Annual Report

2017

YellowPages™

Table of Contents

Management's Discussion and Analysis 2

Independent Auditor's Report 45

Consolidated Statements of Financial Position 46

Consolidated Statements of Loss 47

Consolidated Statements of Comprehensive Loss 48

Consolidated Statements of Changes in Equity 49

Consolidated Statements of Cash Flows 50

Notes To The Consolidated Financial Statements 51-88

Message to Shareholders

Dear Shareholders,

Since becoming CEO of your company in mid-September, I have been impressed by the commitment and determination of my colleagues throughout the organization to create a great company. They and I have often discussed the characteristics of great companies, including delighting our customers at every opportunity, providing rewarding opportunities and careers for our employees, and, crucially, providing fair returns to our investors. Every day since September, we have worked hard to make the substantial changes to the company that are necessary to deliver sharply improved results, at as fast a pace of change as possible.

Among our highest priorities have been:

- **Aligning our spending with the realities of our current revenue.** We took an important step by significantly reducing our workforce in January 2018 and we have begun managing our other spending—both operating and capital—much more tightly.

- **Assembling a superb executive management team.** Our new team blends strong, successful experience in delivering turnaround results in our global industry with very capable existing talent and experience within the company.

- **Solidifying our capital structure.** In October 2017, we refinanced approximately $300 million of Senior Secured Notes and amended and restated our Asset Based Loan facility. As a result, we do not have any material debt maturities prior to 2022, providing time to strengthen our performance.

- **Laying the groundwork for profitable growth.** Among other steps, we have focused and accelerated our customer-oriented initiatives and begun a full assessment of our products and our partnerships.

- **Reviewing the strategic value of every part of our business.** We aim to deploy your capital only where there is a good expectation of superior returns.

Your new management team is committed to pleasing every customer, every day and to improving the company's financial performance, as quickly as possible.

Thank you for your continued support as we make progress in improving your company and delivering superior returns.

David A. Eckert

President and Chief Executive Officer

Management's Discussion and Analysis

February 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 years ended December 31, 2017 and 2016 and should be read in conjunction with our Audited Consolidated Financial Statements and accompanying notes for the years ended December 31, 2017 and 2016. Please also refer to Yellow Pages Limited's press release announcing its results for year ended December 31, 2017 issued on February 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: http://corporate.yp.ca. Press releases are available on SEDAR and under the "News – Press Releases" section of our corporate website.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the financial information herein was derived from those statements. 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), 9059-2114 Québec Inc. and ByTheOwner Inc. (the latter two collectively ComFree/DuProprio), Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively JUICE), and 9778748 Canada Inc. (Totem)).

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 February 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 new products and services that support our customer base and ARPC assumptions;
- 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:

- 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 attract, retain and upsell customers;
- 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;
- Failure by the Corporation to stabilize or grow its revenues and customer base;
- 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;
- Work stoppages and other labour disturbances;
- The Corporation's inability to attract and retain key personnel;
- 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;
- Declines in, or changes to, the real estate industry;
- 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, Impairment of Intangible Assets and Goodwill, and Restructuring and Other Charges (Adjusted EBITDA and Adjusted EBITDA Margin)

We report on our Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, 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 35 of this MD&A.

We define Adjusted EBITDA as revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of 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, or revenues less operating costs, as shown in Yellow Pages Limited's consolidated statements of loss, less additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows, net of lease incentives received, as reported in the Operating Activities section of the Company's 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 Section 1 – *Our Business and Customer Offerings* for a reconciliation of additions to intangible assets and property equipment net of lease incentives received to CAPEX.

Free cash flow

Free cash flow is a non-IFRS financial measure generally used as an indicator of financial performance. It should not be seen as a substitute for cash flows from operating activities. Free cash flow is defined as cash flows from operating activities presented in the Operating Activities section of the Company's consolidated statements of cash flows, less additions to intangible assets and additions to property and equipment as reported in the Investing Activities section of the Company's consolidated statements of cash flows. Free cash flow is not a standardized measure and is not comparable with that of other publicly traded companies. We consider free cash flow to be an important indicator of the performance of our business as it reflects the Company's ability to generate overall cash earnings and reflects the net cash generated available for debt repayment, acquisitions or other activities, such as share buybacks or dividends. We believe that certain investors and analysts use free cash flow to value a business and its underlying assets as well as to evaluate a company's performance. The most comparable IFRS financial measure is cash flows from operating activities. Please refer to Section 4 – *Free Cash Flow* for a reconciliation of cash flows from operating activities to free cash flow.

Net debt

Net debt 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 net debt as current portion of long-term debt plus long-term debt and exchangeable debentures, less cash, as presented in Yellow Pages Limited's consolidated statements of financial position. We consider net debt to be an important indicator of our financial leverage as it represents the amount of debt that is not covered by available cash. We believe that certain investors and analysts use net debt to determine a company's financial leverage. Net debt has no directly comparable IFRS financial measure; it is calculated using certain asset and liability categories from the consolidated statements of financial position. Please refer to Section 3 – *Liquidity and Capital Resources* for a reconciliation of long-term debt, net of cash, to net debt.

This MD&A is divided into the following sections:

1. Our Business and Customer Offerings
2. Results
3. Liquidity and Capital Resources
4. Free Cash Flow
5. Critical Assumptions
6. Risks and Uncertainties
7. 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 650 professionals offers our full suite of marketing solutions to local businesses across the country, while also supporting the evolving needs of its existing customer base of 229,000 SMEs. In addition, the Company continues to enhance its value proposition to local businesses by offering software as a service (SaaS) solutions and customer relationship management products. Yellow Pages offers restaurants a comprehensive solution which allows them to effectively manage reservations and orders, grow market visibility and boost customer loyalty through Bookenda's reservation management system, all at a competitive cost. The Company has an exclusive licensing agreement with MyTime to resell the solution in Canada. MyTime is a cloud-based, all-in-one commerce platform which includes online booking, automated marketing, point of sale and analytics for local businesses.

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 acquired in March 2016, facilitates the automatic buying and selling of mobile advertising between brands and publishers through Programmatic Direct and Real-Time Bidding platforms. Through Totem, Yellow Pages provides customized content creation and delivery for global brands. The Agency segment establishes Yellow Pages as a desktop and mobile national advertising agency.

The Company's Real Estate segment provides homeowners in Canada with media to sell their homes in a proven and cost-effective manner as well as publishes locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its ComFree/DuProprio (CFDP) and Yellow Pages NextHome subsidiaries. Via CFDP, the Company provides homeowners with media to sell their homes in a cost-effective manner, which positions Yellow Pages as a leader in the Canadian consumer-to-consumer real estate market, with approximately 20% of all real estate listings and sales in Quebec represented through CFDP. Various initiatives are being implemented to grow adoption of the platform in Ontario.

Yellow Pages Other segment offers a diversified portfolio of media properties to Canadian consumers, including the 411.ca digital directory service as well as magazines generating local lifestyle content specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

YP Media Properties

The Company's YP 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, real estate, dining and retail verticals. A description of the Company's existing digital media properties is found below:

- 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;
- RedFlagDeals.com™ – Canada's leading provider of online and mobile promotions, deals, coupons and shopping forums;
- 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;

- ComFree/DuProprio – 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;
- Yellow Pages NextHome – Provides Canadians with helpful information in making informed home buying, selling, and/or renting decisions. Digital properties operating under the Yellow Pages NextHome umbrella include YP NextHome Rent and YP NextHome New Construction; and
- 411.ca – A digital directory service to help users find and connect with people and local businesses.

Key Analytics

The long-term success of our digital-first business is dependent upon maintaining and growing our digital revenues and customer base and overall profitability. Key analytics for the year ended December 31, 2017 include:

- Digital Revenues – Consolidated digital revenues decreased 2.3% year-over-year and amounted to $543.0 million for the year ended December 31, 2017, representing 72.8% of consolidated revenues;
- Adjusted EBITDA – Adjusted EBITDA totalled $184.0 million, or 24.7% of revenues for the year ended December 31, 2017, relative to $235.2 million or 28.8% of revenues for the same period last year;
- Customer Count – The Company's customer count was 229,000 customers for the year ended December 31, 2017, as compared to 241,500 customers for same period last year. This represents a net customer count decline of 12,500 year-over-year, compared to 3,500 net customers lost during the same period last year;
- Total Digital Visits – Total digital visits (TDV) totalled 644.9 million for the year ended December 31, 2017, up from 464.8 million during the same period last year, attributable to Yellow Pages syndicating listings and content across its YP digital media properties and the Company's strong partnership network. TDV measures the number of visits made across the YP, YP Shopwise, YP Dine, RedFlagDeals, C411 and Bookenda online and mobile properties, as well as visits made across the properties of the Company's application syndication partners; and
- Adjusted EBITDA less CAPEX – Adjusted EBITDA less CAPEX amounted to $125.4 million for the year ended December 31, 2017 compared to $179.8 million for the year ended December 31, 2016.

Customer Analytics[1]

For the years ended December 31,		2017		2016
Customer count		**229,000**		241,500
Net new customers		**(12,500)**		(3,500)
Average Revenue per Customer (ARPC)	**$**	**2,488**	$	2,689

[1] *YP segment only.*

CAPEX

(In thousands of Canadian dollars)

For the three-month periods and years ended December 31,		2017		2016		2017		2016
Additions to intangible assets	**$**	**8,670**	$	10,740	**$**	**37,297**	$	50,787
Additions to property and equipment		**13,018**		9,296		**30,412**		12,719
Less lease incentives received		**(5,892)**		(7,605)		**(9,094)**		(8,145)
CAPEX	**$**	**15,796**	$	12,431	**$**	**58,615**	$	55,361

2. Results

This section provides an overview of our financial performance in 2017 compared to 2016 and 2015. 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 pages 2 and 3 of this MD&A and are important aspects which should be considered when analyzing our performance.

