Management's Discussion and Analysis

November 8, 2018

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Limited and its subsidiaries for the three and nine-month periods ended September 30, 2018 and 2017 (restated) and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2017 and 2016, as well as our unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2018 and 2017 (restated). Please also refer to Yellow Pages Limited's press release announcing its results for the third quarter ended September 30, 2018 issued on November 8, 2018. Quarterly reports, the Annual Report, Supplemental Disclosure and the Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and under the "Investor Relations – Reports & Filings" section of our corporate website: https://corporate.yp.ca/en. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The unaudited 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 required under International Financial Reporting Standards ("IFRS"). Yellow Pages Limited has applied IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* effective for annual reporting periods beginning on or after January 1, 2018, and has early adopted IFRS 16 – *Leases effective* for this same period. As permitted, prior year comparative financial results have been restated to reflect the impact of IFRS 15 and IFRS 16.

All amounts in this MD&A are in Canadian dollars, unless otherwise specified. Please refer to the section "Definitions Relative to Understanding Our Results" for a list of defined non-IFRS financial measures and key performance indicators.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance.

In this MD&A, the words "we", "us", "our", the "Company", the "Corporation", "Yellow Pages" and "YP" refer to Yellow Pages Limited and its subsidiaries (including Yellow Pages Digital & Media Solutions Limited, 411 Local Search Corp. (411.ca), Yellow Pages Homes Limited (Yellow Pages NextHome), YPG (USA) Holdings, Inc. and Yellow Pages Digital & Media Solutions LLC (the latter two collectively YP USA), Bookenda Limited (Bookenda), YP Dine Solutions Limited (YP Dine), and 9059-2114 Québec Inc., and Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively JUICE).

Caution Regarding Forward-Looking Information

This MD&A contains assertions about the objectives, strategies, financial condition, results of operations and businesses of YP. These statements are considered "forward-looking" because they are based on current expectations, as at November 8, 2018, about our business and the markets we operate in, and on various estimates and assumptions.

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

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

Forward-looking information and statements are also based upon the assumption that none of the identified risk factors that could cause actual results to differ materially from the anticipated or expected results described in the forward-looking information and statements will occur.

When used in this MD&A, such forward-looking statements may be identified by words such as "aim", "anticipate", "believe", "could", "estimate", "expect", "goal", "intend", "objective", "may", "plan", "predict", "seek", "should", "strive", "target", "will", "would" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as at the date of this MD&A. The Corporation assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required pursuant to securities laws. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future results or performance, and will not necessarily be accurate indications of whether or not such results or performance will be achieved. A number of factors could cause actual results or performance to differ materially from the results or performance discussed in the forward-looking statements and could have a material adverse effect on the Corporation, its business, results from operations and financial condition, including, but not limited to, the following risk factors discussed under the "Risks and Uncertainties" section of this MD&A, and those described in the "Risk Factors" section of our AIF:

- Failure by the Corporation to stabilize or grow its revenues and customer base;
- The inability of the Corporation to attract, retain and upsell customers;
- Substantial competition could reduce the market share of the Corporation;
- A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits;
- The inability of the Corporation to successfully enhance and expand its offering of digital marketing and media products;
- The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its national customers;
- A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale;
- The Corporation's inability to attract and retain key personnel;
- The Corporation's business depends on the usage of its online and mobile properties and failure to protect traffic across the Corporation's digital properties could impair its ability to grow revenues and expand its business;
- Delays or inability in implementing technology systems and platforms required to support the Corporation's business activities;
- The Corporation's inability to optimize its cost structure;
- Work stoppages and other labour disturbances;
- Challenge by tax authorities of the Corporation's position on certain income tax matters;
- The loss of key relationships or changes in the level or service provided by mapping applications and search engines;
- The failure of the Corporation's computers and communication systems;
- The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions; and
- Incremental contributions by the Corporation to its pension plans.

Definitions Relative to Understanding Our Results

Income from Operations before Depreciation and Amortization, and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA). Adjusted EBITDA and Adjusted EBITDA margin are not performance measures defined under IFRS and are not considered to be an alternative to income from operations or net earnings in the context of measuring Yellow Pages performance. Adjusted EBITDA and Adjusted EBITDA margin do not have a standardized meaning and are therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA and Adjusted EBITDA margin should not be used as exclusive measures of cash flow since they do not account for the impact of working capital changes, income taxes, interest payments, pension funding, capital expenditures, business acquisitions, debt principal reductions and other sources and uses of cash, which are disclosed on page 23 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's interim condensed consolidated statements of income (loss). Adjusted EBITDA margin is defined as the percentage of Adjusted EBITDA to revenues. We use Adjusted EBITDA and Adjusted EBITDA margin to evaluate the performance of our business as these reflect its ongoing profitability. We believe that certain investors and analysts use Adjusted EBITDA and Adjusted EBITDA margin to measure a company's ability to service debt and to meet other payment obligations or as a common measurement to value companies in the media and marketing solutions industry as well as to evaluate the performance of a business. Adjusted EBITDA is also one component in the determination of short-term incentive compensation for all management employees.

Adjusted EBITDA less CAPEX

Adjusted EBITDA less CAPEX is a non-IFRS financial measure and does not have any standardized meaning under IFRS. Therefore, it is unlikely to be comparable to similar measures presented by other publicly traded companies. We define Adjusted EBITDA less CAPEX as Adjusted EBITDA, as defined above, less CAPEX, which we define as additions to intangible assets and additions to property and equipment less lease incentives received all as reported in the Investing Activities section of the Company's interim condensed consolidated statements of cash flows. We use Adjusted EBITDA less CAPEX as the key performance measure for our business as it reflects cash generated from business activities. We believe that certain investors and analysts use Adjusted EBITDA less CAPEX to evaluate the performance of businesses in our industry. Please refer to the table in Section 1 – *Our Business and Customer Offerings* for the components of CAPEX for the three-month periods ending September 30, 2018 and September 30, 2017.

This MD&A is divided into the following sections:

1. Our Business and Customer Offerings
2. Results
3. Liquidity and Capital Resources
4. Critical Assumptions
5. Risks and Uncertainties
6. Controls and Procedures

1. Our Business and Customer Offerings

Our Business

Yellow Pages, a leading digital media and marketing solutions provider in Canada, offers targeted tools to local businesses, national brands and consumers allowing them to interact and transact within today's digital economy.

Customer Offerings

Yellow Pages offers, through its YP segment, small and medium-sized enterprises (SMEs) across Canada full-serve access to one of the country's most comprehensive suites of digital and traditional marketing solutions, notably online and mobile priority placement on Yellow Pages digital media properties, content syndication, search engine solutions, website fulfillment, social media campaign management, digital display advertising, video production as well as print advertising. The Company's dedicated sales force of approximately 400 professionals offers this full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 198,300 SMEs. This segment included the operations of RedFlagDeals.com™, Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018.

The Company's Agency segment provides marketing solutions that extend beyond SMEs, focusing on the national advertising needs of brands and publishers. Operating an extensive publisher network and one of the country's largest pools of consumer data, Mediative provides national brands and enterprises with marketing solutions that reach potential customers. JUICE, a mobile advertising technology company, facilitates the automatic buying and selling of mobile advertising between brands and publishers through Programmatic Direct and Real-Time Bidding platforms. The Company provided customized content creation and delivery for global brands through Totem before its sale effective May 31, 2018. Subsequent to the quarter ended September 30, 2018, the Company decided to exit the Agency segment by the end of the year through the liquidation of its Mediative division and sale of its JUICE assets excluding working capital. The Company has entered into a binding letter of intent (LOI) for the sale of its JUICE assets excluding working capital for $1.0 million with the expected closing date of December 31, 2018.

The Company divested its Real Estate segment through the $51.0 million sale of ComFree/DuProprio (CFDP) as of July 6, 2018 and the divestiture of Yellow Pages NextHome for a nominal amount as of July 23, 2018. The Real Estate segment provided homeowners in Canada with media to sell their homes in a proven and cost-effective manner as well as published locally-targeted real estate listings.

Yellow Pages Other segment includes the 411.ca digital directory service and included Western Media Group until the divestiture of that business for a nominal amount as of May 31, 2018.

