

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

September 30, 2017 and 2016

Table of contents

Interim Condensed Consolidated Statements of Financial Position	2
Interim Condensed Consolidated Statements of Income	3
Interim Condensed Consolidated Statements of Comprehensive Income (Loss)	4
Interim Condensed Consolidated Statements of Changes in Equity	5
Interim Condensed Consolidated Statements of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	7-19

Interim Condensed Consolidated Statements of Financial Position

(In thousands of Canadian dollars - Unaudited)

As at	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 31,850	\$ 17,260
Trade and other receivables	111,405	114,854
Prepaid expenses	10,571	8,934
Deferred publication costs	56,126	61,144
Income taxes receivable	2,732	3,057
TOTAL CURRENT ASSETS	212,684	205,249
NON-CURRENT ASSETS		
Deferred publication costs	6,780	7,936
Financial and other assets (Note 13)	7,559	4,008
Investment in a jointly controlled entity (Note 4)	-	1,157
Property and equipment	41,542	36,194
Intangible assets	697,197	740,932
Goodwill	45,342	45,342
Deferred income taxes	54,912	59,119
TOTAL NON-CURRENT ASSETS	853,332	894,688
TOTAL ASSETS	\$ 1,066,016	\$ 1,099,937
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	\$ 84,393	\$ 79,493
Provisions	43,207	53,010
Deferred revenues	16,762	18,927
Current portion of long-term debt (Note 6)	23,166	75,161
TOTAL CURRENT LIABILITIES	167,528	226,591
NON-CURRENT LIABILITIES		
Provisions	2,972	4,327
Deferred credits and other long-term liabilities	12,679	11,821
Deferred income taxes	6,856	7,081
Post-employment benefits (Note 9)	143,946	154,172
Long-term debt (Note 6)	269,334	234,867
Exchangeable debentures (Note 7)	93,576	92,174
TOTAL NON-CURRENT LIABILITIES	529,363	504,442
TOTAL LIABILITIES	696,891	731,033
CAPITAL AND RESERVES	6,596,297	6,597,891
DEFICIT	(6,227,172)	(6,228,987)
TOTAL EQUITY	369,125	368,904
TOTAL LIABILITIES AND EQUITY	\$ 1,066,016	\$ 1,099,937

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,	2017		2016	
Revenues	\$ 181,366	\$ 201,142	\$ 562,093	\$ 615,256
Operating costs	135,194	144,193	425,021	437,483
Income from operations before depreciation and amortization, and restructuring and other charges	46,172	56,949	137,072	177,773
Depreciation and amortization	27,989	26,838	81,115	77,137
Restructuring and other charges (Note 8)	6,784	9,691	16,848	15,468
Income from operations	11,399	20,420	39,109	85,168
Financial charges, net (Note 12)	10,869	13,323	33,528	43,469
Impairment of available-for-sale investments (Note 13)	3,720	–	3,720	–
(Loss) earnings before income taxes and loss from investment in a jointly controlled entity	(3,190)	7,097	1,861	41,699
Provision for income taxes	140	3,323	2,992	13,821
Loss from investment in a jointly controlled entity (Note 4)	1,116	–	1,837	–
Net (loss) earnings	\$ (4,446)	\$ 3,774	\$ (2,968)	\$ 27,878
Basic (loss) earnings per share	\$ (0.17)	\$ 0.14	\$ (0.11)	\$ 1.05
Weighted average shares outstanding – basic (loss) earnings per share (Note 10)	26,234,188	26,386,496	26,446,365	26,538,565
Diluted (loss) earnings per share	\$ (0.17)	\$ 0.14	\$ (0.11)	\$ 1.00
Weighted average shares outstanding – diluted (loss) earnings per share (Note 10)	26,234,188	27,700,071	26,446,365	33,469,378

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

Interim Condensed Consolidated Statements of Comprehensive Income (Loss)

(In thousands of Canadian dollars - Unaudited)

