62%).*

During the three and nine-month periods ended September 30, 2019, an expense of $0.1 million and a recovery of ($0.4) million, respectively (2018 – $0.1 million and $1.1 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:

		2019		2018
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of period	**255,755**	**$ 1,557**	332,245	$ 2,793
Granted[2]	**69,680**	**325**	126,338	756
Forfeited	**–**	**–**	(34,451)	(238)
Settled	**–**	**–**	(79,953)	(731)
Variation due to change in stock price	**–**	**644**	–	198
Outstanding, end of period	**325,435**	**$ 2,526**	344,179	$ 2,778
Vested, end of period	**308,015**	**$ 2,526**	319,303	$ 2,778

[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:

		2019		2018
	Number of options	**Liability[1]**	Number of options	Liability[1]
Outstanding, beginning of period	**701,875**	**$ 365**	701,875	$ 194
Variation due to change in fair value and vesting	**–**	**459**	–	425
Outstanding, end of period	**701,875**	**$ 824**	701,875	$ 619
Vested, end of period	**487,413**	**$ 824**	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:

		2019		2018
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**1,347,052**	**$ 8.39**	1,024,550	$ 10.11
Granted	**884,784**	**$ 5.86**	801,202	$ 7.70
Forfeited	**(221,959)**	**$ 8.61**	(391,496)	$ 11.52
Outstanding, end of period	**2,009,877**	**$ 7.25**	1,434,256	$ 8.38
Exercisable, end of period	**26,775**	**$ 17.87**	60,425	$ 18.22

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:

	2019	2018
Weighted average grant date share price	**$ 5.86**	$ 7.68
Exercise price	**$ 5.86**	$ 7.70
Expected volatility	**61.1%**	43.2%
Option life	**4 years**	4 years
Risk-free interest rate	**2.18%**	2.41%
Weighted average remaining life	**3.4 years**	3.4 years

During the three and nine-month periods ended September 30, 2019, an expense of $0.5 million and $1.3 million, respectively (2018 – $0.2 million and $0.8 million, respectively) was recorded in the interim condensed consolidated statements of income in operating costs in relation to the Stock Option Plan.

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

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:

			2019			2018
	Number of SARs		**Liability[1]**	Number of SARs		Liability[1]
Outstanding, beginning of period	**701,875**	**$**	**365**	701,875	$	194
Variation due to change in fair value and accretion	–		**459**	–		425
Outstanding, end of period	**701,875**	**$**	**824**	701,875	$	619
Vested, end of period	**487,413**	**$**	**824**	253,454	$	619

[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.*

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,		**2019**		2018		**2019**		2018
Interest on senior secured notes and exchangeable debentures	**$**	**4,827**	$	10,057	**$**	**20,077**	$	31,553
Amortization of financing costs		**561**		397		**5,065**		1,212
Optional redemption price premium on senior secured notes		**–**		–		**791**		–
Interest on lease obligation		**760**		1,532		**2,559**		4,842
Net interest on the defined benefit obligations		**1,193**		1,235		**3,805**		3,707
Other, net		**(322)**		(147)		**(57)**		(101)
	$	**7,019**	$	13,074	**$**	**32,240**	$	41,213

15. Income taxes

The combined statutory provincial and federal tax rates were 26.90% for the three and nine-month periods ended September 30, 2019 and 26.93% for the same periods in 2018. The Company recorded an expense of $5.2 million and $15.7 million for the three and nine-month periods ended September 30, 2019, respectively (2018 – a recovery of $11.3 million and $0.4 million, respectively). The Company recorded an expense of 27.3% and 27.7% of earnings for the three and nine-month periods ended September 30, 2019, respectively (2018 – a recovery of 71.1% and 1.0% of earnings, respectively).

The difference between the effective and the statutory rates for the three and nine-month periods ended September 30, 2019 and 2018 is due to the non-deductibility of certain expenses for tax purposes and the increase in the non-recognition of certain tax attributes in 2018. 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.

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16. 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.

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 and relinquish all its equity interest. As at September 30, 2019, the fair value is $nil.

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, 2019. 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	$	**79,502**	$	81,737
Exchangeable debentures	1	$	**97,925**	$	110,275

Asset-Based Loan

On October 19, 2017, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, renewed its five-year $50.0 million asset-based loan (ABL) and extended the term of the ABL to August 2022. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is subject to an availability reserve of $5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at September 30, 2019, the Company's fixed charge coverage ratio was 0.9 times. The Company had $3.4 million of letters of credit issued and outstanding under the ABL, and a $17.3 million deficiency in qualified collateral. As such, $24.3 million of the ABL was available as at September 30, 2019. As at September 30, 2019, the Company was in compliance with all covenants under the loan agreement governing the ABL.

17. Loss (gain) on sale of subsidiaries

On April 30, 2019, the Company sold its business in restaurant booking and table management through the asset sales of YP Dine, Bookenda and its 40% interest in the Bookenda International business for a total consideration of $2.2 million (including working capital adjustment). At close, $0.4 million of the proceeds was placed in escrow and will be released net of claims (if any) in two installments; 50% after six (6) months and the remaining 50% after twelve (12) months. The sale resulted in the recognition of a $0.4 million loss in the interim condensed consolidated statements of income.

Effective May 31, 2018, Yellow Pages disposed of Totem and Western Media Group, two affiliates of the Company, which resulted in the recognition of a $0.1 million gain in the interim condensed consolidated statements of income.

On July 6, 2018, the Company's affiliate, Yellow Pages Digital & Media Solutions Limited, sold CFDP to Purplebricks Group PLC ("PB") for cash consideration of $51.0 million on a cash free debt free basis, subject to a working capital adjustment. An amount of $1.8 million has been placed in escrow, and is expected to be received eighteen months following the sale. A loss of $0.8 million was recorded in the interim condensed consolidated statements of income, 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.

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. A gain of $7.5 million was recorded in the interim condensed consolidated statements of income.