Media Properties

The Company's media properties, primarily desktop, mobile and print, continue to serve as effective marketplaces for Canadian local merchants, brands and consumers. The Company's network of media properties enables Canadians to discover businesses in their neighbourhoods across the services, dining and retail verticals. Descriptions of the Company's digital media properties, listed by segment, are found below:

<u>YP Segment</u>

- YP™ – Available both online at YP.ca and as a mobile application, YP allows users to discover and transact within their local neighbourhoods through comprehensive merchant profiles, relevant editorial content, reviews and booking functionalities;
- Canada411 (C411) – One of Canada's most frequented and trusted online and mobile destinations for personal and local business information;
- YP Dine™ – A digital property allowing users to discover, search for and book local restaurants based on time of day, mood, purpose and expert suggestions, in addition to offering online ordering capabilities;
- Bookenda.com – A leading online transaction platform for users and merchants to interact and manage bookings and orders;
- YP Shopwise™ – A mobile application offering geo-localized deals and flyers, as well as access to product catalogues from local and national retailers; and
- The Corporation is the official directory publisher for Bell, Telus, Bell Aliant, MTS Allstream, and a number of other incumbent telephone companies.
- The Company also operated RedFlagDeals.com™, Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums, until its sale on August 22, 2018.

Real Estate Segment

- The Company divested the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018.
- ComFree/DuProprio (sold as of July 6, 2018) – Currently Quebec's leading real estate digital destination and one of the top five most-visited networks of real estate digital properties in Canada, CFDP offers homeowners a professional and cost-effective service to market and sell their homes; and
- Yellow Pages NextHome (divested as of July 23, 2018) – Provides Canadians with helpful information in making informed home buying, selling, and/or renting decisions. Digital properties operated under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction.

Other segment

- 411.ca – A digital directory service to help users find and connect with people and local businesses, and until the sale as of May 31, 2018 of Western Media Group, magazines generating local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

Key Analytics

The success of our business is dependent upon continuing to improve operating profitability and capital spending efficiency. Longer-term improvements in profitability are dependent upon growth in digital revenues and retaining and growing our customer base. Key analytics for the three-month period ended September 30, 2018 include:

- Adjusted EBITDA – Adjusted EBITDA improved to $46.3 million, or 35.5% of revenues for the three-month period ended September 30, 2018, relative to $45.9 million or 26.1% of revenues for the same period last year;
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX improved to $44.1 million for the three-month period ended September 30, 2018 compared to $27.7 million for the three-month period ended September 30, 2017.
- Digital Revenues – Consolidated digital revenues decreased 23.9% year-over-year, impacted significantly by the sale of businesses, and amounted to $100.7 million for the three-month period ended September 30, 2018, representing 77.3% of consolidated revenues;
- YP Segment Customer Count and ARPC – YP Segment customer count decreased to 198,300 customers for the twelve-month period ended September 30, 2018, as compared to 233,500 customers for same period last year. The customer count reduction of 35,200 in the twelve months ended September 30, 2018 compares to a decline of 9,500 in the comparable period of the previous year. YP Segment ARPC for the twelve-month period ended September 30, 2018 was $2,470 as compared to $2,513 for the twelve-month period ended September 30, 2017 representing a decline of 1.7%.

CAPEX

(In thousands of Canadian dollars)

For the three-month periods ended September 30,	2018	2017 (Restated)
Additions to intangible assets	**$ 2,910**	$ **9,525**
Additions to property and equipment	**(12)**	**9,415**
Less lease incentives received	**(713)**	**(689)**
CAPEX	**$ 2,185**	$ **18,251**

Headcount[1]

As at	September 30, 2018	September 30, 2017	Change
YP	**1,053**	2,013	(960)
Agency	**99**	187	(88)
Real estate	–	465	(465)
Other	**88**	192	(104)
Total Headcount	**1,240**	2,857	(1,617)

[1] *The Company defines headcount as total employees excluding employees on short term and long term disability leave, and on maternity leave.*

2. Results

This section provides an overview of our financial performance during the third quarter of 2018 compared to the same period of 2017 (restated). We present several metrics to help investors better understand our performance, including certain metrics which are not measures recognized by IFRS. Definitions of these non-IFRS financial metrics are provided on page 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

Third quarter highlights

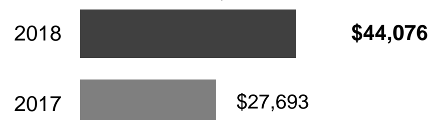
(In thousands of Canadian dollars, except per share and percentage information)

For the three-month periods ended September 30,		2018		2017 (Restated)
Revenues	**$**	**130,150**	$	175,696
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**$**	**46,261**	$	45,944
Adjusted EBITDA margin		**35.5%**		26.1%
Net earnings (loss)	**$**	**27,125**	$	(7,181)
Basic earnings (loss) per share	**$**	**1.03**	$	(0.27)
CAPEX	**$**	**2,185**	$	18,251
Adjusted EBITDA less CAPEX	**$**	**44,076**	$	27,693
Cash flows from operating activities	**$**	**35,895**	$	37,941

Revenues
(In thousands of Canadian dollars)

Adjusted EBITDA
(In thousands of Canadian dollars)

Adjusted EBITDA less CAPEX
(In thousands of Canadian dollars)



Cash Flows from Operating Activities
(In thousands of Canadian dollars)

Consolidated Operating and Financial Results

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

For the three and nine-month periods ended September 30,	2018	% of Revenues	2017 (Restated)	% of Revenues	2018	% of Revenues	2017 (Restated)	% of Revenues
Revenues	**$ 130,150**		$ 175,696		**$ 452,676**		$ 549,419	
Cost of sales	**52,124**	**40.0%**	83,404	47.5%	**187,311**	**41.4%**	258,157	47.0%
Gross profit	**78,026**	**60.0%**	92,292	52.5%	**265,365**	**58.6%**	291,262	53.0%
Other operating costs	**31,765**	**24.4%**	46,348	26.4%	**113,949**	**25.2%**	153,842	28.0%
Income from operations before depreciation and amortization, and restructuring and other charges (Adjusted EBITDA)	**46,261**	**35.5%**	45,944	26.1%	**151,416**	**33.4%**	137,420	25.0%
Depreciation and amortization	**18,945**	**14.6%**	29,915	17.0%	**59,031**	**13.0%**	86,760	15.8%
Restructuring and other charges	**5,220**	**4.0%**	6,784	3.9%	**14,664**	**3.2%**	16,848	3.1%
Income from operations	**22,096**	**17.0%**	9,245	5.3%	**77,721**	**17.2%**	33,812	6.2%
Financial charges, net	**13,074**	**10.0%**	12,492	7.1%	**41,213**	**9.1%**	37,725	6.9%
Gain on sale of businesses	**(6,827)**	**(5.2%)**	–	–	**(5,924)**	**(1.3%)**	–	–
Impairment of available-for-sale investments	**–**	**–**	3,720	2.1%	**–**	**–**	3,720	0.7%
Earnings (loss) before income taxes and loss from investment in a jointly controlled entity	**15,849**	**12.2%**	(6,967)	(4.0%)	**42,432**	**9.4%**	(7,633)	(1.4%)
(Recovery of) provision for income taxes	**(11,276)**	**(8.7%)**	(902)	(0.5%)	**(420)**	**(0.1%)**	410	0.1%
Loss from investment in a jointly controlled entity	**–**	**–**	1,116	0.6%	**–**	**–**	1,837	0.3%
Net earnings (loss)	**$ 27,125**	**20.8%**	$ (7,181)	(4.1%)	**$ 42,852**	**9.5%**	$ (9,880)	(1.8%)
Basic earnings (loss) per share	**$ 1.03**		$ (0.27)		**$ 1.62**		$ (0.37)	
Diluted earnings (loss) per share	**$ 0.89**		$ (0.27)		**$ 1.49**		$ (0.37)	

As at	September 30, 2018	December 31, 2017 (Restated)
Total assets	**$ 546,087**	$ 604,375
Senior secured notes (including current portion)	**$ 279,413**	$ 308,898
Exchangeable debentures	**$ 95,631**	$ 94,067
Total Senior secured notes and Exchangeable debentures to total assets	**68.7%**	66.7%

Segmented Information

The Company manages its business, assesses performance and allocates resources relative to four reportable segments: YP, Agency, Real Estate and Other.