For the three and nine-month periods ended September 30,	2017		2016	
	2017	2016	2017	2016
Net (loss) earnings	\$ (4,446)	\$ 3,774	\$ (2,968)	\$ 27,878
Other comprehensive (loss) income:				
Items that will be reclassified subsequently to net (loss) earnings				
Net change in fair value of derivatives designated as cash flow hedges (Note 13)	(518)	157	(1,300)	50
Reclassification to (loss) earnings of derivatives designated as cash flow hedges (Note 13)	253	(3)	(148)	20
Income taxes relating to items that will be reclassified subsequently to net (loss) earnings	72	(41)	389	(19)
	(193)	113	(1,059)	51
Items that will not be reclassified subsequently to net (loss) earnings				
Actuarial gains (losses) (Note 9)	11,667	(13,604)	6,540	(90,806)
Income taxes relating to items that will not be reclassified subsequently to net (loss) earnings	(3,134)	3,656	(1,757)	24,400
	8,533	(9,948)	4,783	(66,406)
Other comprehensive income (loss)	8,340	(9,835)	3,724	(66,355)
Total comprehensive income (loss)	\$ 3,894	\$ (6,061)	\$ 756	\$ (38,477)

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,

	2017								
	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 equity
Balance, December 31, 2016	\$ 4,031,685	\$ (31,848)	\$ 1,456	\$ 3,619	\$ 135,926	\$ 2,457,053	\$ 6,597,891	\$ (6,228,987)	\$ 368,904
Other comprehensive (loss) income	-	-	-	-	(1,059)	-	(1,059)	4,783	3,724
Net loss for the period	-	-	-	-	-	-	-	(2,968)	(2,968)
Total comprehensive (loss) income	-	-	-	-	(1,059)	-	(1,059)	1,815	756
Restricted shares settled	-	7,133	-	-	(7,133)	-	-	-	-
Restricted shares (Note 11)	-	(3,129)	-	-	2,841	-	(288)	-	(288)
Stock options (Note 11)	-	-	-	-	(247)	-	(247)	-	(247)
Balance, September 30, 2017	\$ 4,031,685	\$ (27,844)	\$ 1,456	\$ 3,619	\$ 130,328	\$ 2,457,053	\$ 6,596,297	\$ (6,227,172)	\$ 369,125

	2016								
	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 equity
Balance, December 31, 2015	\$ 4,031,528	\$ (24,965)	\$ 1,456	\$ 3,619	\$ 132,275	\$ 2,457,053	\$ 6,600,966	\$ (5,841,442)	\$ 759,524
Other comprehensive income (loss)	-	-	-	-	51	-	51	(66,406)	(66,355)
Net earnings for the period	-	-	-	-	-	-	-	27,878	27,878
Total comprehensive income (loss)	-	-	-	-	51	-	51	(38,528)	(38,477)
Restricted shares settled	-	3,577	-	-	(3,577)	-	-	-	-
Restricted shares (Note 11)	-	(10,472)	-	-	4,960	-	(5,512)	-	(5,512)
Stock options (Note 11)	-	-	-	-	1,027	-	1,027	-	1,027
Exercise of stock options (Note 11)	157	-	-	-	(42)	-	115	-	115
Balance, September 30, 2016	\$ 4,031,685	\$ (31,860)	\$ 1,456	\$ 3,619	\$ 134,694	\$ 2,457,053	\$ 6,596,647	\$ (5,879,970)	\$ 716,677

¹ The equity component of the exchangeable debentures presented above is net of income taxes of \$1.3 million (2016 - \$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,	2017	2016
OPERATING ACTIVITIES		
Net (loss) earnings	\$ (2,968)	\$ 27,878
Adjusting items		
Stock-based compensation expense	1,087	7,825
Depreciation and amortization	81,115	77,137
Restructuring and other charges	16,848	15,468
Financial charges, net	33,528	43,469
Impairment of available-for-sale investments	3,720	–
Provision for income taxes	2,992	13,821
Loss from investment in a jointly controlled entity	1,837	–
Other non-cash items	7,439	6,983
Change in operating assets and liabilities	(7,311)	10,431
Funding of post-employment benefit plans in excess of costs	(8,860)	(12,340)
Restructuring and other charges paid	(18,991)	(27,164)
Interest paid	(25,785)	(31,933)
Income taxes paid, net	(53)	(1,876)
Lease incentives received	3,202	540
	87,800	130,239
INVESTING ACTIVITIES		
Additions to intangible assets	(28,627)	(40,047)
Additions to property and equipment	(17,394)	(3,423)
Purchase of available-for-sale investments (Note 13)	(5,452)	(50)
Investment in a jointly controlled entity (Note 4)	(680)	–
Business acquisitions (Note 3)	(400)	(35,271)
	(52,553)	(78,791)
FINANCING ACTIVITIES		
Repayment of long-term debt	(17,528)	(36,221)
Purchase of restricted shares (Note 11)	(3,129)	(10,472)
Issuance of common shares upon exercise of stock options (Note 11)	–	115
	(20,657)	(46,578)
NET INCREASE IN CASH	14,590	4,870
CASH, BEGINNING OF PERIOD	17,260	67,253
CASH, END OF PERIOD	\$ 31,850	\$ 72,123