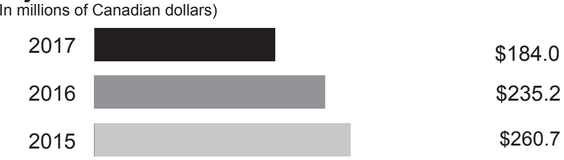
Highlights

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

For the years ended December 31,		2017		2016		2015
Revenues	**$**	**745,852**	$	817,979	$	829,771
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**$**	**183,985**	$	235,191	$	260,687
Adjusted EBITDA margin		**24.7%**		28.8%	$	31.4%
Impairment of intangible assets and goodwill	**$**	**507,032**	$	600,000	$	–
Net (loss) earnings	**$**	**(589,327)**	$	(403,705)	$	61,055
Basic (loss) earnings per share	**$**	**(22.32)**	$	(15.23)	$	2.29
CAPEX	**$**	**58,615**	$	55,361	$	75,421
Adjusted EBITDA less CAPEX	**$**	**125,370**	$	179,830	$	185,266
Cash flows from operating activities	**$**	**115,344**	$	158,113	$	197,566
Free cash flow	**$**	**47,635**	$	94,607	$	122,145

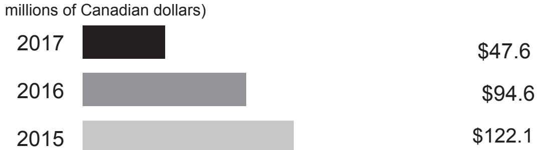
Revenues
(In millions of Canadian dollars)

Adjusted EBITDA
(In millions of Canadian dollars)



Adjusted EBITDA less CAPEX
(In millions of Canadian dollars)

Free Cash Flow
(In millions of Canadian dollars)



Consolidated Operating and Financial Results

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

For the years ended December 31,	2017	% of Revenues	2016	% of Revenues	2015	% of Revenues
Revenues	**$ 745,852**		$ 817,979		$ 829,771	
Cost of sales[1]	**352,528**	**47.3%**	357,821	43.7%	318,058	38.3%
Gross profit[1]	**393,324**	**52.7%**	460,158	56.3%	511,713	61.7%
Other operating costs	**209,339**	**28.1%**	224,967	27.5%	251,026	30.3%
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**183,985**	**24.7%**	235,191	28.8%	260,687	31.4%
Depreciation and amortization	**105,501**	**14.1%**	104,882	12.8%	80,837	9.7%
Impairment of intangible assets and goodwill	**507,032**	**68.0%**	600,000	73.4%	–	–
Restructuring and other charges	**34,400**	**4.6%**	22,961	2.8%	30,834	3.7%
(Loss) income from operations	**(462,948)**	**(62.1%)**	(492,652)	(60.2%)	149,016	18.0%
Financial charges, net	**48,150**	**6.5%**	56,130	6.9%	60,922	7.3%
Impairment of available-for-sale investments	**3,720**	**0.5%**	–	–	–	–
(Loss) earnings before income taxes and loss from investment in a jointly controlled entity	**(514,818)**	**(69.0%)**	(548,782)	(67.1%)	88,094	10.6%
Provision for (recovery of) income taxes	**72,405**	**9.7%**	(145,517)	(17.8%)	27,039	3.3%
Loss from investment in a jointly controlled entity	**2,104**	**0.3%**	440	0.1%	–	–
Net (loss) earnings	**$ (589,327)**	**(79.0%)**	$ (403,705)	(49.4%)	$ 61,055	7.4%
Basic (loss) earnings per share	**$ (22.32)**		$ (15.23)		$ 2.29	
Diluted (loss) earnings per share	**$ (22.32)**		$ (15.23)		$ 2.05	
Adjusted EBITDA less CAPEX	**$ 125,370**		$ 179,830		$ 185,266	

[1] *Prior year figures were restated to conform to the current year presentation.*

As at December 31,	2017	2016	2015
Total assets	**$ 529,914**	$ 1,099,937	$ 1,710,627
Long-term debt (including current portion, excluding exchangeable debentures)	**$ 309,113**	$ 310,028	$ 407,353
Exchangeable debentures	**$ 94,067**	$ 92,174	$ 90,478
Total long-term debt to total assets	**76.1%**	36.6%	29.1%

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.

The Real Estate segment provides homeowners in Canada with media and expertise to sell their homes as well as publishes locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its CFDP and Yellow Pages NextHome subsidiaries.

The Other segment offers a diversified portfolio of media properties to Canadian consumers, including the 411.ca digital directory service as well as local lifestyle magazines specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

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

Analysis of Consolidated and Segmented Operating and Financial Results

Fiscal year 2017 versus 2016

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	**2017**	2016	% Change
YP	**$ 587,194**	$ 657,822	(10.7%)
Print	**181,697**	238,756	(23.9%)
Digital	**405,497**	419,066	(3.2%)
Agency	**78,104**	74,524	4.8%
Print	**5,416**	1,000	441.6%
Digital	**72,688**	73,524	(1.1%)
Real Estate	**62,724**	66,415	(5.6%)
Print	**11,913**	18,319	(35.0%)
Digital	**50,811**	48,096	5.6%
Other	**22,555**	24,361	(7.4%)
Print	**3,924**	4,587	(14.5%)
Digital	**18,631**	19,774	(5.8%)
Intersegment eliminations	**(4,725)**	(5,143)	(8.1%)
Print	**(68)**	(455)	(85.1%)
Digital	**(4,657)**	(4,688)	(0.7%)
Total revenues	**745,852**	817,979	(8.8%)
Print	**202,882**	262,207	(22.6%)
Digital	**$ 542,970**	$ 555,772	(2.3%)

Operational Indicators

For the years ended December 31,	2017	2016
Digital-only customers[1]	**84,700**	76,800
Digital revenues (in thousands of Canadian dollars)	**$ 542,970**	$ 555,772
Digital revenues as a percentage of total revenues	**72.8%**	67.9%

1 *YP segment only.*

Total revenues for the year ended December 31, 2017 decreased by 8.8% year-over-year and amounted to $745.9 million as compared to $818.0 million for the same period last year. Total revenue decline for the year ended December 31, 2017 as compared to the same period in 2016 is due mainly to lower print revenues as well as digital revenue declines in all segments, with the exception of the Real Estate segment which gained 5.6% over 2016.

Total digital revenues decreased by 2.3% year-over-year and amounted to $543.0 million in 2017, or 72.8% of revenues. This compares to $555.8 million, or 67.9% of revenues, for the same period last year. Total digital revenue decline for the year ended December 31, 2017. For the year ended December 31, 2017, 83% of renewing customers maintained or increased their annual spending, as compared to 82% of customers over the same period last year.

Total print revenues decreased 22.6% year-over-year and amounted to $202.9 million in 2017, adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital among our customers.

Reportable Segments Revenues

YP

Customer Penetration

As at December 31,	2017	2016
Print	**63%**	68%
YP Digital Media[1]	**70%**	70%
Online priority placement	**60%**	61%
Mobile priority placement	**27%**	26%
Digital Services[2]	**11%**	10%

1 *Percentage of YP customers purchasing at least one Online Priority Placement, Mobile Priority Placement, NetSync, Content, Video, and/or Legacy product.*

2 *Percentage of YP customers purchasing at least one Website, Search Engine Optimization (SEO), Search Engine Marketing (SEM), Facebook Solution, and/or Smart Digital Display product.*

Revenues for the YP segment for the year ended December 31, 2017 totalled $587.2 million compared to $657.8 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower print revenues, with the decline rate stable year-over-year. The decline in digital revenues generated from our higher margin YP digital media products was partially offset by growth in digital services, which operate at a lower margin, thereby creating pressure on our gross profit margins.

Agency

Agency revenues for the year ended December 31, 2017 increased to $78.1 million as compared to $74.5 million for the same period last year. The increase in Agency revenues for the year ended December 31, 2017 is due to the inclusion of Totem, acquired in September 2016 as well as the inclusion of JUICE, acquired in March 2016, offset by pressure from insourcing within the national agency industry and weaker than expected penetration of large account opportunities in the U.S. market.

Real Estate

Revenues in the Real Estate segment amounted to $62.7 million for the year ended December 31, 2017 as compared to $66.4 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower print revenues from Yellow Pages NextHome.

Other

Other revenues remained amounted to $22.6 million for the year ended December 31, 2017 as compared to $24.4 million for the same period last year. The decline in Other revenues is to a loss of a reseller and turnover in the sales department.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2017	%		2016	%	% Change
YP	$	**343,395**	**58.5%**	$	401,529	61.0%	(14.5%)
Agency		**11,791**	**15.1%**		20,153	27.0%	(41.5%)
Real Estate		**28,815**	**45.9%**		28,460	42.9%	1.2%
Other		**9,818**	**43.5%**		11,257	46.2%	(12.8%)
Intersegment eliminations		**(495)**	**10.5%**		(1,241)	24.1%	(60.1%)
Total gross profit	$	**393,324**	**52.7%**	$	460,158	56.3%	(14.5%)

Gross profit decreased to $393.3 million, or 52.7% of total revenues, for the year ended December 31, 2017 compared to $460.2 million, or 56.3% of total revenues, for the same period last year. The decrease in gross profit for the year ended December 31, 2017 is primarily due to the decline in revenues in the YP segment, where the Company earns higher gross profit as a percentage of revenues relative to the Company's other segments, and a 12% decline in the Agency segment's gross profit as a percentage of revenues. The decline in gross profit as a percentage of revenue is mainly attributable to the fact that sales, delivery and support costs in the YP segment have been reduced at a slower rate than the decline in revenues due to shifts in product mix and declines in sales productivity, in addition to weak U.S. sales results in the Agency segment.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the year ended December 31, 2017 totalled $343.4 million, or 58.5% of revenues, compared to $401.5 million, or 61.0% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to a decline in sales productivity including a change in digital product mix toward lower priced, lower margin products and the continuing decline in print revenues.