The YP segment provides SMEs across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages digital media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising.

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

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

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation.

Analysis of Consolidated and Segmented Operating and Financial Results

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2018	2017 (Restated)	% Change	2018	2017 (Restated)	% Change
YP	**$ 115,555**	$ 139,818	(17.4%)	**$ 368,164**	$ 435,978	(15.6%)
Print	**29,039**	38,684	(24.9%)	**99,837**	128,324	(22.2%)
Digital	**86,516**	101,134	(14.5%)	**268,327**	307,654	(12.8%)
Agency	**10,828**	17,562	(38.3%)	**39,512**	50,940	(22.4%)
Print	**–**	1,152	(100.0%)	**2,017**	4,311	(53.2%)
Digital	**10,828**	16,410	(34.0%)	**37,495**	46,629	(19.6%)
Real Estate	**1,260**	14,010	(91.0%)	**35,679**	48,491	(26.4%)
Print	**445**	2,727	(83.7%)	**4,863**	9,478	(48.7%)
Digital	**815**	11,283	(92.8%)	**30,816**	39,013	(21.0%)
Other	**3,117**	5,453	(42.8%)	**11,559**	16,958	(31.8%)
Print	**–**	779	(100.0%)	**1,163**	2,788	(58.3%)
Digital	**3,117**	4,674	(33.3%)	**10,396**	14,170	(26.6%)
Intersegment eliminations	**(610)**	(1,147)	(46.8%)	**(2,238)**	(2,948)	(24.1%)
Print	**(4)**	(16)	(75.0%)	**(26)**	(52)	(50.0%)
Digital	**(606)**	(1,131)	(46.4%)	**(2,212)**	(2,896)	(23.6%)
Total revenues	**$ 130,150**	$ 175,696	(25.9%)	**$ 452,676**	$ 549,419	(17.6%)
Print	**$ 29,480**	$ 43,326	(32.0%)	**$ 107,854**	$ 144,849	(25.5%)
Digital	**$ 100,670**	$ 132,370	(23.9%)	**$ 344,822**	$ 404,570	(14.8%)

Total revenues for the three-month period ended September 30, 2018 amounted to $130.2 million as compared to $175.7 million for the same period last year representing a decrease of 25.9% year-over-year or $45.5 million of which $14.7 million is attributable to divested businesses. For the nine-month period ended September 30, 2018, revenues decreased 17.6% to $452.7 million, as compared to $549.4 million for the same period last year. The decline in total revenues for the three and nine-month periods ended September 30, 2018 was due to both digital and print revenue declines in all segments and to the divestitures that occurred in the second and third quarters of 2018.

Total digital revenues amounted to $100.7 million during the third quarter of 2018, or 77.3% of revenues, representing a decrease of 23.9% year-over-year or $31.7 million of which $10.5 million is attributable to the divested businesses. This compares to $132.4 million, or 75.3% of revenues, for the same period last year. For the nine-month period ended September 30, 2018, total digital revenues decreased 14.8% year-over-year and amounted to $344.8 million, or 76.2% of revenues, as compared to $404.6 million, or 73.6% of revenues. Other than the decrease resulting from the divestitures, the digital revenue decline for the three and nine-month periods ended September 30, 2018 was mainly attributable to the YP segment where the results were adversely impacted by a decline in the number of digital customers partially offset by a higher spend per customer. The lower digital customer count is attributable to both a lower level of customer acquisition, driven in part by our focus on profitable growth, and by higher churn, mainly caused by the surge in customer acquisition in recent years of customers purchasing low end solutions. Revenue was further impacted by the closure of certain US operations in the Agency segment to improve profitability.

Total print revenues amounted to $29.5 million during the third quarter ended September 30, 2018 representing a decrease of 32.0% year-over-year or $13.8 million of which $4.2 million was attributable to divested businesses. For the nine-month period ended September 30, 2018, total print revenues decreased 25.5% year-over-year and amounted to $107.9 million. Other than the decrease resulting from the divestitures, the print revenue decline for the three and nine-month periods ended September 30, 2018 is mainly attributable to the YP segment where results were adversely impacted by a decline in the number of print customers and lower spend by customer.

Reportable Segments Revenues

YP

Revenues for the YP segment for the third quarter of 2018 decreased by $24.3 million or 17.4% year-over-year and amounted to $115.6 million compared to $139.8 million for the same period last year. Revenues for the YP segment for the nine-month period ended September 30, 2018 decreased by $67.8 million or 15.6% to $368.2 million from $436.0 million for the same period in 2017. The decrease for the quarter and the nine-month periods ended September 30, 2018 is mainly due to the decline of our higher margin YP digital media and print products and, to a lesser extent, to our lower margin digital services products. This change in product mix created pressure on our gross profit margins.

Digital revenues decreased 14.5% year-over-year and amounted to $86.5 million for the third quarter of 2018, as compared to $101.1 million for the same period last year. Digital revenues decreased 12.8% year-over-year and amounted to $268.3 million for the nine-month period ending September 30, 2018, compared to $307.7 million for the same period last year. Digital revenues were adversely impacted by a decline in the number of digital customers offset in part by a higher spend per customer. The lower digital customer count is attributable to both a lower level of customer acquisition, driven in part by our focus on profitable growth, and by higher customer churn, mainly caused by the surge in customer acquisition in recent years.

Print revenues decreased by 24.9% year-over-year to $29.0 million during the third quarter of 2018, and decreased by 22.2% year-over-year to $99.8 million for the nine-month period ended September 30, 2018. The results were adversely impacted by a decline in the number of print customers and lower spend per customer.

Agency

Agency revenues for the three-month period ended September 30, 2018 decreased by $6.7 million or 38.3% year-over-year and amounted to $10.8 million as compared to $17.6 million for the same period last year. Agency revenues for the nine-month period ended September 30, 2018 decreased 22.4% year-over-year and amounted to $39.5 million as compared to $50.9 million for the same period last year. The decrease in Agency revenues for the three and nine-month periods ended September 30, 2018 was impacted by the closure of certain US operations to improve profitability as well as the sale of Totem as of May 31, 2018. Excluding these impacts, the Agency segment revenues decreased 28.8% and 11.4% year-over-year respectively for the three and nine-month periods ended September 30, 2018.

Real Estate

Revenues in the Real Estate segment decreased by $12.8 million or 91% year-over-year and amounted to $1.3 million for the third quarter ended September 30, 2018 as compared to $14.0 million for the same period last year. Revenues for the nine-month period ended September 30, 2018 were $35.7 million as compared to $48.5 million for the same period last year. The decline for the three and nine-month periods ended September 30, 2018 is a result of the Company divesting the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018.

Other

Other segment revenues decreased by $2.3 million or 42.8% year-over-year to $3.1 million for the third quarter ended September 30, 2018 as compared to $5.5 million for the same period last year. Other revenues decreased by $5.4 million to $11.6 million for the nine-month period ended September 30, 2018 from $17.0 million for the same period last year. The decline in Other revenues is mainly due to a reduced advertiser count resulting from lower new customer acquisition at 411.ca and the divestiture of Western Media Group as of May 31, 2018.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,		2018	%	2017 (Restated)	%	% Change	2018	%	2017 (Restated)	%	% Change
YP	$	**73,743**	**63.8%**	$ 80,440	57.5%	(8.3%)	**$ 234,069**	**63.6%**	$ 253,065	58.0%	(7.5%)
Agency		**2,307**	**21.3%**	3,261	18.6%	(29.3%)	**8,429**	**21.3%**	7,660	15.0%	10.0%
Real Estate		**251**	**19.9%**	6,267	44.7%	(96.0%)	**17,256**	**48.4%**	23,688	48.9%	(27.2%)
Other		**1,786**	**57.3%**	2,477	45.4%	(27.9%)	**5,704**	**49.3%**	7,170	42.3%	(20.4%)
Intersegment eliminations		**(61)**	**nm**	(153)	nm	(60.1%)	**(93)**	**nm**	(321)	nm	(71.0%)
Total gross profit	$	**78,026**	**60.0%**	$ 92,292	52.5%	(15.5%)	**$ 265,365**	**58.6%**	$ 291,262	53.0%	(8.9%)