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 16, Place du Commerce, Montreal, Québec, Canada, H3E 2A5 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 unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2017 and 2016 and authorized their publication on November 7, 2017.

2. Basis of presentation

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“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, 2016 and 2015, except for new standards adopted during the nine-month period ended September 30, 2017, 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, 2016 and 2015.

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, 2017 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 IAS 7 – *Statement of Cash Flows*

In January 2016, the International Accounting Standards Board (“IASB”) published amendments to IAS 7 – *Statement of Cash Flows*. The amendments are intended to improve information provided to users of financial statements about an entity's financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates and changes in fair value.

Amendments to IFRS 12 – *Disclosure of Interest in Other Entities*

In December 2016, the IASB issued amendments to IFRS 12 – *Disclosure of Interest in Other Entities* as part of its 2014-2016 Annual Improvements Cycle. The amendment clarifies that the requirement to disclose summarised financial information does not apply for interests in subsidiaries, associates or joint ventures which are classified, or included in a disposal group that is classified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

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

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for Yellow Pages Limited's accounting periods beginning on or after January 1, 2018. The new standards which are considered to be relevant to Yellow Pages Limited's operations are as follows:

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – *Revenue from Contracts with Customers*. This new standard outlines a single comprehensive model for companies to use when accounting for revenue arising from contracts with customers. It supersedes the IASB's current revenue recognition standards, including IAS 18 – *Revenue* and related interpretations. The core principle of IFRS 15 is that revenue is recognized at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services, applying the following five steps:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the company satisfies a performance obligation.

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard.

On April 12, 2016, the IASB published the final clarifications to IFRS 15. The amendments are effective for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The amendments do not change the underlying principles of the standard yet clarify how the principles should be applied.

The adoption of IFRS 15 is expected to have an impact on the timing of recognition of revenues for print products as well as the deferral of related publication costs and the inclusion of required disclosures in the interim condensed consolidated financial statements of Yellow Pages Limited. Management is in the process of quantifying the accounting impact of the adoption of IFRS 15 and progress made to date is consistent with management's planned timeline. Management expects to complete this evaluation in the fourth quarter of 2017.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments*. IFRS 9 replaces the requirements in IAS 39 – *Financial Instruments: Recognition and Measurement* for classification and measurement of financial assets and liabilities. The new standard introduces a single classification and measurement approach for financial instruments, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements and results in a single impairment model being applied to all financial instruments. IFRS 9 also modified the hedge accounting model to incorporate the risk management practices of an entity.

Additional disclosures will also be required under the new standard. The new standard will come into effect for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – *Leases*. It supersedes the IASB's current lease standard, IAS 17, which required lessees and lessors to classify their leases as either finance leases or operating leases and to account for those two types of leases differently. It did not require lessees to recognize assets and liabilities arising from operating leases, but it did require lessees to recognize assets and liabilities arising from finance leases.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019.

Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Based on its preliminary assessment, Yellow Pages Limited has identified lease contracts, mainly for office rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations before depreciation and amortization, restructuring and special charges, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to apply IFRS 16 for the annual period beginning on January 1, 2018, and is in the process of quantifying the accounting impact of the adoption of IFRS 16. Progress made to date is consistent with management’s planned timeline and management expects to complete this evaluation in the fourth quarter of 2017.