Agency

Agency gross profit for the year ended December 31, 2017 amounted to $11.8 million, or 15.1% of revenues, as compared to $20.2 million, or 27.0% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 in Agency gross profit is due to weakness in the U.S. market for JUICE due to competitive challenges and a trend toward agency insourcing as well as a non-recurring contract termination fee incurred in the first quarter of 2017.

Real Estate

Gross profit for the Real Estate segment amounted to $28.8 million, or 45.9% of revenues, for the year ended December 31, 2017 as compared to $28.5 million, or 42.9% of revenues, for the same period last year. The increase for the year ended December 31, 2017 in both gross profit and gross profit margin is mainly due to cost saving initiatives at Yellow Pages NextHome as well as favourable product mix and revenue growth at CFDP.

Other

Gross profit for the Other segment totalled $9.8 million, or 43.5% of revenues, for the year ended December 31, 2017, as compared to $11.3 million, or 46.2% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 is due to lower sales and as a result, higher proportionate fixed cost of sales.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	2016	% Change
YP	**$ 160,554**	$ 176,154	(8.9%)
Agency	**16,502**	16,705	(1.2%)
Real Estate	**24,906**	25,107	(0.8%)
Other	**7,872**	8,242	(4.5%)
Intersegment eliminations	**(495)**	(1,241)	(60.1%)
Total other operating costs	**$ 209,339**	$ 224,967	(6.9%)

Other operating costs, which represent indirect costs, decreased 6.9% to $209.3 million in 2017, compared to $225.0 million in 2016. The decrease in total other operating costs for the year ended December 31, 2017 was due to cost reductions in employee related expenses, lower branding expenditures and cost optimizations in ISIT.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the year ended December 31, 2017 totalled $160.6 million as compared to $176.2 for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower employee related expenses, branding expenditures as well as cost optimizations in ISIT.

Agency

Other operating costs for the Agency segment decreased to $16.5 million for the year ended December 31, 2017 as compared to $16.7 million for the same period last year. The decrease in other operating costs for the year ended December 31, 2017 for the Agency segment is due primarily to lower employee related expenses, partially offset by the inclusion of Totem, acquired in September 2016 as well as the inclusion of JUICE, acquired in March 2016.

Real Estate

Other operating costs for the Real Estate segment were stable during the year ended December 31, 2017 as compared to the same period last year.

Other

Other operating costs for the Other segment remained relatively stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	%	2016	%	% Change
YP	**$ 182,841**	**31.1%**	$ 225,375	34.3%	(18.9%)
Agency	**(4,711)**	**(6.0%)**	3,448	4.6%	(236.6%)
Real Estate	**3,909**	**6.2%**	3,353	5.0%	16.6%
Other	**1,946**	**8.6%**	3,015	12.4%	(35.5%)
Total Adjusted EBITDA	**$ 183,985**	**24.7%**	$ 235,191	28.8%	(21.8%)

Adjusted EBITDA decreased by $51.2 million to $184.0 million during 2017, compared to $235.2 million during 2016. Our Adjusted EBITDA margin for 2017 was 24.7% compared to 28.8% for 2016. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 was mainly impacted by lower overall revenues and unfavourable changes in product mix in the YP segment, partly offset by cost saving initiatives.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2017 totalled $182.8 million compared to $225.4 million for the same period last year. The Adjusted EBITDA margin for the YP segment for 2017 was 31.1% compared to 34.3% for 2016. The decrease for the year ended December 31, 2017 is mainly due to lower overall revenues and unfavourable changes in product mix, including lower print revenues and an increase in the proportion of lower priced, lower margin services, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the year ended December 31, 2017 amounted to a loss of $4.7 million, or (6.0%) of revenues, as compared to income of $3.4 million, or 4.6% of revenues, for the same period last year. Agency Adjusted EBITDA for the year ended December 31, 2017 was negatively impacted by lower revenues due to competitive pressures, including a trend toward insourcing within the national agency industry and weaker pricing and penetration of large account opportunities in the U.S. market. Adjusted EBITDA for the year ended December 31, 2017 was further impacted by a non-recurring contract termination fee incurred during the first quarter of 2017.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to $3.9 million, or 6.2% of revenues, for the year ended December 31, 2017 as compared to $3.4 million, or 5.0% of revenues, for the same period last year. The increase for the year ended December 31, 2017 is mainly due to revenue growth at CFDP and cost saving initiatives mainly at Yellow Pages NextHome.

Other

Adjusted EBITDA for the Other segment for the year ended December 31, 2017, amounted to $1.9 million, or 8.6% of revenues, as compared to $3.0 million, or 12.4% of revenues, for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 is mainly due to lower revenues.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2017	2016	% Change
YP	**$ 129,760**	$ 174,852	(25.8%)
Adjusted EBITDA	**182,841**	225,375	(18.9%)
CAPEX	**53,081**	50,523	5.1%
Agency	**(6,749)**	1,213	(656.4%)
Adjusted EBITDA	**(4,711)**	3,448	(236.6%)
CAPEX	**2,038**	2,235	(8.8%)
Real Estate	**2,642**	2,070	27.6%
Adjusted EBITDA	**3,909**	3,353	16.6%
CAPEX	**1,267**	1,283	(1.2%)
Other	**(283)**	1,695	(116.7%)
Adjusted EBITDA	**1,946**	3,015	(35.5%)
CAPEX	**2,229**	1,320	68.9%
Total Adjusted EBITDA less CAPEX	**125,370**	179,830	(30.3%)
Adjusted EBITDA	**183,985**	235,191	(21.8%)
CAPEX	**$ 58,615**	$ 55,361	5.9%

Adjusted EBITDA less CAPEX decreased by $54.5 million to $125.4 million during 2017, compared to $179.8 million during 2016. The decrease in Adjusted EBITDA less CAPEX for the year ended December 31, 2017 was mainly impacted by lower Adjusted EBITDA as well as higher capital expenditures related primarily to leasehold improvements associated with office relocations.

Reportable Segments Adjusted EBITDA less CAPEX

YP

Adjusted EBITDA less CAPEX for the YP segment for the year ended December 31, 2017 totalled $129.8 million compared to $174.9 million for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to lower Adjusted EBITDA and increased capital expenditures in leasehold improvements associated with office relocations.

Agency

Agency Adjusted EBITDA less CAPEX for the year ended December 31, 2017 amounted to a loss of $6.7 million as compared to income of $1.2 million. Reduced capital expenditures during the year ended December 31, 2017 compared to the same period last year mitigated the Adjusted EBITDA shortfall in 2017 compared to 2016.

Real Estate

Adjusted EBITDA less CAPEX for the Real Estate segment amounted to $2.6 million for the year ended December 31, 2017 as compared to $2.1 million for the same period last year. The increase for the year ended December 31, 2017 is mainly due to higher Adjusted EBITDA. Capital expenditures remained stable year-over-year.

Other

Adjusted EBITDA less CAPEX for the Other segment for the year ended December 31, 2017, amounted to a loss of $0.3 million as compared to income of $1.7 million for the same period last year. The decrease in Adjusted EBITDA less CAPEX is mainly due to lower Adjusted EBITDA as well as increased capital expenditures during the year ended December 31, 2017 primarily comprised of leasehold improvements associated with an office relocation as compared to the same period last year.

Depreciation and Amortization

Depreciation and amortization remained relatively stable and amounted to $105.5 million during 2017 compared to $104.9 million in 2016.

Restructuring and Other Charges

In 2017, we recorded restructuring and other charges of $34.4 million associated primarily with lease contracts related to office closures, internal reorganizations and workforce reductions. In 2016, we recorded restructuring and other charges of $23.0 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with the acquisition of JUICE.

Impairment of Intangible Assets and Goodwill

In the context of its annual impairment testing during the fourth quarter of 2017 and as a result of a shortfall in revenues in the Yellow Pages and Other CGUs compared to previous estimates and uncertainty with regards to future long-term trends, the Company revised estimates of future cash flows to reflect recent historical trends as the basis. In conjunction, the Company recorded an impairment loss of $500 million in the Yellow Pages and Other CGUs as the carrying value of the Yellow Pages and Other CGUs exceeded their recoverable amount. The impairment loss was applied to trademarks and non-competition agreements of the Yellow Pages CGU and primarily to goodwill of the Other CGUs. During the fourth quarter of 2017, the Company also impaired $7 million of assets that were decommissioned, namely software.

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter of 2016 related to certain of our intangible assets, namely our trademarks and non-competition agreements.

The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Financial Charges

Financial charges decreased by $8.0 million to $48.2 million during 2017 compared to $56.1 million for 2016. The decrease is primarily due to a non-recurring charge in 2016 of $2.4 million related to a sales tax assessment associated with financing costs as well as a lower level of indebtedness, partially offset by the issuance of the $315 million principal amount 10.00% senior secured notes on October 19, 2017 and the repayment of the 9.25% senior secured notes on November 18, 2017, thereby the Company incurred interest on both sets of senior secured notes for a 30 day period. In addition, the $315 million principal amount senior secured notes accrue interest at a higher rate than the prior senior secured notes. The Company's effective average interest rate on our debt portfolio as at December 31, 2017 was 9.5% (2016 – 8.9%).

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% and 26.9% for the years ended December 31, 2017 and 2016, respectively. The Company recorded a provision for income taxes of $72.4 million during 2017, comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500 million on certain of its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $75 million during the fourth quarter of 2017. These expenses are non-cash items.

In comparison, the Company recorded a recovery of $145.5 million during 2016, comprised of a recovery of income taxes of $161 million associated with an impairment loss of $600 million on certain of its intangible assets recorded during the fourth quarter of 2016. The recovery of income taxes of $161 million is a non-cash item.