Gross profit decreased to $78.0 million, or 60.0% of total revenues, for the third quarter of 2018 compared to $92.3 million, or 52.5% of total revenues, for the third quarter of 2017 mainly due to the decline in revenues in the YP segment, the Company's most profitable segment. Gross profit decreased to $265.4 million, or 58.6% of total revenues, for the nine-month period ended September 30, 2018 compared to $291.3 million, or 53% of total revenues, for the same period last year. The increase in gross profit as a percentage of revenues is due to the Company's cost reduction measures and focus on profitability of our products and services offsetting the pressures from reduced revenues and change in product mix.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the three-month period ended September 30, 2018 totalled $73.7 million, or 63.8% of revenues, compared to $80.4 million, or 57.5% of revenues, for the same period last year and gross profit for the first nine months of 2018 was $234.1 million, or 63.6% of revenues as compared to $253.1 million, or 58.0% of revenues for the same period in 2017. The decrease in gross profit is a result of reduced revenues and change in product mix. Gross profit as a percentage of revenues increased as the impact of reduced revenues was more than offset by the Company's cost reduction measures and focus on profitability of our products and services. These measures included workforce reductions primarily in non-customer facing areas in the first quarter of 2018, call center consolidations and optimization of our servicing model in the second quarter of 2018 as well as increased focus on profitable sales throughout 2018.

Agency

Agency gross profit for the three-month period ended September 30, 2018 amounted to $2.3 million, or 21.3% of revenues, as compared to $3.3 million, or 18.6% of revenues, for the same period last year. Agency gross profit for the nine-month period ended September 30, 2018 totalled $8.4 million, or 21.3% of revenues, as compared to $7.7 million, or 15.0% of revenues, for the same period last year. The gross profit in the Agency segment for the three-month and nine-month periods ended September 30, 2018 was favorably impacted by the closure of certain US operations to improve profitability and by other cost reduction initiatives. The results for the nine-month period ended September 30, 2018 also improved relative to the same period last year due to a non-recurring contract termination fee incurred in the first quarter of 2017.

Real Estate

Gross profit for the Real Estate segment amounted to $0.3 million, or 19.9% of revenues, for the third quarter ended September 30, 2018 as compared to $6.3 million, or 44.7% of revenues, for the same period last year. Real Estate gross profit for the nine-month period ended September 30, 2018 amounted to $17.3 million, or 48.4% of revenues, as compared to $23.7 million, or 48.9% of revenues, for the same period last year. The decrease in gross profit for the three and nine-month periods ended September 30, 2018 is a result of the Company divesting the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018.

Other

Gross profit for the Other segment totalled $1.8 million, or 57.3% of revenues, for the three-month period ended September 30, 2018, as compared to $2.5 million, or 45.4% of revenues, for the same period last year. Gross profit for the Other segment amounted to $5.7 million, or 49.3% of revenues, for the nine-month period ended September 30, 2018 as compared to $7.2 million, or 42.3% of revenues, for the same period last year. The decrease in gross margin for the three and nine-month periods ended September 30, 2018 is due to lower revenues partially offset by an improvement in gross margin as percentage of revenue due to cost reductions and favorable product mix. The results were further impacted by the sale of Western Media Group as of May 31, 2018.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2018	2017 (Restated)	% Change	2018	2017 (Restated)	% Change
YP	**$ 28,088**	$ 35,749	(21.4%)	**$ 87,709**	$ 117,761	(25.5%)
Agency	**1,959**	3,517	(44.3%)	**7,487**	12,393	(39.6%)
Real Estate	**543**	5,225	(89.6%)	**14,333**	18,208	(21.3%)
Other	**1,236**	2,010	(38.5%)	**4,513**	5,801	(22.2%)
Intersegment eliminations	**(61)**	(153)	nm	**(93)**	(321)	nm
Total other operating costs	**$ 31,765**	$ 46,348	(31.5%)	**$ 113,949**	$ 153,842	(25.9%)

Other operating costs, which represent indirect costs, decreased by $14.6 million or 31.5% to $31.8 million for the three-month period ended September 30, 2018, compared to $46.3 million for the same period last year. For the nine-month period ended September 30, 2018, total other operating costs decreased by $39.9 million or 25.9% to $113.9 million from $153.8 million for the same period last year. The decrease in total other operating costs for the three and nine-month periods ended September 30, 2018 was mainly the result of reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the Company.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the three and nine-month periods ended September 30, 2018 totalled $28.1 million and $87.7 million, respectively, as compared to $35.7 million and $117.8 million, respectively, for the same periods last year. The decrease for the three and nine-month periods ended September 30, 2018 is mainly the result of reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the segment.

Agency

Other operating costs for the Agency segment for the three and nine-month periods ended September 30, 2018 amounted to $2.0 million and $7.5 million, respectively. This compares to $3.5 million and $12.4 million, respectively, for the same periods last year. The decrease in other operating costs for the three and nine-month periods ended September 30, 2018 for the Agency segment is due primarily to a reduction in our workforce and associated employee costs as well as the closure of certain US operations to improve profitability as well as the sale of Totem as of May 31, 2018.

Real Estate

Other operating costs amounted to $0.5 million and $14.3 million for the three and nine-month period ended September 30, 2018, respectively, compared to $5.2 million and $18.2 million, respectively, for the same periods last year as a result of the Company divesting the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018.

Other

Other operating costs for the Other segment amounted to $1.2 million and $4.5 million for the three and nine-month period ended September 30, 2018, respectively, compared to $2.0 million and $5.8 million, respectively, for the same periods last year. The decrease for the three and nine-month periods ended September 30, 2018 is due to lower employee related costs, overall cost reductions and the sale of WMG as of May 31, 2018.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2018	%	2017 (Restated)	%	% Change	2018	%	2017 (Restated)	%	% Change
YP	**$ 45,655**	**39.5%**	$ 44,691	32.0%	2.2%	**$ 146,360**	**39.8%**	$ 135,304	31.0%	8.2%
Agency	**348**	**3.2%**	(256)	(1.5%)	(235.9%)	**942**	**2.4%**	(4,733)	(9.3%)	(119.9%)
Real Estate	**(292)**	**(23.2%)**	1,042	7.4%	(128.0%)	**2,923**	**8.2%**	5,480	11.3%	(46.7%)
Other	**550**	**17.6%**	467	8.6%	17.8%	**1,191**	**10.3%**	1,369	8.1%	(13.0%)
Total Adjusted EBITDA	**$ 46,261**	**35.5%**	$ 45,944	26.1%	0.7%	**$ 151,416**	**33.4%**	$ 137,420	25.0%	10.2%

Despite an overall $45.5 million decrease in revenues and pressures on margins, our adjusted EBITDA increased by $0.3 million or 0.7% to $46.3 million for the third quarter of 2018 compared to $45.9 million for the third quarter of 2017. For the nine-month period ended September 30, 2018, Adjusted EBITDA increased by $14.0 million or 10.2% to $151.4 million compared to $137.4 million for the same period last year. Our Adjusted EBITDA margin for the third quarter of 2018 was 35.5% compared to 26.1% for the third quarter of 2017 and amounted to 33.4% for the nine-month period ended September 30, 2018 compared to 25.0% for the same period last year. The increase in Adjusted EBITDA and Adjusted EBITDA margin for the three and nine-month periods ended September 30, 2018 was mainly the result of reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the Company.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the third quarter of 2018 amounted to $45.7 million compared to $44.7 million for the same period last year. Adjusted EBITDA for the YP segment for the nine-month period ended September 30, 2018 increased to $146.4 million from $135.3 million for the same period in 2017. The Adjusted EBITDA margin for the YP segment for the third quarter of 2018 was 39.5% compared to 32.0% for the third quarter of 2017 and amounted to 39.8% for the nine-month period ended September 30, 2018 compared to 31.0% for the same period last year. Despite overall lower revenues and the pressures on margins, our Adjusted EBITDA and Adjusted EBITDA margin grew due to an increased focus on the profitability of our products and services and reductions in our cost structure including reductions in our workforce and associated employee costs, reductions in the Company's office space footprint, and other spending reductions across the segment.