Amendments to IFRS 2 – *Share-based Payment*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based Payment*. The amendments clarify that the accounting for the effects of vesting and non-conditions on cash-settled share-based payments follow the same approach as for equity-settled share-based payments. The amendments also clarify the classification of share-based payment transactions with net settlement features as well as requiring additional disclosures for these transactions. They are effective for annual periods beginning on or after January 1, 2018, applied prospectively, with earlier adoption permitted. The amendments to IFRS 2 are not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*

In December 2016, the IASB issued an interpretation paper IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*. This interpretation paper clarifies that the foreign exchange rate applicable to transactions involving advance consideration paid or received is the rate at the date that the advance consideration is paid or received and a non-monetary asset or liability is recorded, and not the later date at which the related asset or liability is recognized in the financial statements. This interpretation is applicable for annual periods beginning on or after January 1, 2018, and can be applied either prospectively or retrospectively, at the option of the entity. IFRIC 22 is not expected to have a significant impact on the interim condensed consolidated financial statements of Yellow Pages Limited.

IFRIC 23 – *Uncertainty over Income Tax Treatments*

In June 2017, the IASB issued an interpretation paper IFRIC 23 – *Uncertainty over Income Tax Treatments*. This interpretation paper clarifies that in determining its taxable profit or loss when there is uncertainty over income tax treatments, an entity must use judgment and apply the tax treatment that is most likely to be accepted by the tax authorities. In assessing the likelihood that the tax treatment will be accepted, the entity assumes that the tax treatment will be examined by the relevant tax authorities having full knowledge of all relevant information. This interpretation is applicable for annual periods beginning on or after January 1, 2019, with early adoption accepted. Yellow Pages is evaluating the impact this interpretation paper will have on its interim condensed consolidated financial statements.

3. Business acquisitions

2016

On March 17, 2016, Yellow Pages Limited acquired the net assets of Oriole Media Corp. (doing business as JUICE Mobile) through its subsidiaries Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively “JUICE Mobile”), for a purchase price of \$35.3 million. The acquisition of JUICE Mobile, a premium advertising technology company whose programmatic platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers, positioned Yellow Pages Limited as a desktop and mobile national advertising agency, expanding the Company’s reach of brands and media publishers. The acquisition was fully funded with cash on hand. Transaction costs of \$1.3 million were incurred during the nine-month period ended September 30, 2016, and were included in restructuring and other charges.

The following table summarizes the transaction and the purchase price allocation, which was finalized in 2016:

	March 17, 2016
Fair value of business acquired	
Trade and other receivables	\$ 9,003
Other assets	644
Intangible assets	15,220
Goodwill	18,513
Trade and other payables	(7,802)
Other liabilities	(307)
	\$ 35,271

The Company acquired in September 2016 the net assets of Totem via its subsidiary 9778748 Canada Inc., a creative agency specializing in customized content creation and delivery for global brands for a purchase price of \$1.2 million, payable over 3 years. During the third quarter of 2017, the first instalment of \$0.4 million was made.

4. Investment in a jointly controlled entity

On October 3, 2016, Yellow Pages Digital & Media Solutions Limited acquired a 50% ownership in 9778730 Canada Inc., which held 100% of Coupgon Inc., a digital coupon solutions provider, for cash consideration of \$1.2 million. The difference between the acquisition price and the fair value of the net assets acquired was insignificant. During the nine-month period ended September 30, 2017, the Company invested an additional \$0.7 million. On September 29, 2017, 9778730 Canada Inc. ceased operations and the net book value of the investment of \$0.7 million as at that date was written off. During the three and nine-month periods ended September 30, 2017, the Company recorded a loss from investment in a jointly controlled entity of \$1.1 million and \$1.8 million, respectively. The Company recorded equity losses of \$0.4 million and \$1.1 million during the three and nine-month periods ended September 30, 2017, respectively, as well as the write-off of the investment of \$0.7 million. The investment was accounted for using the equity method.

5. Segmented information

Following the announcement of its updated corporate strategy, the Company made changes to how it manages its business to assess performance and to allocate resources. The Company's operations have been divided into four reportable segments: YP, Agency, Real Estate and Other. The four segments operate primarily in Canada, with substantially all assets of the four segments also in Canada.

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 published 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, which is equal to revenues less operating costs for the segment, 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.

The following tables present financial information for the three-month periods ended September 30, 2017 and 2016.