The Company recorded a provision for income taxes of (14.0%) on the loss for the year ended December 31, 2017 compared to 26.5% on the loss for the year ended December 31, 2016. The difference between the effective and the statutory rates in 2017 is mainly due to the reversal and the non-recognition of tax attributes and deductible temporary differences from the current and previous years. The difference between the effective and the statutory rates in 2016 is due to the non-deductibility of certain expenses for tax purposes.

Loss from Investment in a Jointly Controlled Entity

On September 29, 2017, 9778730 Canada Inc., which held 100% of Coupgon Inc., ceased operations and the net book value of the investment of $0.7 million was written off. The write-off is included in the loss from investment in a jointly controlled entity of $2.1 million for the year ended December 31, 2017. We recorded a loss from our investment in a jointly controlled entity of $0.4 million during the year ended December 31, 2016.

Net Loss

We recorded a net loss of $589.3 million during 2017 compared with a net loss of $403.7 million during 2016. The net loss for the years ended December 31, 2017 and 2016 is principally explained by an impairment of intangible assets and goodwill of $507 million and $600 million in 2017 and 2016, respectively. The net loss for the year ended December 31, 2017 was also impacted by the reversal of tax attributes and deductible temporary differences representing an income tax expense of $75 million.

Fiscal year 2016 versus 2015

Revenues

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	2015	% Change
YP	$ 657,822	$ 729,286	(9.8%)
Print	238,756	315,138	(24.2%)
Digital	419,066	414,148	1.2%
Agency	74,524	37,197	100.3%
Print	1,000	87	1,049.4%
Digital	73,524	37,110	98.1%
Real Estate	66,415	45,899	44.7%
Print	18,319	24,900	(26.4%)
Digital	48,096	20,999	129%
Other	24,361	22,894	6.4%
Print	4,587	3,470	32.2%
Digital	19,774	19,424	1.8%
Intersegment eliminations	(5,143)	(5,505)	(6.6%)
Print	(455)	(170)	167.6%
Digital	(4,688)	(5,335)	(12.1%)
Total revenues	817,979	829,771	(1.4%)
Print	262,207	343,425	(23.6%)
Digital	$ 555,772	$ 486,346	14.3%

Total revenues for the year ended December 31, 2016 decreased by 1.4% year-over-year and amounted to $818.0 million as compared to $829.8 million for the same period last year. Total revenue decline for the year ended December 31, 2016 as compared to the same period in 2015 is due mainly to lower print revenues. Included in revenues for the year ended December 31, 2016 were revenues generated from CFDP and JUICE, acquired on July 1, 2015 and March 17, 2016, respectively. On a pro forma basis, which adjusts revenues for the full inclusion of CFDP and JUICE in 2015 as well as for the full inclusion of JUICE during the first quarter of 2016, total revenues decreased 6.2% year-over-year.

Total digital revenues grew 14.3% year-over-year to reach $555.8 million in 2016, or 67.9% of revenues. This compares to $486.3 million, or 58.6% of revenues, for the same period in 2015. On a pro forma basis, digital revenues for the year ended December 31, 2016 increased approximately 5% year-over-year. For the years ended December 31, 2016 and 2015, 83% of renewing customers maintained or increased their annual spending.

Total print revenues decreased 23.6% year-over-year and amounted to $262.2 million in 2016, adversely impacted by a decline in the number of print customers and the transition of print marketing spending to digital.

Reportable Segments Revenues

YP

Revenues for the YP segment for the year ended December 31, 2016 totalled $657.8 million compared to $729.3 million for the same period the year prior. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues, which decreased 24.2% during the year ended December 31, 2016 and amounted to $238.9 million as compared to $315.1 million for the same period last year. Digital revenues increased by 1.2% during the year ended December 31, 2016 and amounted to $419.1 million as compared to $414.1 million for the year ended December 31, 2015.

Agency

Agency revenues for the year ended December 31, 2016 amounted to $74.5 million as compared to $37.2 million for the same period in 2015. The increase in Agency revenues for the year ended December 31, 2016 is due to the acquisitions of JUICE and Totem, acquired in March 2016 and September 2016, respectively.

Real Estate

Revenues in the Real Estate segment amounted to $66.4 million for the year ended December 31, 2016 as compared to $45.9 million for the same period in 2015. The increase for the year ended December 31, 2016 is due to the acquisition of CFDP on July 1, 2015.

Other

Other revenues amounted to $24.4 million for the year ended December 31, 2016 as compared to $22.9 million for the same period in 2015.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	%	2015	%	% Change
YP	$ 401,529	61.0%	$ 476,820	65.4%	(15.8%)
Agency	20,153	27.0%	6,177	16.6%	226.3%
Real Estate	28,460	42.9%	19,674	42.9%	44.7%
Other	11,257	46.2%	10,466	45.7%	7.6%
Intersegment eliminations	(1,241)	24.1%	(1,424)	25.9%	(12.9%)
Total gross profit	$ 460,158	56.3%	$ 511,713	61.7%	(10.1%)

Gross profit decreased to $460.2 million, or 56.3% of total revenues, for the year ended December 31, 2016 compared to $511.7 million, or 61.7% of total revenues, for the same period in 2015. The decrease for the year ended December 31, 2016 in gross profit and gross profit as a percentage of total revenues is primarily due to a change in product mix. For the year ended December 31, 2016, the gross profit margin was further impacted by the acquisitions of CFDP and JUICE, which operate at a lower gross profit margin.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the year ended December 31, 2016 totalled $401.5 million, or 61.0% of revenues, compared to $476.8 million, or 65.4% of revenues, for the same period in 2015. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues and a change in digital product mix toward lower margin products.

Agency

Agency gross profit for the year ended December 31, 2016 amounted to $20.2 million, or 27.0% of revenues, as compared to $6.2 million, or 16.6% of revenues, for the same period the year prior. The increase for the year ended December 31, 2016 in Agency gross profit is due to the acquisitions of JUICE on March 17, 2016 and Totem in September 2016.

Real Estate

Gross profit for the Real Estate segment amounted to $28.5 million, or 42.9% of revenues, for the year ended December 31, 2016 compared to $19.7 million, or 42.9% of revenues, for the same period in 2015. The increase in gross profit for the year ended December 31, 2016 is due to the acquisition of CFDP, acquired in July 2015.

Other

Gross profit for the Other segment remained relatively stable for the year ended December 31, 2016 and totalled $11.3 million, or 46.2% of revenues, as compared to $10.5 million, or 45.7% of revenues, for the year ended December 31, 2015.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,	2016	2015	% Change
YP	$ 176,154	$ 215,887	(18.4%)
Agency	16,705	10,295	62.3%
Real Estate	25,107	18,368	36.7%
Other	8,242	7,900	4.3%
Intersegment eliminations	(1,241)	(1,424)	(12.9%)
Total other operating costs	$ 224,967	$ 251,026	(10.4%)

Other operating costs, which represent indirect costs, decreased 10.4% to $225.0 million in 2016, compared to $251.0 million in 2015. The decrease in total other operating costs for the year ended December 31, 2016 was due to cost saving initiatives in the YP segment, net of increased costs associated with the inclusion of acquisitions in the Agency and Real Estate segments.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the year ended December 31, 2016 totalled $176.2 million as compared to $215.9 for the same period last year. The decrease for the year ended December 31, 2016 is mainly due to lower employee related expenses.

Agency

Other operating costs for the Agency segment for the year ended December 31, 2016 amounted to $16.7 million. This compares to $10.3 million for the same period in 2015. The increase in other operating costs for the year ended December 31, 2016 for the Agency segment is due primarily to the inclusion of JUICE, acquired in March 2016 as well as the inclusion of Totem, acquired in September 2016.

Real Estate

Other operating costs for the Real Estate segment totalled $25.1 million during the year ended December 31, 2016 as compared to $18.4 million for the same period the year prior. The increase is due to the inclusion of CFDP, acquired in July 2015.

Other

Other operating costs for the Other segment remained relatively stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the years ended December 31,		2016	%		2015	%	% Change
YP	$	225,375	34.3%	$	260,933	35.8%	(13.6%)
Agency		3,448	4.6%		(4,118)	(11.1%)	183.7%
Real Estate		3,353	5.0%		1,306	2.8%	156.7%
Other		3,015	12.4%		2,566	11.2%	17.5%
Total Adjusted EBITDA	$	235,191	28.8%	$	260,687	31.4%	(9.8%)

Adjusted EBITDA decreased by $25.5 million to $235.2 million during 2016, compared with a decline of $55.3 million to $260.7 million during 2015. This represents a year-over-year decline of 9.8% during 2016, as compared to a year-over-year decline of 17.5% the year prior. Our Adjusted EBITDA margin for 2016 was 28.8% compared to 31.4% for 2015. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2016 was mainly associated with lower print revenues and an increase in the mix of lower margin digital products in the YP segment, partly offset by cost saving initiatives. The decline in the Adjusted EBITDA margin was also impacted by the acquisitions of CFDP and JUICE, which operate at a lower Adjusted EBITDA margin relative to Yellow Pages prior to the acquisitions.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the year ended December 31, 2016 totalled $225.4 million compared to $260.9 million for the same period last year. The Adjusted EBITDA margin for the YP segment for 2016 was 34.3% compared to 35.8% for 2015. The decrease for the year ended December 31, 2016 is mainly due to lower print revenues and a shift in the mix of digital revenues toward lower price and lower margin products, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the year ended December 31, 2016 amounted to $3.4 million, or 4.6% of revenues, as compared to a loss of $4.1 million, or 11.1% of revenues, for the same period last year. Agency Adjusted EBITDA for the year ended December 31, 2016 was favourably impacted by higher revenues resulting from the acquisition of JUICE in March 2016.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to $3.4 million, or 5.0% of revenues, for the year ended December 31, 2016 as compared to $1.3 million, or 2.8% of revenues, for the same period last year. The increase for the year ended December 31, 2016 is due to the acquisition of CFDP in July 2015.