Agency

Agency Adjusted EBITDA for the three-month period ended September 30, 2018 amounted to $0.3 million, or 3.2% of revenues, as compared to a loss of $0.3 million for the same period last year. Agency Adjusted EBITDA for the nine-month period ended September 30, 2018 amounted to $0.9 million, or 2.4% of revenues, as compared to a loss of $4.7 million for the same period last year. The increase in the Agency Adjusted EBITDA and Adjusted EBITDA margin for the three and nine-month periods ended September 30, 2018 was impacted by the closure of certain US operations to improve profitability and reductions in our workforce and associated employee costs. The adjusted EBITDA for the nine-month period ended September 30, 2018 also improved relative to the same period last year due to a non-recurring contract termination fee incurred in the first quarter of 2017.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to a loss of $0.3 million for the three-month period ended September 30, 2018 as compared to $1.0 million, or 7.4% of revenues, for the same period last year. Real Estate Adjusted EBITDA for the nine-month period ended September 30, 2018 amounted to $2.9 million, or 8.2% of revenues, as compared to $5.5 million, or 11.3% of revenues, for the same period last year. The decrease for the three-month period ended September 30, 2018 is a result of the Company divesting the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018. The nine-month period ended September 30, 2018 was further impacted by the revenue pressures at Yellow Pages NextHome partially offset by growth at CFDP.

Other

Adjusted EBITDA for the Other segment for the three and nine-month periods ended September 30, 2018, amounted to $0.6 million, or 17.6% of revenues, and $1.2 million, or 10.3% of revenues, respectively. This compares to $0.5 million, or 8.6% of revenues, and $1.4 million, or 8.1% of revenues, respectively, for the same periods last year.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2018	2017 (Restated)	% Change	2018	2017 (Restated)	% Change
YP	**$ 43,636**	$ 28,080	55.4%	**$ 139,522**	$ 95,565	46.0%
Adjusted EBITDA	**45,655**	44,691	2.2%	**146,360**	135,304	8.2%
CAPEX	**2,019**	16,611	(87.9%)	**6,838**	39,739	(82.8%)
Agency	**252**	(777)	(132.4%)	**702**	(6,734)	(110.4%)
Adjusted EBITDA	**348**	(256)	(235.9%)	**942**	(4,733)	(119.9%)
CAPEX	**96**	521	(81.6%)	**240**	2,001	(88.0%)
Real Estate	**(274)**	800	(134.3%)	**2,460**	4,849	(49.3%)
Adjusted EBITDA	**(292)**	1,042	(128.0%)	**2,923**	5,480	(46.7%)
CAPEX	**(18)**	242	(107.4%)	**463**	631	(26.6%)
Other	**462**	(410)	(212.7%)	**736**	(1,254)	(158.7%)
Adjusted EBITDA	**550**	467	17.8%	**1,191**	1,369	(13.0%)
CAPEX	**88**	877	(90.0%)	**455**	2,623	(82.7%)
Total Adjusted EBITDA less CAPEX	**$ 44,076**	$ 27,693	59.2%	**$ 143,420**	$ 92,426	55.2%
Adjusted EBITDA	**$ 46,261**	$ 45,944	0.7%	**$ 151,416**	$ 137,420	10.2%
CAPEX	**$ 2,185**	$ 18,251	(88.0%)	**$ 7,996**	$ 44,994	(82.2%)

Adjusted EBITDA less CAPEX increased by $16.4 million or 59.2% to $44.1 million during the third quarter of 2018, compared to $27.7 million during the third quarter of 2017. For the nine-month period ended September 30, 2018, Adjusted EBITDA less CAPEX increased by $51.0 million or 55.2% to $143.4 million compared to $92.4 million for the same period last year. The increase in Adjusted EBITDA less CAPEX for the three and nine-month periods ended September 30, 2018 was mainly impacted by the result of higher Adjusted EBITDA and decreased spending on software development, office and computer equipment and leasehold improvements associated with office relocations.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the three-month period ended September 30, 2018 totalled $43.6 million compared to $28.1 million for the same period last year. Adjusted EBITDA less CAPEX for the YP segment for the nine-month period ended September 30, 2018 totalled $139.5 million compared to $95.6 million for the same period last year. The increase for the three and nine-month periods ended September 30, 2018 is mainly due to higher Adjusted EBITDA and lower capital expenditures in software development and lower spend in office and computer equipment and leasehold improvements associated with office relocations.

Agency

Agency Adjusted EBITDA less CAPEX for the three-month period ended September 30, 2018 amounted to $0.3 million as compared to a loss of $0.8 million for the same period last year. Agency Adjusted EBITDA less CAPEX for the nine-month period ended September 30, 2018 amounted to $0.7 million as compared to a loss of $6.7 million for the same period last year. The improvements in adjusted EBITDA less CAPEX were due to increased adjusted EBITDA as well as reduced capital expenditures on software development.

Real Estate

Adjusted EBITDA less CAPEX for the Real Estate segment amounted to a loss of $0.3 million for the three-month period ended September 30, 2018 as compared to $0.8 million for the same period last year. Adjusted EBITDA less CAPEX for the Real Estate segment amounted to $2.5 million for the nine-month period ended September 30, 2018 as compared to $4.8 million for the same period last year. The decrease for the three and nine-month periods ended September 30, 2018 is due primarily to lower Adjusted EBITDA as a result of the Company divesting the business operations associated with both of its Real Estate segment media properties in separate transactions in July 2018

Other

Adjusted EBITDA less CAPEX for the Other segment for the three and nine-month periods ended September 30, 2018 increased to $0.5 million and to $0.7 million, respectively, as compared to a loss of $0.4 million and a loss of $1.3 million in the same periods last year due to lower spend on leasehold improvements associated with the 411 office relocation in 2017.

Depreciation and Amortization

Depreciation and amortization decreased to $18.9 million for the three-month period ended September 30, 2018 compared to $29.9 million for the same period last year, and decreased to $59.0 million for the nine-month period ended September 30, 2018 compared to $86.8 million for the same period last year, primarily due to the lower opening intangible asset balance following the impairment recorded in the fourth quarter of 2017 as well as lower software development expenditures.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the three and nine-month periods ended September 30,	2018	2017 (Restated)	2018	2017 (Restated)
Severance, benefits and outplacement	**$ 1,762**	$ 5,205	**$ 25,843**	$ 11,575
Pension settlement costs and past service costs, net	**779**	739	**1,875**	775
Settlement of litigation	**–**	–	**(10,558)**	–
Impairment of right-of-use assets and future operation costs related to lease contracts for offices closed	**2,679**	790	**(2,496)**	3,683
Other fees	**–**	50	**–**	815
Total restructuring and other charges	**$ 5,220**	$ 6,784	**$ 14,664**	$ 16,848

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. For the three-month period ended September 30, 2017, we recorded restructuring and other charges of $6.8 million associated primarily with internal reorganizations and workforce reductions of $6.0 million and with office closures of $0.8 million.

Yellow Pages Limited recorded restructuring and other charges of $14.7 million for the nine-month period ended September 30, 2018 (2017 – $16.8 million) consisting of restructuring charges of $27.7 million associated with workforce reductions, offset by the $10.6 million impact of a favorable litigation settlement on a contractual obligation with a vendor. Additionally, the restructuring charges were offset by a net recovery of $2.5 million related to the impairment of right-of-use assets and future operation costs provisioned for lease contracts for office closures. Included in this amount is a net recovery of $7.3 million as a result of a more favorable lease recovery than anticipated. For the nine-month period ended September 30, 2017, we recorded restructuring and other charges of $16.8 million associated primarily with internal reorganizations and workforce reductions of $12.4 million and with office closures of $3.7 million. Other fees of $0.8 million are comprised mainly of acquisition related costs.

Financial Charges

Financial charges increased to $13.1 million for the three-month period ended September 30, 2018 compared to $12.5 million for the same period last year, and to $41.2 million for the nine-month period ended September 30, 2018 compared to $37.7 million for the same period last year. The increase is primarily due to the issuance of the $315.0 million principal amount 10.00% Senior Secured Notes on October 19, 2017, which accrues interest at a higher rate than the prior senior secured notes, and interest on higher lease obligations due to the new leases entered into over the course of 2017. The Company's effective average interest rate on our debt portfolio excluding capital leases as at September 30, 2018 was 9.5% (2017 – 8.5%).