For the three-month period ended September 30, 2017

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	\$ 43,902	\$ 1,152	\$ 2,727	\$ 779	\$ (18)	\$ 48,542
Digital	101,282	16,410	11,587	4,674	(1,129)	132,824
Total revenues	145,184	17,562	14,314	5,453	(1,147)	181,366
Operating costs	99,664	18,128	13,500	5,049	(1,147)	135,194
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	\$ 45,520	\$ (566)	\$ 814	\$ 404	\$ –	\$ 46,172
Depreciation and amortization						27,989
Restructuring and other charges						6,784
Financial charges, net						10,869
Impairment of available-for-sale investments						3,720
Provision for income taxes						140
Loss from investment in a jointly controlled entity						1,116
Net loss						\$ (4,446)

For the three-month period ended September 30, 2016

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	\$ 57,541	\$ –	\$ 4,082	\$ 961	\$ (23)	\$ 62,561
Digital	105,227	17,732	11,596	4,920	(894)	138,581
Total revenues	162,768	17,732	15,678	5,881	(917)	201,142
Operating costs	108,393	17,059	14,659	4,999	(917)	144,193
Income from operations before depreciation and amortization, and restructuring and other charges	\$ 54,375	\$ 673	\$ 1,019	\$ 882	\$ –	\$ 56,949
Depreciation and amortization						26,838
Restructuring and other charges						9,691
Financial charges, net						13,323
Provision for income taxes						3,323
Net earnings						\$ 3,774

The following tables present financial information for the nine-month periods ended September 30, 2017 and 2016.

For the nine-month period ended September 30, 2017

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	\$ 139,627	\$ 4,311	\$ 9,477	\$ 2,788	\$ (52)	\$ 156,151
Digital	307,819	46,629	40,220	14,170	(2,896)	405,942
Total revenues	447,446	50,940	49,697	16,958	(2,948)	562,093
Operating costs	310,743	56,602	44,899	15,725	(2,948)	425,021
Income (loss) from operations before depreciation and amortization, and restructuring and other charges	\$ 136,703	\$ (5,662)	\$ 4,798	\$ 1,233	\$ –	\$ 137,072
Depreciation and amortization						81,115
Restructuring and other charges						16,848
Financial charges, net						33,528
Impairment of available-for-sale investments						3,720
Provision for income taxes						2,992
Loss from investment in a jointly controlled entity						1,837
Net loss						\$ (2,968)

For the nine-month period ended September 30, 2016

	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	\$ 185,482	\$ 11	\$ 14,194	\$ 3,347	\$ (427)	\$ 202,607
Digital	314,523	48,056	38,470	14,823	(3,223)	412,649
Total revenues	500,005	48,067	52,664	18,170	(3,650)	615,256
Operating costs	329,434	46,255	49,349	16,095	(3,650)	437,483
Income from operations before depreciation and amortization, and restructuring and other charges	\$ 170,571	\$ 1,812	\$ 3,315	\$ 2,075	\$ –	\$ 177,773
Depreciation and amortization						77,137
Restructuring and other charges						15,468
Financial charges, net						43,469
Provision for income taxes						13,821
Net earnings						\$ 27,878

6. Long-term debt

Long-term debt is comprised of the following:

As at	September 30, 2017	December 31, 2016
Senior secured notes	\$ 292,248	\$ 309,669
Obligations under finance leases	252	359
	\$ 292,500	\$ 310,028
Less current portion ¹	23,166	75,161
Non-current portion	\$ 269,334	\$ 234,867

¹ The current portion of the long-term debt may vary subject to the Excess Cash Flow clause under the indenture governing the 10.00% Senior Secured Notes (refer to note 14 – Subsequent events).

7. Exchangeable debentures

As at	September 30, 2017	December 31, 2016
Face value of exchangeable debentures	\$ 107,089	\$ 107,089
Less unaccreted interest	13,513	14,915
	\$ 93,576	\$ 92,174

8. Restructuring and other charges

During the three and nine-month periods ended September 30, 2017, Yellow Pages Limited recorded restructuring and other charges of \$6.8 million and \$16.8 million, respectively (2016 – \$9.7 million and \$15.5 million, respectively), relating primarily to the departure of the Company's former President and CEO, internal reorganizations, workforce reductions and office closures.