Other

Adjusted EBITDA for the Other segment amounted to $3.0 million, or 12.4% of revenues, for the year ended December 31, 2016 as compared to $2.6 million, or 11.2% of revenues, for the same period in 2015.

Depreciation and Amortization

Depreciation and amortization increased to $104.9 million during 2016 compared to $80.8 million in 2015. The increase is due to higher capital expenditures in connection with the deployment of systems and platforms as the Company implements its digital transformation as well as amortization of the intangible assets related to the acquisition of JUICE.

Impairment of Intangible Assets

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter related to certain of our intangible assets, namely our trademarks and non-competition agreements. The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Restructuring and Other charges

In 2016, we recorded restructuring and other charges of $23.0 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with business acquisitions. In 2015, we recorded restructuring and other charges of $30.8 million associated primarily with workforce reductions related to the corporate realignment, internal reorganizations, transaction costs associated with business acquisitions, and contract termination costs, partially offset by a curtailment gain related to workforce reductions.

Financial Charges

Financial charges decreased by $4.8 million to $56.1 million during 2016 compared to $60.9 million for 2015. The decrease is due to a lower level of indebtedness, partially offset by sales taxes resulting from the settlement of a sales tax assessment relating to financing costs and foreign currency losses. As at December 31, 2016, the effective average interest rate on our debt portfolio was 8.9% (2015 – 9%).

(Recovery of) Provision for Income Taxes

The combined statutory provincial and federal tax rates were 26.9% and 26.7% for the years ended December 31, 2016 and 2015, respectively. The Company recorded a recovery of $145.5 million during 2016, comprised of a recovery of income taxes of $161 million associated with an impairment loss of $600 million on certain of its intangible assets recorded during the fourth quarter of 2016. The recovery of income taxes of $161 million is a non-cash item. The Company recorded an income tax expense of $27,0 million in 2015. The Company recorded a recovery of 26.5% on the loss for the year ended December 31, 2016 compared to an expense of 30.7% on earnings for the year ended December 31, 2015.

The difference between the effective and the statutory rates in 2016 and 2015 is due to the non-deductibility of certain expenses for tax purposes.

Loss from Investment in a Jointly Controlled Entity

On October 3, 2016, we acquired a 50% ownership in 9778730 Canada Inc., which owns 100% of Coupgon Inc., a digital coupon solutions provider. We recorded a loss from our investment in a jointly controlled entity in the amount of $0.4 million during the year ended December 31, 2016.

Net (Loss) Earnings

We recorded a net loss of $403.7 million during 2016 as compared to net earnings of $61.1 million for 2015. The decrease for the year is principally explained by an impairment of our intangible assets of $600 million as well as lower Adjusted EBITDA and higher depreciation and amortization, mainly resulting from a higher level of capital expenditures in the context of the Company's digital evolution as well as amortization of intangible assets related to the acquisition of JUICE.

Summary of Consolidated Quarterly Results

Quarterly Results

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

				2017				2016
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	**$ 183,759**	$ 181,366	$ 191,219	$ 189,508	$ 202,723	$ 201,142	$ 210,487	$ 203,627
Operating costs	**136,846**	135,194	146,794	143,033	145,305	144,193	151,556	141,734
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges (Adjusted EBITDA)	**46,913**	46,172	44,425	46,475	57,418	56,949	58,931	61,893
Adjusted EBITDA margin	**25.5%**	25.5%	23.2%	24.5%	28.3%	28.3%	28.0%	30.4%
Depreciation and amortization	**24,386**	27,989	27,346	25,780	27,745	26,838	25,440	24,859
Impairment of intangible assets and goodwill	**507,032**	–	–	–	600,000	–	–	–
Restructuring and other charges	**17,552**	6,784	2,778	7,286	7,493	9,691	1,519	4,258
(Loss) income from operations	**(502,057)**	11,399	14,301	13,409	(577,820)	20,420	31,972	32,776
Financial charges, net	**14,622**	10,869	11,329	11,330	12,661	13,323	15,950	14,196
Net (loss) earnings	**(586,359)**	(4,446)	820	658	(431,583)	3,774	10,953	13,151
Basic (loss) earnings per share	**$ (22.33)**	$ (0.17)	$ 0.03	$ 0.02	$ (16.35)	$ 0.14	$ 0.41	$ 0.49
Diluted (loss) earnings per share	**$ (22.33)**	$ (0.17)	$ 0.03	$ 0.02	$ (16.35)	$ 0.14	$ 0.38	$ 0.45

Revenues have generally decreased throughout the quarters principally due to revenue declines in the YP segment associated with overall loss of customers, and declining average revenue per customer. Revenues were favourably impacted by the acquisition of JUICE on March 17, 2016, and by the acquisition of Totem commencing in the fourth quarter of 2016.

Operating costs over the quarters, with the exception of the third and fourth quarters of 2017, have remained relatively stable despite workforce reductions, cost saving initiatives and declining revenues due to the acquisition of JUICE on March 17, 2016, as well as changes in the sales mix toward products with higher proportionate delivery costs. Operating costs in the third and fourth quarters of 2017 decreased primarily from lower employee related expenses and branding expenditures, and cost optimizations in ISIT.

The Adjusted EBITDA margin declined starting in the second quarter of 2016 mainly as a result of the acquisition of JUICE and further declined in the first half of 2017 due primarily to declining revenues without proportionate declines in costs, including the impact of changes in sales mix to products with higher proportionate delivery costs. The Adjusted EBITDA margin improved in the third and fourth quarters of 2017 due to cost saving initiatives as well as lower variable compensation associated with lower revenues.

Depreciation and amortization expense in 2016 and 2017 were mainly associated with the deployment of platforms and applications. Amortization was further increased starting in the second quarter of 2016 due to the amortization of intangible assets related to the acquisition of JUICE. Subsequent to the impairment testing performed as at December 31, 2016, the Company revised the useful life of the non-competition agreements, which offset the expected decrease in the amortization of the non-competition agreements.

The Company's restructuring and other charges mainly relate to workforce optimization, lease contracts associated with office closures and acquisition activities.

Financial charges have steadily decreased over the quarters primarily due to a lower level of indebtedness. Financial charges in the fourth quarter of 2017 increased 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.

Our net losses for the fourth quarters of 2017 and 2016 were caused by impairment losses of $507 million and 600 million, respectively related to certain of our intangible assets and goodwill. 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.

Restructuring and Other Charges

(In thousands of Canadian dollars, except percentage information)

For the three-month periods and years ended December 31,	**2017**	2016	% Change	**2017**	2016	% Change
Severance, benefits and outplacement	**$ 3,574**	$ 6,699	(46.6%)	**$ 15,098**	$ 19,775	(23.7%)
Lease contracts associated with office closures	**13,555**	479	2,729.9%	**17,188**	1,360	1,163.8%
Transaction costs	**–**	103	(100%)	**601**	1,535	(60.8%)
Pension settlement costs and past service service costs (recovery), net	**557**	(43)	1,395.3%	**1,332**	(43)	3,197.7%
Other fees	**(134)**	255	(152.2%)	**181**	334	(45.8%)
Total restructuring and other charges	**$ 17,552**	$ 7,493	134.2%	**$ 34,400**	$ 22,961	49.8%

Restructuring and other charges for the three-month period and year ended December 31, 2017 amounted to $17.6 million and $34.4 million, respectively and was comprised primarily of lease contracts associated with office closures as well as internal reorganizations and workforce reductions. During the three-month period and year ended December 31, 2016, the Company recorded restructuring and other charges of $7.5 million and $23.0 million, mainly comprised of internal reorganizations and workforce reductions as well as transaction costs associated with business acquisitions.

On January 16, 2018, Yellow Pages announced that it had taken a significant step in its program to reduce spending to drive improvement in its key operating measure of Adjusted EBITDA less CAPEX by reducing its workforce by approximately 500 positions across Canada and in all functions of the organization. This represented a reduction of approximately 18% of its workforce on a consolidated basis. The Company announced that it expects to record a restructuring charge of approximately $17 million in the first quarter ending March 31, 2018 associated with this workforce reduction.

ANALYSIS OF FOURTH QUARTER 2017 RESULTS

Revenues

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	2016	% Change
YP	**$ 139,748**	$ 157,817	(11.4%)
Print	**42,070**	53,274	(21.0%)
Digital	**97,678**	104,543	(6.6%)
Agency	**27,164**	26,457	2.7%
Print	**1,105**	989	11.7%
Digital	**26,059**	25,468	2.3%
Real Estate	**13,027**	13,751	(5.3%)
Print	**2,436**	4,125	(40.9%)
Digital	**10,591**	9,626	10.0%
Other	**5,597**	6,191	(9.6%)
Print	**1,136**	1,240	(8.4%)
Digital	**4,461**	4,951	(9.9%)
Intersegment eliminations	**(1,777)**	(1,493)	19.0%
Print	**(16)**	(28)	(42.9%)
Digital	**(1,761)**	(1,465)	20.2%
Total revenues	**183,759**	202,723	(9.4%)
Print	**46,731**	59,600	(21.6%)
Digital	**$ 137,028**	$ 143,123	(4.3%)

Total revenues for the three-month period ended December 31, 2017 of $183.8 million decreased by 9.4% year-over-year relative to $202.7 million for the same period last year. The total revenue decline for the three-month period ended December 31, 2017 as compared to the same period in 2016 is due mainly to lower print revenues in the YP segment.

Total digital revenues decreased by 4.3% year-over-year and amounted to $137.0 million for the fourth quarter ended December 31, 2017, or 74.6% of total revenues. This compares to $143.1 million, or 70.6% of revenues, for the same period last year. Total digital revenue decline for the three-month ended December 31, 2017 is mainly attributable to the YP segment.

Total print revenues of $46.7 million decreased 21.6% during the fourth quarter 2017 due to a declining number of print customers and the transition of print marketing spending to digital among our customers.