Provision for Income Taxes

The combined statutory provincial and federal tax rates was 26.93% for the three and nine-month periods ended September 30, 2018 and 26.86% for the same period in 2017. The Company recorded a recovery of income taxes of $11.3 million and $0.4 million for the three and nine-month periods ended September 30, 2018, respectively (2017 – a recovery of $0.9 million and an expense of $0.4 million, respectively). The Company recorded a recovery of 71.1% and 1.0% of earnings for the three and nine-month periods ended September 30, 2018, respectively (2017 – a recovery of 12.8% and an expense of 5.5% of losses, respectively).

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

During the three and nine-month periods ended September 30, 2017, the effective income tax rate was further impacted by lower earnings before income taxes and a loss from investment in a jointly controlled entity as well as the impairment of certain available-for-sale investments.

Net earnings (loss)

The Company recorded net earnings of $27.1 million during the third quarter of 2018 as compared to a net loss of $7.2 million during the third quarter of 2017. For the nine-month period ended September 30, 2018, net earnings increased to $42.9 million from a net loss of $9.9 million for the same period last year. The improvement in net earnings is mainly due to higher Adjusted EBITDA, decreased depreciation and amortization expenses, a gain on the sale of the assets related to the operations of RedFlagDeals and a reversal of income tax provisions of $18.3 million recorded with respect to previous taxation years.

Summary of Consolidated Quarterly Results

Quarterly Results

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

			2018				2017 (Restated)
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	$ **130,150**	$ 163,212	$ 159,314	$ 178,548	$ 175,695	$ 193,515	$ 180,208
Operating costs	**83,889**	105,990	111,381	132,859	129,751	143,573	138,674
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**46,261**	57,222	47,933	45,689	45,944	49,942	41,534
Adjusted EBITDA margin	**35.5%**	35.1%	30.1%	25.6%	26.1%	25.8%	23.0%
Depreciation and amortization	**18,945**	19,202	20,884	26,205	29,915	29,262	27,583
Impairment of intangible assets and goodwill	–	–	–	507,032	–	–	–
Restructuring and other charges (recovery)	**5,220**	(1,754)	11,198	17,552	6,784	2,778	7,286
Income (loss) from operations	**22,096**	39,774	15,851	(505,100)	9,245	17,902	6,665
Financial charges, net	**13,074**	13,977	14,162	16,221	12,492	12,808	12,425
(Gain) loss on sale of businesses	**(6,827)**	903	–	–	–	–	–
Impairment of available-for-sale investments	–	–	–	–	3,720	–	–
(Recovery of) provision for income taxes	**(11,276)**	8,248	2,608	62,238	(902)	2,344	(1,032)
Loss from investment in a jointly controlled entity	–	–	–	267	1,116	362	359
Net earnings (loss)	$ **27,125**	$ 16,646	$ (919)	$ (583,826)	$ (7,181)	$ 2,389	$ (5,087)
Basic earnings (loss) per share	$ **1.03**	$ 0.63	$ (0.03)	$ (22.12)	$ (0.27)	$ 0.09	$ (0.19)
Diluted earnings (loss) per share	$ **0.89**	$ 0.56	$ (0.03)	$ (22.12)	$ (0.27)	$ 0.09	$ (0.19)

Sequential quarterly revenue trends are impacted by the YP segment's Print publication distribution schedules, with the second quarter being the strongest quarter, and seasonality in the Agency segment, with the fourth quarter being the strongest quarter. Year-over-year the quarters have decreased principally due to revenue declines in the YP segment associated with overall loss of customers, and declining ARPC. The third quarter of 2018 was further impacted by the sale of businesses.

Operating costs over the quarters, with the exception of 2018, have followed the revenues as workforce reductions and other cost saving initiatives were offset by the pressure from a shift in the sales mix toward products with higher proportionate delivery costs. In addition, the first quarter and second quarters of 2017 were negatively impacted by higher consulting expenditures and a non-recurring contract termination fee in the first quarter of 2017. Operating costs in the first three quarters of 2018 decreased as a result of reductions in our cost structure relating to workforce reductions and associated costs, reductions in the Company's office space footprint, cost optimizations in technology infrastructure and other spending reductions across the Company and emphasis on the profitability of our products and services. The third quarter of 2018 was further impacted by the sale of businesses.

The Adjusted EBITDA margin remained relatively stable in 2017 as workforce reductions and other cost saving initiatives were offset by the pressure from a shift in the sales mix toward products with higher proportionate delivery costs. In addition, the first and second quarter of 2017 were negatively impacted by higher consulting expenditures and a non-recurring contract termination fee in the first quarter of 2017. The Adjusted EBITDA margin improved in 2018 as reductions in our cost structure and emphasis on the profitability of our products and services more than offset the impact of the decline in revenues.

Depreciation and amortization has been decreasing due to lower intangible assets from decreasing software development expenditures. 2018 was further impacted by lower intangible assets following the impairment recorded in the fourth quarter of 2017.

The Company's restructuring and other charges mainly relate to workforce reductions and impairments of right-of-use assets and future operation costs related to lease contracts for offices closed. The first quarter of 2018 benefited from the impact of a favourable litigation settlement on a contractual obligation with a vendor. The second quarter of 2018 benefited from a net recovery of $7.3 million relating to the impairment of right-of-use assets and future operation costs provisioned for lease contracts for office closures as a result of more favorable lease recovery than anticipated.

Financial charges increased starting in the fourth quarter of 2017 due partially to the issuance of the 10.00% senior secured notes on October 19, 2017 and the repayment of the 9.25% senior secured notes on November 18, 2017. The fourth quarter of 2017 was further impacted by increased interest due to the overlap of both senior secured notes for a period of time.

The net earnings in the third quarter of 2018 benefited from the impact of the net gain on sale of businesses of $6.8 million as well as the benefit of the reversal of income tax provisions of $18.3 million related to previous taxation years. Our net loss for the fourth quarter of 2017 was caused by an impairment loss of $507.0 million related to certain of our intangible assets and goodwill and impacted by the reversal of tax attributes and deductible temporary differences representing an income tax expense of $75.0 million. Our net loss for the third quarter of 2017 was due to an impairment charge on certain of our available-for-sale investments and the write-off of our investment in a jointly controlled entity resulting from the shutdown of its operations.

3. Liquidity and Capital Resources

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

Capital Structure

(In thousands of Canadian dollars, except percentage information)

As at		**September 30, 2018**		December 31, 2017 (Restated)		January 1, 2017 (Restated)
Cash and restricted cash	**$**	**152,062**	$	46,405	$	17,260
Senior secured notes	**$**	**279,413**	$	308,898	$	309,669
Exchangeable debentures		**95,631**		94,067		92,174
Lease obligations		**76,831**		86,179		61,652
Total debt	**$**	**451,875**	$	489,144	$	463,495
(Deficiency) Equity		**(145,697)**		(197,031)		395,057
Total capitalization	**$**	**306,178**	$	292,113	$	858,552
Total debt net of cash and restricted cash, to total capitalization		**97.9%**		151.6%		52.0%

As at September 30, 2018, Yellow Pages had $299.8 million of debt net of cash and restricted cash, compared to $442.7 million as at December 31, 2017.

The total debt net of cash and restricted cash to latest Twelve-Month Adjusted EBITDA[1] ratio as at September 30, 2018 was 1.5 times compared to 2.4 times as at December 31, 2017. The decrease is mainly due to higher Adjusted EBITDA and the mandatory debt redemption payment as of May 31, 2018.

Total Debt Net of Cash to Latest Twelve-Month Adjusted EBITDA[1] Ratio

Capital Structure
(In millions of canadian dollars)

[1] *Latest twelve-month income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Latest Twelve-Month Adjusted EBITDA). Latest Twelve-Month Adjusted EBITDA is a non-IFRS measure and may not be comparable with similar measures used by other publicly traded companies. Please refer to page 3 for a definition of Adjusted EBITDA.*

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 as well as reduced certain rates and fees. The ABL is being used for general corporate purposes. Through the ABL, the Company has access to the funds in the form of prime rate loans, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is secured by a first priority lien over the receivables of the Company. Interest is calculated based either on the BA Rate or the Prime Rate plus an applicable margin. The ABL is subject to an availability reserve of $5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at September 30, 2018, the Company had $4.5 million of letters of credit issued and outstanding under the ABL and a $10.8 million deficiency in qualified collateral. As such, $34.7 million of the ABL was available as at September 30, 2018. As at September 30, 2018, the Company was in compliance with all covenants under the loan agreement governing the ABL.