9. Post-employment benefits

Yellow Pages Limited recorded an actuarial gain of \$8.5 million in other comprehensive income, net of income tax of \$3.1 million, for the three-month period ended September 30, 2017, primarily as a result of an increase in the discount rate used to measure the post-employment benefits obligation from 3.5% to 3.75%. Yellow Pages Limited recorded an actuarial loss of \$9.9 million in other comprehensive loss, net of income tax recovery of \$3.7 million, for the three-month period ended September 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 3.25% to 3%.

Yellow Pages Limited recorded an actuarial gain of \$4.8 million in other comprehensive income, net of income tax of \$1.8 million, for the nine-month period ended September 30, 2017, as a result of a gain due to the plan assets' performance. Yellow Pages Limited recorded an actuarial loss of \$66.4 million in other comprehensive loss, net of income tax recovery of \$24.4 million, for the nine-month period ended September 30, 2016, primarily as a result of a decrease in the discount rate used to measure the post-employment benefits obligation from 4% to 3%, partially offset by a gain due to the plan assets' performance.

10. Shareholders' capital

Common shares

For the nine-month period ended September 30, 2017	Number of Shares	Amount
Balance, December 31, 2016	28,075,304	\$ 4,031,685
Exchange of common share purchase warrants	2	–
Balance, September 30, 2017	28,075,306	\$ 4,031,685

Warrants

During the nine-month period ended September 30, 2017, 2 common share purchase warrants (“Warrants”) were exercised in exchange for 2 common shares of Yellow Pages Limited. As at September 30, 2017 and December 31, 2016, the Company had a total of 2,995,486 and 2,995,488 Warrants outstanding, respectively.

Earnings per share

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

For the three and nine-month periods ended September 30,	2017	2016	2017	2016
Weighted average number of shares outstanding used in computing basic (loss) earnings per share	26,234,188	26,386,496	26,446,365	26,538,565
Dilutive effect of restricted share units and performance share units	–	1,225,157	–	1,225,157
Dilutive effect of stock options	–	88,418	–	81,234
Dilutive effect of exchangeable debentures	–	–	–	5,624,422
Weighted average number of shares outstanding used in computing diluted (loss) earnings per share	26,234,188	27,700,071	26,446,365	33,469,378

For the three and nine-month periods ended September 30,	2017	2016	2017	2016
Net (loss) earnings used in the computation of basic (loss) earnings per share	\$ (4,446)	\$ 3,774	\$ (2,968)	\$ 27,878
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	–	–	–	5,631
Net (loss) earnings adjusted for dilutive effect used in the computation of diluted (loss) earnings per share	\$ (4,446)	\$ 3,774	\$ (2,968)	\$ 33,509

For the three and nine-month periods ended September 30, 2017 and for the three-month period ended September 30, 2016, the diluted (loss) earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures as they are not dilutive. For the three and nine-month periods ended September 30, 2017 and 2016, the diluted (loss) earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as certain stock options that are not in the money as they are not dilutive.

11. Stock-based compensation plans

Yellow Pages Limited's stock-based compensation plans consist of restricted share units, performance share units, deferred share units, stock options and share appreciation rights.

Restricted share unit and performance share unit plan

During the nine-month period ended September 30, 2017, 501,309 common shares of Yellow Pages Limited (2016 – 553,709) were purchased on the open market of the TSX by the trustee appointed under the restricted share unit and performance share unit plan (the "RSU and PSU Plan") at a cost of \$3.1 million (2016 – \$10.5 million) and are restricted for the purpose of funding the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 1,817,216 as at September 30, 2017.

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

Number of	2017		2016	
	RSUs	PSUs ¹	RSUs	PSUs ¹
Outstanding, beginning of period	444,355	596,114	464,924	520,117
Granted	846,007	1,042,796	199,427	327,137
Additional payout related to achievement of performance targets ²	–	21,451	–	26,259
Settled	(169,805)	(200,793)	(158,611)	(85,947)
Forfeited	(236,232)	(448,076)	(36,633)	(95,371)
Outstanding, end of period	884,325	1,011,492	469,107	692,195
Weighted average remaining life (years)	1.9	1.7	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 505,705 common shares as at September 30, 2017 (2016 – 346,026 common shares).