Reportable Segments Revenues

YP

Revenues for the YP segment for the three-month period ended December 31, 2017 totalled $139.7 million compared to $157.8 million for the same period the year prior. The decrease for the three-month period ended December 31, 2017 is mainly due to lower print revenues, with the decline rate stable year-over-year. The decline in digital revenues generated from our higher margin YP digital media products was partially offset by growth in digital services, which operate at a lower margin, thereby creating pressure on our gross profit margins.

Agency

Agency revenues for the quarter ended December 31, 2017 increased to $27.2 million compared to $26.5 million for the same period last year due to growth at JUICE.

Real Estate

Revenues in the Real Estate segment amounted to $13.0 million for the fourth quarter ended December 31, 2017 as compared to $13.8 million for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower print revenues at Yellow Pages NextHome, partially offset by growth at CFDP.

Other

Other revenues for the fourth quarter ended December 31, 2017 amounted to $5.6 million as compared to $6.2 million for the same period last year. The decrease is mainly due to the loss of a reseller and turnover in the sales department.

Gross Profit

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,		**2017**	**%**		2016	%	% Change
YP	**$**	**84,111**	**60.2%**	$	94,923	60.1%	(11.4%)
Agency		**3,509**	**12.9%**		6,567	24.8%	(46.6%)
Real Estate		**5,127**	**39.4%**		5,724	41.6%	(10.4%)
Other		**2,648**	**47.3%**		2,880	46.5%	(8.1%)
Intersegment eliminations		**(174)**	**9.8%**		(63)	4.2%	176.2%
Total gross profit	**$**	**95,221**	**51.8%**	$	110,031	54.3%	(13.5%)

Gross profit decreased to $95.2 million, or 51.8% of total revenues, for the three-month period ended December 31, 2017 compared to $110.0 million, or 54.3% of total revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 in gross profit and gross profit as a percentage of total revenues is primarily due to pressure on gross profit margins in the Agency segment resulting from increased competition, particularly in the U.S. market, and a trend toward insourcing within the national agency industry.

Reportable Segments Gross Profit

YP

Gross profit for the YP segment for the three-month period ended December 31, 2017 totalled $84.1 million, or 60.2% of revenues, compared to $94.9 million, or 60.1% of revenues, for the same period last year. The stability in gross profit as a percentage of revenues is mainly due to cost saving initiatives to offset the impact of a change in sales mix toward lower margin products.

Agency

Agency gross profit for the three-month period ended December 31, 2017 amounted to $3.5 million, or 12.9% of revenues, as compared to $6.6 million, or 24.8% of revenues, for the same period last year. The decrease for the fourth quarter ended December 31, 2017 in Agency gross profit is due to competitive pricing pressures, particularly in the U.S. market, and a trend toward insourcing within the national agency industry.

Real Estate

Gross profit for the Real Estate segment amounted to $5.1 million, or 39.4% of revenues, for the three-month period ended December 31, 2017 as compared to $5.7 million, or 41.6% of revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 in gross profit is due to lower revenues in Yellow Pages NextHome, and the decrease in gross profit margin for the fourth quarter of 2017 is due to product and regional mix at CFDP.

Other

Gross profit for the Other segment totalled $2.6 million, or 47.3% of revenues, for the three-month period ended December 31, 2017, as compared to $2.9 million, or 46.5% of revenues, for the same period last year.

Other Operating Costs

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	2016	% Change
YP	**$ 37,973**	$ 40,119	(5.3%)
Agency	**2,558**	4,931	(48.1%)
Real Estate	**6,016**	5,686	5.8%
Other	**1,935**	1,940	(0.3%)
Intersegment eliminations	**(174)**	(63)	176.2%
Total other operating costs	**$ 48,308**	$ 52,613	(8.2%)

Other operating costs, which represent indirect costs, decreased 8.2% to $48.3 million for the fourth quarter ended December 31, 2017, compared to $52.6 million in 2016. The decrease in total other operating costs for the three-month period ended December 31, 2017 was due to lower branding and employee related expenses.

Reportable Segments Other Operating Costs

YP

Other operating costs for the YP segment for the three-month period ended December 31, 2017 totalled $38.0 million as compared to $40.1 for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower branding and employee related expenses.

Agency

Other operating costs for the Agency segment for the three-month period ended December 31, 2017 amounted to $2.6 million. This compares to $4.9 million for the same period last year. The decrease in other operating costs for the three-month period ended December 31, 2017 for the Agency segment is due primarily to lower employee related expenses.

Real Estate

Other operating costs for the Real Estate segment remained relatively stable year-over-year amounting to $6.0 million during the fourth quarter ended December 31, 2017 as compared to $5.7 million for the same period last year.

Other

Other operating costs for the Other segment remained stable year-over-year as compared to the same period last year.

Adjusted EBITDA

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	2017	%	2016	%	% Change
YP	**$ 46,138**	**33.0%**	$ 54,804	34.7%	(15.8%)
Agency	**951**	**3.5%**	1,636	6.2%	(41.9%)
Real Estate	**(889)**	**(6.8%)**	38	0.3%	(2,439.5%)
Other	**713**	**12.7%**	940	15.2%	(24.1%)
Total Adjusted EBITDA	**$ 46,913**	**25.5%**	$ 57,418	28.3%	(18.3%)

Adjusted EBITDA decreased by $10.5 million to $46.9 million during the fourth quarter ended December 31, 2017, compared to $57.4 million during the same period last year. Our Adjusted EBITDA margin for the fourth quarter of 2017 was 25.5% compared to 28.3% for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the three-month period ended December 31, 2017 was mainly impacted by lower overall revenues and unfavourable changes in product mix, partly offset by cost saving initiatives in the YP segment.

Reportable Segments Adjusted EBITDA

YP

Adjusted EBITDA for the YP segment for the three-month period ended December 31, 2017 totalled $46.1 million, or 33% of revenues, compared to $54.8 million, or 34.7% of revenues, for the same period last year. The decrease for the year ended December 31, 2017 is mainly due to a change in product mix and lower print revenues, partially offset by cost saving initiatives.

Agency

Agency Adjusted EBITDA for the three-month period ended December 31, 2017 amounted to $1.0 million, or 3.5% of revenues, as compared to $1.6 million, or 6.2% of revenues, for the same period last year. Agency Adjusted EBITDA for the three-month period ended December 31, 2017 relative to the same period in 2016 was due to a decline in gross margin, partially mitigated by lower employee related expenses.

Real Estate

Adjusted EBITDA for the Real Estate segment amounted to a loss of $0.9 million, or (6.8%) of revenues, for the three-month period ended December 31, 2017 as compared to $38 thousand, or 0.3% of revenues, for the same period last year. The decrease for the three-month period ended December 31, 2017 is mainly due to lower revenues at Yellow Pages NextHome, partly offset by cost saving initiatives.

Other

Adjusted EBITDA for the Other segment for the three-month period ended December 31, 2017, amounted to $0.7 million, or 12.7% of revenues as compared to $0.9 million, or 15.2% of revenues, for the same period last year. The decrease in Adjusted EBITDA and Adjusted EBITDA margin for the year ended December 31, 2017 is mainly due to lower revenues.

Adjusted EBITDA less CAPEX

(In thousands of Canadian dollars, except percentage information)

For the three-month periods ended December 31,	**2017**	2016	% Change
YP	**$ 31,010**	$ 43,736	(29.1%)
Adjusted EBITDA	**46,138**	54,804	(15.8%)
CAPEX	**15,128**	11,068	36.7%
Agency	**996**	1,169	(14.8%)
Adjusted EBITDA	**951**	1,636	(41.9%)
CAPEX	**(45)**	467	(109.6%)
Real Estate	**(1,543)**	(629)	(145.3%)
Adjusted EBITDA	**(889)**	38	(2,439.5%)
CAPEX	**654**	667	(1.9%)
Other	**654**	711	(8.0%)
Adjusted EBITDA	**713**	940	(24.1%)
CAPEX	**59**	229	(74.2%)
Total Adjusted EBITDA less CAPEX	**31,117**	44,987	(30.8%)
Adjusted EBITDA	**46,913**	57,418	(18.3%)
CAPEX	**$ 15,796**	$ 12,431	27.1%

Adjusted EBITDA less CAPEX decreased by $13.9 million to $31.1 million during the fourth quarter of 2017, compared to $45.0 million during the same period in 2016. The decrease in Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2017 was mainly impacted by lower Adjusted EBITDA as well as higher capital expenditures related primarily to 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 December 31, 2017 totalled $31.0 million compared to $43.7 million for the same period last year. The decrease for the fourth quarter ended December 31, 2017 is mainly due to lower Adjusted EBITDA and increased capital expenditures in leasehold improvements associated with office relocations.

Agency

Agency Adjusted EBITDA less CAPEX for the three-month period ended December 31, 2017 amounted to $1.0 million as compared to $1.2 million for the same period last year. Reduced capital expenditures during the three-month period ended December 31, 2017 compared to the same period last year mitigated the Adjusted EBITDA shortfall for the fourth quarter ended December 31, 2017 compared to the fourth quarter ended December 31, 2016.

Real Estate

Adjusted EBITDA less CAPEX for the Real Estate segment amounted to a loss of $1.5 million for the three-month period ended December 31, 2017 as compared to a loss of $0.6 million for the same period last year. The decrease for the fourth quarter ended December 31, 2017 is mainly due to lower Adjusted EBITDA. Capital expenditures remained stable for the fourth quarter ended December 31, 2017 compared to the same period last year.

Other

Adjusted EBITDA less CAPEX for the Other segment remained stable and amounted to $0.7 million for the three-month periods ended December 31, 2017 and 2016.

Depreciation and Amortization

Depreciation and amortization amounted to $24.4 million during the fourth quarter of 2017 compared to $27.7 million during the fourth quarter in 2016. The charge for the three-month period ended December 31, 2017 is primarily associated with capital expenditures for the deployment of systems and platforms and leasehold improvements in association with office moves as well as amortization of the intangible assets related to the acquisition of JUICE. In addition, subsequent to the impairment testing performed as at December 31, 2016, we revised the useful life of the non-competition agreements to reflect the revised period over which benefits were expected to be incurred. As a result, the expected decrease in the amortization of the non-competition agreements resulting from the impairment charge taken in 2016 was offset by the impact of the shortened useful life.