10.00% Senior Secured Notes

On October 19, 2017, Yellow Pages Limited, through its wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, issued $315.0 million aggregate principal amount of 10.00% Senior Secured Notes (the New Notes) due November 1, 2022 at an issue price of $980 per $1,000 principal amount of the New Notes, or $6.3 million discount. The New Notes accrued interest from October 19, 2017 at a rate of 10.00% per annum, payable in semi-annual instalments in arrears on May 1 and November 1 of each year commencing May 1, 2018.

Mandatory Redemption

Pursuant to the indenture governing the New Notes, the Company is required to use an amount equal to 100% of its consolidated Excess Cash Flow and any designated net proceeds from asset sales for the immediately preceding mandatory redemption period to redeem the New Notes, on a semi-annual basis on the last day of May and November of each year, commencing on May 31, 2018, at a redemption price equal to 100% of the principal amount, subject to the Company maintaining a minimum cash balance of $20.0 million on the last day of the mandatory redemption period. The Company is required to use 75.0% of its consolidated Excess Cash Flow to redeem the New Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is no greater than 1.5 to 1. Excess Cash Flow, as defined in the indenture governing the New Notes, means adjusted cash flows from operating activities, adjusted for the following items, as reported in the Company's consolidated statement of cash flows: capital expenditures subject to certain maximum amounts as provided in the indenture governing the New Notes, repayment of the New Notes other than in connection with a mandatory redemption and any principal payments made in respect of the Company's lease liability. The Company expects to include in the next payment the net proceeds received related to the sales of CFDP and RedFlagDeals. This has been included in the current portion of senior secured notes as presented in the interim condensed consolidated statements of financial position. The Company will make a redemption payment of $115.4 million, including accrued and unpaid interest of $0.9 million, on its 10.00% senior secured notes on November 30, 2018.

Optional Redemption

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

The New Notes are guaranteed by Yellow Pages Limited and its subsidiaries, other than Yellow Pages Digital & Media Solutions Limited as issuer of the New Notes, (collectively, the Guarantors) and secured by first-priority liens and security interests, subject to permitted liens, in substantially all of the assets (other than the assets securing the Company's ABL) now owned or hereafter acquired by Yellow Pages Digital & Media Solutions Limited and the Guarantors, and second-priority liens and security interests, subject to permitted liens, in the assets securing the ABL. The New Notes are senior secured obligations of Yellow Pages Digital & Media Solutions Limited. The New Notes rank equally in right of payment with all indebtedness of Yellow Pages Digital & Media Solutions Limited that is not expressly subordinated in right of payment to the New Notes, and rank senior in right of payment to all existing and future subordinated indebtedness of Yellow Pages Digital & Media Solutions Limited.

Certain Covenants

The indenture governing the New Notes limits or affects the Company's ability to, among other things, incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem certain indebtedness or capital stock, make loans and investments, sell assets, incur certain liens, enter into transactions with affiliate and consolidate, merge or sell all or substantially all of its assets. Such covenants are subject to certain limitations and exceptions as provided in the indenture governing the New Notes.

As at September 30, 2018, the Company was in compliance with all covenants under the indenture governing the New Notes.

Exchangeable Debentures

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $107.5 million of senior subordinated exchangeable debentures (the Exchangeable Debentures) due November 30, 2022. As at September 30, 2018 and December 31, 2017, the face value of the Exchangeable Debentures was $107.1 million. As at September 30, 2018, the value of the Exchangeable Debentures less unaccreted interest was $95.6 million compared to $94.1 million as at December 31, 2017.

Interest on the Exchangeable Debentures accrues at a rate of 8.0% per annum if, for the applicable interest period, it is paid in cash or 12.0% per annum, for the applicable interest period, if the Company makes a Payment in Kind election to pay interest in respect of all or any part of the then outstanding Exchangeable Debentures in additional Exchangeable Debentures. Interest on the Exchangeable Debentures is payable semi-annually in arrears in equal instalments on the last day of May and November of each year.

As at September 30, 2018, the Company was in compliance with all covenants under the indenture governing the Exchangeable Debentures.

Exchange Option

The Exchangeable Debentures are exchangeable at the holder's option into common shares at any time at an exchange price per common share equal to $19.04, subject to adjustment for specified transactions.

Optional Redemption

The Company may, at any time on or after the date on which all of the Senior Secured Notes have been repaid in full, redeem all or part of the Exchangeable Debentures at its option, upon not less than 30 nor more than 60 days' prior notice, at a redemption price equal to:

- In the case of a redemption occurring prior to May 31, 2021, 110% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; or
- In the case of a redemption occurring on or after May 31, 2021, 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date.

Credit Ratings

DBRS Limited	Standard and Poor's Rating Services
B (high)/Issuer rating – stable outlook	B-/Corporate credit rating – stable outlook
BB (low)/Credit rating for Senior Secured Notes	B+/Credit rating for Senior Secured Notes
B (low)/Credit rating for Exchangeable Debentures	CCC/Credit rating for Exchangeable Debentures

Liquidity

The Company's principal source of liquidity is cash generated from operations and cash on hand. The Company expects to generate sufficient liquidity in the short term and the long term to fund capital expenditures, working capital requirements and current obligations, and service its outstanding debt obligations. As at September 30, 2018, the Company had $152.1 million of cash and restricted cash and $34.7 million available under the ABL.

Options

On December 20, 2012, as part of the implementation of Yellow Pages recapitalization transaction, a new stock option plan (the Stock Option Plan) was adopted. The Stock Option Plan is intended to attract and retain the services of selected employees (the Participants) of Yellow Pages who are in a position to make a material contribution to the successful operation of the business, provide meaningful incentive to management to lead Yellow Pages through the transition and transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. On November 7, 2017, an amendment to the Stock Option Plan was implemented to increase the maximum number of common shares authorized for issuance upon the exercise of options by 1,516,320, from 1,290,612 to 2,806,932.The stock options expire approximately seven years after the grant date and Participants are required to hold 25% of the common shares received pursuant to the exercise of the stock options until the Participants meet the ownership guidelines which apply to their respective position.

Share Data

Outstanding Share Data

As at	November 7, 2018	September 30, 2018	December 31, 2017
Common shares outstanding	28,075,308	28,075,308	28,075,306
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,484	2,995,484	2,995,486
Stock options outstanding[2]	1,396,111	1,434,256	1,024,550

[1] *As at November 7, 2018, Yellow Pages had $107.1 million principal amount of Exchangeable Debentures outstanding, which amount is exchangeable into 5,624,422 common shares of Yellow Pages Limited at an exchange price of $19.04, subject to adjustment for specified transactions pursuant to the indenture governing the Exchangeable Debentures.*

[2] *Included in the stock options outstanding balance of 1,396,111 as at November 7, 2018 and 1,434,256 as at September 30, 2018, are 60,425 stock options exercisable as at those dates. Included in the stock options outstanding balance of 1,024,550 as at December 31, 2017 were 281,325 stock options exercisable as at that date.*

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the nine-month periods ended September 30,		2018		2017 (Restated)
Cash flows from operating activities				
Cash flows from operations, excluding change in operating assets and liabilities	$	89,265	$	83,868
Change in operating assets and liabilities		3,612		8,700
	$	92,877	$	92,568
Cash flows from (used in) investing activities				
Additions to intangible assets	$	(11,086)	$	(28,627)
Additions to property and equipment		(1,060)		(17,394)
Lease incentives received		4,150		1,027
Payments received from net investment in sublease		237		–
Proceeds on sale of businesses		55,965		–
Purchase of available-for-sale investments		–		(5,452)
Investment in a jointly controlled entity		–		(680)
Business acquisition		(400)		(400)
	$	47,806	$	(51,526)
Cash flows used in financing activities				
Repayment of senior secured notes	$	(30,244)	$	(17,421)
Purchase of restricted shares		–		(3,129)
Payment of lease obligations		(4,782)		(5,902)
	$	(35,026)	$	(26,452)
NET INCREASE IN CASH AND RESTRICTED CASH	$	105,657	$	14,590
CASH, BEGINNING OF YEAR		46,405		17,260
CASH AND RESTRICTED CASH, END OF PERIOD	$	152,062	$	31,850

Cash flows from operating activities

Cash flows from operating activities increased by $0.3 million to $92.9 million from $92.6 million for the nine-month period ended September 30, 2018 mainly due to higher Adjusted EBITDA of $14.0 million and lower funding by $3.2 million of post-employment benefit plans in excess of costs, partially offset by higher payments for restructuring and other charges of $10.4 million, change in operating assets and liabilities of $5.1 million, and higher interest paid of $0.6 million. The higher interest paid is mainly due to higher interest rate on the new senior notes, partially offset by the fact that the Company's 10.00% Senior Secured Notes interest payments are semi-annual in the second and fourth quarter of 2018 whereas the 9.25% Senior Secured Notes they replaced had quarterly interest payments.