² The additional payout is related to the achievement of certain performance targets in excess of 100% and amounted to an additional 12% for the nine-month period ended September 30, 2017 (2016 – 44%).

During the three and nine-month periods ended September 30, 2017, a recovery of \$0.1 million and an expense of \$2.8 million, respectively (2016 – an expense of \$1.5 million and \$5.0 million, respectively) 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 ("DSU") during the nine-month periods ended September 30:

	2017		2016	
	Number of DSUs	Liability ¹	Number of DSUs	Liability ¹
Outstanding, beginning of period	246,892	\$ 4,368	192,964	\$ 2,947
Granted ²	97,578	830	53,928	619
Settled	(14,196)	(112)	–	–
Variation due to change in stock price	–	(2,397)	–	1,219
Outstanding, end of period	330,274	\$ 2,689	246,892	\$ 4,785
Vested, end of period	311,632	\$ 2,689	233,410	\$ 4,785

¹ The liability related to the deferred share unit plan (the "DSU Plan") is recorded in trade and other payables, and the expense related to the units vested and the variation due to change in stock price are included in operating costs.

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

Stock options

The following table summarizes the continuity of the stock options under the stock option plan (the “Stock Option Plan”) during the nine-month periods ended September 30:

	2017		2016	
	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	630,950	\$ 16.73	522,950	\$ 16.38
Granted	701,875	\$ 7.97	251,700	\$ 17.83
Exercised	–	\$ –	(11,375)	\$ 10.12
Forfeited	(245,750)	\$ 19.00	–	\$ –
Outstanding, end of period	1,087,075	\$ 10.56	763,275	\$ 16.95
Exercisable, end of period	281,325	\$ 14.28	186,550	\$ 15.38

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

Exercise price	2017		2016	
	Number of options outstanding	Weighted average remaining life	Number of options outstanding	Weighted average remaining life
\$7.97	701,875	3.0	–	–
\$10.12	167,375	2.6	167,375	3.6
\$16.44	83,800	4.4	195,900	5.4
\$17.83	63,000	5.4	251,700	6.4
\$17.96	–	–	9,200	5.7
\$19.61	7,700	3.7	7,700	4.7
\$20.33	4,900	3.7	4,900	4.7
\$24.65	58,425	3.4	126,500	4.4
Outstanding, end of period	1,087,075	3.2	763,275	5.2
Exercisable, end of period	281,325	3.1	186,550	3.9

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 nine-month periods ended September 30:

	2017	2016
Weighted average grant date share price	\$ 9.12	\$ 18.28
Exercise price	\$ 7.97	\$ 17.83
Expected volatility	41%	35%
Option life	3 years	7 years
Risk-free interest rate	2.04%	1.02%
Weighted average remaining life	3 years	6.4 years

During the three and nine-month periods ended September 30, 2017, a recovery of \$0.5 million and \$0.2 million, respectively (2016 – an expense of \$0.4 million and \$1.0 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the Stock Option Plan.

Share appreciation rights plan

On September 15, 2017, Yellow Pages Limited adopted a share appreciation rights plan (the “SAR Plan”) to provide incentive compensation to key employees and officers of Yellow Pages Limited (the “Participants”) who are in a position to make a material contribution to the successful operation of the business and to more closely align the interests of management with those of shareholders of Yellow Pages Limited. The SARs are time-based awards and will vest upon the continuous employment of the Participants at a date determined by the Board of Directors. Pursuant to the terms of the SAR Plan, the Participants will receive, upon vesting of the SARs, a payment in cash representing the excess of the fair value of Yellow Pages Limited’s shares on the vesting date less the fair value of Yellow Pages Limited’s shares on the grant date.

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

	2017		2016	
	Number of SARs	Liability ¹	Number of SARs	Liability
Outstanding, beginning of period	–	\$ –	–	\$ –
Granted ²	701,875	\$ 60	–	\$ –
Variation due to change in fair value	–	\$ –	–	\$ –
Outstanding, end of period	701,875	\$ 60	–	\$ –
Exercisable, end of period	–	\$ –	–	\$ –

¹ The liability related to the SAR Plan is recorded in deferred credits and other long-term liabilities, 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 September 30.