Impairment of Intangible Assets and Goodwill

In the context of its annual impairment testing during the fourth quarter of 2017 and as a result of a shortfall in revenues in the Yellow Pages and Other CGUs compared to previous estimates and uncertainty with regards to future long-term trends, the Company revised estimates of future cash flows to reflect recent historical trends as the basis. In conjunction, the Company recorded an impairment loss of $500 million in the Yellow Pages and Other CGUs as the carrying value of the Yellow Pages and Other CGUs exceeded their recoverable amount. The impairment loss was applied to trademarks and non-competition agreements of the Yellow Pages CGU and primarily to goodwill of the Other CGUS. During the fourth quarter of 2017, the Company also impaired $7 million of assets that were decommissioned, namely software.

In the context of its annual impairment testing and as a result of a marked acceleration in an unfavourable change in the product mix during the fourth quarter of 2016 in the Yellow Pages CGU, the Company determined that the recoverability of certain of its assets had to be reviewed for impairment purposes. Consequently, we recorded an impairment loss of $600 million during the fourth quarter of 2016 related to certain of our intangible assets, namely our trademarks and non-competition agreements.

The impairment charge is a non-cash item and does not affect the Company's debt covenants.

Restructuring and Other charges

During the fourth quarter of 2017, we recorded restructuring and other charges of $17.6 million associated primarily with lease contracts related to office closures, internal reorganizations and workforce reductions. During the fourth quarter of 2016, we recorded restructuring and other charges of $7.5 million associated primarily with internal reorganizations and workforce reductions, as well as transaction costs associated with business acquisitions.

Financial Charges

Financial charges increased by $2.0 million to $14.6 million during the fourth quarter of 2017 compared to $12.7 million for the same period in 2016. The increase is due to the issuance of $315 million principal amount 10.00% senior secured notes on October 19, 2017. The Company used the net proceeds from the sale of the 10.00% senior secured notes to redeem on November 18, 2017 all of its 9.25% senior secured notes due November 30, 2018.

Provision for (Recovery of) Income Taxes

The combined statutory provincial and federal tax rates were 26.8% and 26.9% for the three-month periods ended December 31, 2017 and 2016, respectively. During the fourth quarter of 2017, the Company recorded a provision for income taxes of $69.4 million comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500 million on its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $75 million during the fourth quarter of 2017. These expenses are non-cash items.

In comparison, the Company recorded a recovery of income taxes of $159.3 million during the fourth quarter of 2016, comprised of a recovery of $161 million associated with the impairment loss of $600 million on certain of its intangible assets. The recovery of income taxes of $161 million is a non-cash item.

The difference between the effective and the statutory rates for the fourth quarter of 2017 is mainly due to the reversal and the non-recognition of tax attributes and deductible temporary differences from the current and previous years. The difference between the effective and the statutory rates for the fourth quarter of 2016 is due to the non-deductibility of certain expenses for tax purposes.

Loss from Investment in a Jointly Controlled Entity

On September 29, 2017, 9778730 Canada Inc., which held 100% of Coupgon Inc., ceased operations and the net book value of the investment of $0.7 million was written off. We recorded a loss from our investment in an associate in the amount of $0.3 million during the fourth quarter of 2017 related to closure costs. We recorded a loss from our investment in a jointly controlled entity in the amount of $0.4 million during the fourth quarter of 2016.

Net loss

We recorded net losses of $586.4 million and $431.6 million during the fourth quarters of 2017 and 2016, respectively. The net losses for the fourth quarter of 2017 and 2016 were due to charges of $507 million and $600 million in the fourth quarter of 2017 and 2016, respectively, related to the impairment of intangible assets and goodwill. The net loss for the three-month period ended December 31, 2017 was also impacted by the reversal of tax attributes and deductible temporary differences representing an income tax expense of $75 million.

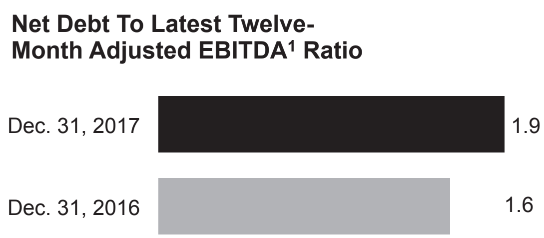
3. Liquidity and Capital Resources

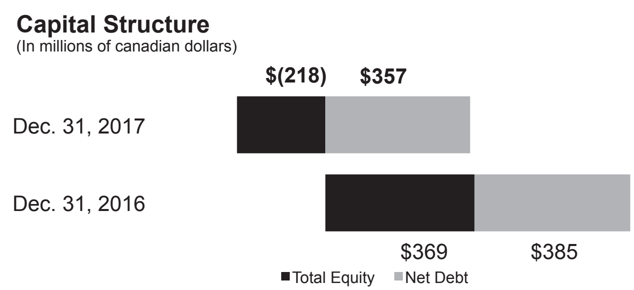
This section examines the Company's capital structure, sources of liquidity and various financial instruments including its debt instruments.

Capital Structure

(In thousands of Canadian dollars, except percentage information)

As at December 31,		2017		2016
Cash	$	**46,405**	$	17,260
10.00% senior secured notes	$	**308,898**	$	–
9.25% senior secured notes		**–**		309,669
Exchangeable debentures		**94,067**		92,174
Obligations under finance leases		**215**		359
Net debt	$	**356,775**	$	384,942
Equity		**(218,796)**		368,904
Total capitalization	$	**137,979**	$	753,846
Net debt to total capitalization		**258.6%**		51.1%





As at December 31, 2017, Yellow Pages had $356.8 million of net debt, compared to $384.9 million as at December 31, 2016.

The net debt to Latest Twelve-Month Adjusted EBITDA[1] ratio as at December 31, 2017 was 1.9 times compared to 1.6 times as at December 31, 2016. The increase is mainly due to lower Adjusted EBITDA.

[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 pages 2 and 3 for a definition of Adjusted EBITDA.*

Asset-Based Loan

In August 2013, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, entered into a five-year $50 million asset-based loan (ABL) expiring in August 2018. 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 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at December 31, 2017, the Company had $6.4 million of letters of credit issued and outstanding under the ABL. As such, $43.6 million of the ABL was available as at December 31, 2017. As at December 31, 2017, the Company was in compliance with all covenants under the loan agreement governing the ABL.

On October 19, 2017, the Company entered into an Amended and Restated Loan and Security Agreement to extend the term of the ABL to August 2022 as well as reduce certain rates and fees.

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 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 million on the last day of the mandatory redemption period. The Company is required to use 75% of its consolidated Excess Cash Flow to redeem the New Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is 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.

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 December 31, 2017, the Company was in compliance with all covenants under the indenture governing the New Notes.

9.25% Senior Secured Notes

On December 20, 2012, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $800 million of 9.25% senior secured notes (the Senior Secured Notes) maturing November 30, 2018. Interest on the Senior Secured Notes was payable in cash, quarterly in arrears, in equal instalments on the last day of February, May, August and November of each year. The Company used the net proceeds from the sale of the New Notes to redeem on November 18, 2017 all of its Senior Secured Notes due November 30, 2018, including accrued and unpaid interest up to but excluding the redemption date. The total redemption price was $1,020.2986 for each $1,000 principal amount of Senior Secured Notes, including interest of $20.2986.

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 December 31, 2017 and 2016, the face value of the Exchangeable Debentures was $107.1 million. As at December 31, 2017, the value of the Exchangeable Debentures less unaccreted interest was $94.1 million compared to $92.2 million as at December 31, 2016.

Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if, for the applicable interest period, it is paid in cash or 12% 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 December 31, 2017, 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 February 7, 2018, the Company had approximately $52.8 million of cash and $43.8 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. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan.

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	February 7, 2018	December 31, 2017	December 31, 2016
Common shares outstanding	28,075,308	28,075,306	28,075,304
Exchangeable Debentures outstanding[1]	5,624,422	5,624,422	5,624,422
Common share purchase warrants outstanding	2,995,484	2,995,486	2,995,488
Stock options outstanding[2]	1,021,450	1,024,550	630,950

1 *As at February 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 1,021,450 and 1,024,550 as at February 7, 2018 and December 31, 2017, respectively, are 281,325 stock options exercisable as at those dates. Included in the stock options outstanding balance of 630,950 as at December 31, 2016 are 186,550 stock options exercisable as at that date.*

Contractual Obligations and Other Commitments

Contractual obligations

(in thousands of Canadian dollars)

	Total	1 year	2 – 3 years	4 – 5 years	After 5 years
		Payments due for the years following December 31, 2017			
Long-term debt[1,2]	$ 315,000	$ 54,800	$ –	$ 260,200	$ –
Obligations under finance leases	215	139	76	–	–
Exchangeable Debentures[1]	107,089	–	–	107,089	–
Operating leases	236,978	14,336	31,714	28,921	162,007
Other	47,420	24,981	16,155	3,967	2,317
Total contractual obligations	**$ 706,702**	$ 94,256	$ 47,945	$ 400,177	$ 164,324

1 *Principal amount.*

2 *The repayment of the New Notes may vary subject to the Excess Cash Flow under the indenture governing the New Notes as well as the minimum cash balance requirement on the last day of the mandatory redemption period under the indenture governing the New Notes.*

Obligations under finance leases

We enter into finance lease agreements for office equipment and software. As at December 31, 2017, minimum payments under these finance leases up to 2019 totalled $0.2 million.

Operating leases

We rent our premises and office equipment under various operating leases. As at December 31, 2017, minimum payments under these operating leases up to 2034 totalled $237.0 million and include anticipated net obligations associated with vacated premises that have been recognized in restructuring.