Cash flows from (used in) investing activities

Cash flows from investing activities amounted to $47.8 million for the nine-month period ended September 30, 2018 as compared to net cash used of $51.5 million for the same period last year. This increase of $99.3 million is mainly due to proceeds received on sale of businesses of $56.0 million, as well as decreased investments in software development and spending in office and computer equipment and leasehold improvements associated with office relocations and higher lease incentives received.

Cash flows used in financing activities

Cash flows used in financing activities amounted to $35.0 million for the nine-month period ended September 30, 2018 as compared to $26.5 million for the same period last year. During the second quarter of 2018, a payment of $30.2 million was made on the senior secured notes compared to $17.4 million during the same period last year.

In 2017 the Company purchased common shares of Yellow Pages Limited on the open market to fund the Restricted Share Unit and Performance Share Unit Plan at a cost of $3.1 million.

Financial and Other Instruments

(See Note 21 of the Audited Consolidated Financial Statements of the Company for the years ended December 31, 2017 and 2016).

The Company's financial instruments primarily consist of cash and restricted cash, trade and other receivables, trade and other payables, Senior Secured Notes and Exchangeable Debentures.

There is no carrying value of embedded derivatives as at September 30, 2018. The carrying value is calculated, as is customary in the industry, using discounted cash flows based on quarter-end market rates.

4. Critical Assumptions and Estimates

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

Our critical assumptions and accounting estimates have not changed since the release of our MD&A for the years ended December 31, 2017 and 2016. These critical assumptions and estimates relate to intangible assets, goodwill, property and equipment, employee future benefits and income taxes. Please refer to Section 5 – *Critical Assumptions and Estimates* for the years ended December 31, 2017 and 2016.

Accounting Standards

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

Amendments to IFRS 2 – *Share-based Payment*

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

IFRIC 22 – *Foreign Currency Transactions and Advance Consideration*

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

The following standards have been adopted effective January 1, 2018 and have an effect on the interim condensed consolidated financial statements:

IFRS 15 – *Revenue from Contracts with Customers*

Yellow Pages Limited has applied IFRS 15 – *Revenue from Contracts with Customers* effective for annual reporting periods beginning on or after January 1, 2018. Under IFRS 15, revenues from print products are recognized upon delivery of the print directories instead of over the term of the publication period of twelve months. Similarly, publication costs and commissions will be deferred and recognized upon delivery of the publication. Previously, the deferred publication costs and commissions were deferred and amortized over the economic life of the directory, digital products and services. The recognition of revenue for the digital products has not been materially impacted by the adoption of this standard and will continue to be recognized into income on a monthly basis from the point at which service is first provided over the life of the contract. Certain revenues, such as website and video design fees, continue to be recognized upon completion of the design of the website and video. Applying the practical expedient under IFRS 15, the Company recognizes as an expense the commissions paid to media account consultants for contract renewals with revenue recognized over one year or less. However, costs to obtain contracts relating to the commission fees paid to media account consultants as a result of obtaining new sales contracts are amortized on a straight-line basis over a two-year period as this reflects the expected period of benefit. Yellow Pages Limited has applied IFRS 15 in accordance with the full retrospective approach.

The amount of adjustment for each financial statement line item affected by the application of IFRS 15 for the prior periods are disclosed in the Interim Condensed Consolidated Financial Statements.

IFRS 16 – *Leases*

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

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

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

The amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the prior periods are disclosed in the Interim Condensed Consolidated Financial Statements.

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments*. IFRS 9 replaces the requirements in IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities, impairment for financial assets and general hedge accounting. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below. The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in deficit as at January 1 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

The classification and measurement of financial assets is determined on the basis of the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity financial assets are subsequently measured at fair value through profit or loss unless the Company has made an irrevocable election to measure them at fair value through other comprehensive income. The change in fair value of equity financial assets designated as such shall not be subsequently transferred to profit or loss upon their disposal. On transition to IFRS 9, the Company has made the irrevocable election to present fair value gains and losses on equity investments in other comprehensive income ("OCI").
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

For trade receivables and contract assets, the Company applied the simplified approach permitted under IFRS 9, which requires lifetime ECL to be recognized from initial recognition. While cash and other receivables are also subject to the impairment requirements under IFRS 9, the identified expected credit loss was immaterial.

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

For assets in the scope of IFRS 9 impairment model, expected credit losses are generally expected to increase. The amount of impairment allowance, as well as the measurement categories affected by the application of IFRS 9 for the prior periods are disclosed in the Interim Condensed Consolidated Financial Statements.

The following standard has been issued but not yet effective:

IFRIC 23 – *Uncertainty over Income Tax Treatments*

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

Amendments to IAS 19 – *Employee Benefits*

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

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

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

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

5. Risks and Uncertainties

Please refer to the Risks and Uncertainties section of our MD&A for the years ended December 31, 2017 and 2016 and our Annual Information Form dated March 26, 2018 for a complete description of the risks factors to which the Corporation may be exposed, including, for example, "Substantial competition could reduce the market share of the Corporation and could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "A higher than anticipated rate of decline in print revenue resulting from changes in preferences and consumer habits could have a material adverse effect on the Corporation, its business, results from operations and financial condition", "The inability of the Corporation to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions could have a material adverse effect on the Corporation, its business, results from operations and financial condition".

Understanding and managing risks are important parts of YP's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YP, our Board and senior management analyze risks in three major categories:

1. Strategic risks - which are primarily external to the business;
2. Financial risks - generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and
3. Operational risks - related principally to risks across key functional areas of the organization.

YP has put in place certain guidelines in order to seek to manage the risks to which it may be exposed. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Except for the updated Work stoppages and other labour disturbances risk factor found below, our risks and uncertainties have not changed since the release of our MD&A for the years ended December 31, 2017 and 2016, except as described in the Forward-Looking Information section of this MD&A. For more information, please refer to the corresponding section in our MD&A for the years ended December 31, 2017 and 2016.

Work stoppages and other labour disturbances

Certain non-management employees of the Corporation are unionized. The Corporation currently has six union agreements, five of which have expired and one shall expire on March 31, 2019. The parties of three of the five expired agreements have begun negotiations of new agreements. With respect to one of these three, the Corporation declared a lock out of its Quebec sales representatives on September 10, 2018. If the Corporation is unable to renew the agreements with its unionized staff as they come up for renegotiation from time to time, it could result in additional work stoppages and other labour disturbances, which could have a material adverse effect on our business.

6. Controls and Procedures

As a public entity, we must take steps to ensure that material information regarding our reports filed or submitted under securities legislation fairly presents the financial information of YP. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures, as well as internal control over financial reporting.

Disclosure Controls and Procedures (DC&P)

The evaluation of the design and effectiveness of DC&P (as defined in National Instrument 52-109) was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They concluded that the Company's DC&P were effective, as at September 30, 2018.

Internal Control over Financial Reporting (ICFR)

The design and effectiveness of ICFR (as defined in National Instruments 52-109) were evaluated under the supervision of the President and Chief Executive Officer and Chief Financial Officer. Based on the evaluations, they concluded that the Company's ICFR was effective, as at September 30, 2018.

During the quarter beginning on July 1, 2018 and ended on September 30, 2018, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.