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 September 30:

	2017	2016
Weighted average grant date share price	\$ 9.12	\$ –
Exercise price	\$ 7.97	–
Expected volatility	41%	–
SAR life	3 years	–
Risk-free interest rate	2.04%	–
Weighted average remaining life	3 years	–

12. Financial charges, net

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

For the three and nine-month periods ended September 30,	2017	2016	2017	2016
Interest on long-term debt and exchangeable debentures	\$ 8,899	\$ 10,715	\$ 27,371	\$ 33,532
Net interest on the defined benefit obligation	1,414	1,766	4,253	5,298
Sales taxes on tax assessment relating to financing costs	–	–	–	2,372
Other, net	556	842	1,904	2,267
	\$ 10,869	\$ 13,323	\$ 33,528	\$ 43,469

13. Fair value

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 interim condensed consolidated statements of financial position, classified using the fair value hierarchy:

As at	Level	September 30, 2017	December 31, 2016
Financial asset or liability			
Investments – available-for-sale	3	\$ 5,352	\$ 3,520
Foreign currency forward contracts	2	\$ (451)	\$ 996

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

During the nine-month period ended September 30, 2017, the Company invested \$5.4 million in Melian Labs, Inc., which operates an all-in-one commerce platform called MyTime, which includes online booking, automated marketing, point of sale and analytics for local businesses.

During the nine-month period ended September 30, 2017, Yellow Pages Limited determined that the fair value of certain of its available-for-sale investments were impaired and the fair value of these investments was subsequently reduced to \$nil. The impairment loss of \$3.7 million is presented in impairment of available-for-sale investments in the interim condensed consolidated statement of income.

In order to mitigate foreign exchange risk, Yellow Pages Limited entered into foreign currency forward contracts and designated them as cash flow hedges for accounting purposes. The foreign currency forward contracts are presented in trade and other payables in the interim condensed consolidated statements of financial position as at September 30, 2017 and in prepaid expenses as at December 31, 2016.

Fair values

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 cash, trade and other receivables, and trade and other payables is approximately equal to their carrying values due to their short-term maturity. 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 following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the interim condensed consolidated statement of financial position as at September 30, 2017:

	Level	Carrying Value	Fair Value
Current portion of long-term debt	1 \$	23,166 \$	23,180
Non-current portion of long-term debt	1 \$	269,334 \$	269,503
Exchangeable debentures	1 \$	93,576 \$	101,199

14. Subsequent events

On October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, issued \$315 million aggregate principal amount of 10.00% Senior Secured Notes (the “New Notes”) due November 1, 2022 at an issue price of \$980 per \$1,000 principal amount of the New Notes. The Company will use the net proceeds from the sale of the New Notes to redeem on November 18, 2017 all of its outstanding 9.25% senior secured notes due November 30, 2018, including accrued and unpaid interest up to but excluding the redemption date. The total redemption price is \$1,020.2986 for each \$1,000 principal amount of 9.25% senior secured notes.

The New Notes will accrue interest from October 19, 2017 at a rate of 10.00% per annum, payable in semi-annual instalments in arrears on May 1 and November 1 of each year commencing May 1, 2018. Pursuant to the indenture governing the New Notes, the Company is required to use an amount equal to 100% of its consolidated Excess Cash Flow for the immediately preceding mandatory redemption period to redeem the New Notes, on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2018, at a redemption price equal to 100% of the principal amount, subject to the Company maintaining minimum cash balance of \$20 million on the last day of the mandatory redemption period. The Company is required to use 75% of its consolidated Excess Cash Flow to redeem the New Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is less than 1.5 to 1. Excess Cash Flow, as defined in the indenture governing the Notes, means adjusted cash flows from operating activities, adjusted for the following items, as reported in the Company’s consolidated statement of cash flows: capital expenditures subject to certain maximum amounts as provided in the indenture governing the New Notes, repayment of the New Notes other than in connection with a mandatory redemption and any principal payments made in respect of the lease liability in accordance with IFRS 16, Leases.

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

Also on October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, entered into an Amended and Restated Loan and Security Agreement extending the term of its existing \$50 million asset-based loan (“ABL”) expiring in August 2018 to August 2022. The ABL is used for general corporate purposes. As at September 30, 2017, the Company had \$6.6 million of letters of credit issued and outstanding under the ABL. As such, \$43.4 million of the ABL was available as at September 30, 2017.