Purchase obligations

We use the services of outside suppliers to distribute and print our directories and have entered into long-term agreements with a number of these suppliers. These agreements expire between 2017 and 2038. We also have purchase obligations under service contracts for both operating and capital expenditures. As at December 31, 2017, we have an obligation to purchase services for $47.4 million over the next five years and thereafter. Cash from operations will be used to fund these purchase obligations.

Pension Obligations

YP sponsors a pension plan registered with the Canada Revenue Agency and the Financial Services Commission of Ontario with defined benefit (DB) for employees hired prior to January 1, 2006, and defined contribution (DC) components for the non-Québec based employees hired on or after January 1, 2006 (the YP Pension Plan) as well as a DC plan registered with the Régie des Rentes du Québec (the YP Québec Plan), for the Québec based employees hired on or after January 1, 2006. Both plans together cover substantially all employees of the Company.

As at December 31, 2017, the DB component of the YP Pension Plan's assets totalled $505.2 million and were invested in a diversified portfolio of Canadian fixed income securities and Canadian and international equity securities. Its rate of return on assets was 9.5% for 2017, 0.7% above our benchmark portfolio.

The most recent actuarial valuation of the defined benefit component of the YP Pension Plan for funding purposes was performed as at March 31, 2017. The March 2017 valuation resulted in a solvency deficit of $50.0 million to be funded over a five-year period. The next actuarial valuation will be as at March 31, 2020.

In 2017, the Company made annual contributions equivalent to the current service cost (the Annual Employer Cost) of $25.0 million, including $12.3 million to fund the deficit. Total cash payments are expected to amount to $17.8 million for 2018, of which $6.9 million will be to fund the deficit.

Sources and Uses of Cash

(In thousands of Canadian dollars)

For the years ended December 31,		2017		2016
Cash flows from operating activities				
Cash flows from operations, excluding change in operating assets and liabilities	**$**	**133,186**	$	167,547
Change in operating assets and liabilities		**(17,842)**		(9,434)
	$	**115,344**	$	158,113
Cash flows used in investing activities				
Additions to intangible assets	**$**	**(37,297)**	$	(50,787)
Additions to property and equipment		**(30,412)**		(12,719)
Purchase of available-for-sale investments		**(5,452)**		(50)
Business acquisitions		**(400)**		(35,271)
Investment in a jointly controlled entity		**(680)**		(1,597)
	$	**(74,241)**	$	(100,424)
Cash flows used in financing activities				
Issuance of long-term debt, net of discount	**$**	**308,700**	$	–
Repayment of long-term debt		**(309,813)**		(97,325)
Debt issuance costs		**(7,716)**		–
Purchase of restricted shares		**(3,129)**		(10,472)
Issuance of common shares upon exercise of stock options		**–**		115
	$	**(11,958)**	$	(107,682)
NET INCREASE (DECREASE) IN CASH	**$**	**29,145**	$	(49,993)
CASH, BEGINNING OF YEAR		**17,260**		67,253
CASH, END OF YEAR	**$**	**46,405**	$	17,260

Cash flows from operating activities

Cash flows from operations, excluding change in operating assets and liabilities

Cash flows from operations decreased by $34.4 million from $167.5 million for the year ended December 31, 2016 to $133.2 million for the same period in 2017. Cash flows from operations in 2017 were impacted by lower cash Adjusted EBITDA of $57.8 million, partially offset by lower payments for restructuring and other charges and lower interest paid.

Change in operating assets and liabilities

The change in operating assets and liabilities for the year ended December 31, 2017 generated an outflow of $17.8 million compared to $9.4 million for the same period last year. The outflow for the year ended December 31, 2017 was due principally to a higher level of trade receivables and accounts payable as well as the payment of annual variable incentive compensation provisioned for as at December 31, 2016, partially offset by the variable incentive compensation for the year ended December 31, 2017. The outflow for the year ended December 31, 2016 was due to a higher level of trade receivables associated primarily with longer collection cycles in the national advertising industry, lower deferred revenues mainly due to declining revenues, and a decrease in trade payables, partially offset by the receipt of a settlement of sales tax assessments of $16.6 million.

Cash flows used in investing activities

Cash used in investing activities amounted to $74.2 million for the year ended December 31, 2017 compared with $100.4 million for the same period last year. During the year ended December 31, 2017, we invested in software development in the amount of $37.3 million and office and computer equipment and leasehold improvements associated with office relocations in the amount of $30.4 million. During the year ended December 31, 2016, we invested $50.8 million in software development and $12.7 million in office and computer equipment and leasehold improvements. Capital expenditures incurred during the year ended December 31, 2016 and 2017 are related to investments required to maintain the integrity of our infrastructure as well as the development and implementation of new technologies and software. During the year ended December 31, 2017, we acquired a minority share in Melian Labs, Inc., which operates a cloud-based local commerce platform called MyTime, for $5.4 million. During the first quarter of 2016, we acquired the net assets of JUICE for a purchase price of $35.3 million.

Cash flows used in financing activities

Cash used in financing activities amounted to $12.0 million for the year ended December 31, 2017 compared to $107.7 million for the same period last year. During the year ended December 31, 2017, we issued $308.7 million of New Notes, net of a discount of $6.3 million. We used the net proceeds from the sale of the New Notes to redeem all of our 9.25% Senior Secured Notes that were due to mature November 30, 2018. The total repayments of the 9.25% Senior Secured Notes for 2017 amounted to $309.7 million of the Senior Secured Notes compared to $97.1 million during the same period last year. During the year ended December 31, 2017, we 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 as compared to $10.5 million for the same period last year.

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, trade and other receivables, trade and other payables, long-term debt and Exchangeable Debentures.

There is no carrying value of embedded derivatives as at December 31, 2017. The carrying value is calculated, as is customary in the industry, using discounted cash flows based on quarter-end market rates.

4. Free Cash Flow

(In thousands of Canadian dollars)

For the three-month periods and years ended December 31,	**2017**	2016	**2017**	2016
Cash flows from operating activities	**$ 27,544**	$ 27,874	**$ 115,344**	$ 158,113
Capital expenditures	**(21,688)**	(20,036)	**(67,709)**	(63,506)
Free cash flow	**$ 5,856**	$ 7,838	**$ 47,635**	$ 94,607

5. Critical Assumptions and Estimates

When we prepare our 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.

In this section, we provide detailed information on these important estimates and assumptions which are under continuous evaluation by the Company.

Intangible assets, goodwill and property and equipment

The values associated with identifiable intangible assets and goodwill involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These significant estimates require considerable judgment which could affect Yellow Pages' future results if the current estimates of future performance and fair values change. These determinations may affect the amount of amortization expense on identifiable intangible assets recognized in future periods and impairment of goodwill, intangible assets and property and equipment.

Yellow Pages assesses impairment by comparing the recoverable amount of an identifiable intangible asset or goodwill with its carrying value. The determination of the recoverable amount involves significant management judgment.

Yellow Pages performed its annual test for impairment of goodwill and indefinite life intangible assets in accordance with the policy described in Note 3.12 of the Audited Consolidated Financial Statements of Yellow Pages Limited for the years ended December 31, 2017 and 2016.

The recoverable amount of the cash generating units (CGUs) was determined based on the value-in-use approach using a discounted cash flow model which relies on significant key assumptions, including after-tax cash flows forecasted over an extended period of time, terminal growth rates and discount rates. We use published statistics or seek advice where possible when determining the assumptions we use. Details of Yellow Pages' impairment reviews are disclosed in Note 7 of the Audited Consolidated Financial Statements of Yellow Pages Limited for the years ended December 31, 2017 and 2016.

Employee future benefits

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of the benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. Actual results may differ from results which are estimated based on assumptions.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages' ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages' assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages' ability to utilize the underlying future tax deductions changes, Yellow Pages would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Yellow Pages is subject to taxation in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Pages maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Yellow Pages reviews the adequacy of these provisions at each statement of financial position date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Accounting Standards

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption has not had any impact on the amounts in our consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IAS 7 – *Statement of Cash Flows*

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

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

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

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

IFRS 15 – *Revenue from Contracts with Customers*

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

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

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. The IASB published the final clarifications to IFRS 15 in April 2016, which do not change the underlying principles of the standard yet clarify how the principles should be applied.

The adoption of IFRS 15 is expected to have an impact on the timing of recognition of revenues for print products as well as the deferral of related publication costs and the inclusion of required disclosures in the consolidated financial statements of Yellow Pages Limited. Upon adoption of IFRS 15, print revenues will be recognized upon delivery of the print directories instead of over the term of the publication period of twelve months. Similarly, deferred publication costs will be deferred and recognized when the related print revenue is recognized. In addition, the accounting for IFRS 15 is subject to other adjustments, such as recognition of commissions.

Based on the preliminary assessment, when Yellow Pages Limited applies IFRS 15 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $30 million, total liabilities will decrease by $1 million and deficit will be reduced by approximately $31 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $8 million with the corresponding decrease in deficit. Basic and diluted loss per share will decrease by $0.31. Total assets as at December 31, 2017 will increase by approximately $23 million with the corresponding decrease in deficit.

IFRS 9 – *Financial Instruments*

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

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

IFRS 16 – *Leases*

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Based on its preliminary assessment, Yellow Pages Limited has identified lease contracts, virtually all are for office rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to early adopt IFRS 16 for the annual period beginning on January 1, 2018.

Based on management's preliminary assessment, when Yellow Pages Limited applies IFRS 16 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $40 million with an increase to total liabilities of approximately $45 million and deficit will be reduced by $5 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $0.1 million with the corresponding adjustment in opening deficit. Basic and diluted loss per share will decrease by $0.01. Total assets as at December 31, 2017 will increase by approximately $52 million with an increase in total liabilities of approximately $57 million and deficit will be reduced by $5 million.

Amendments to IFRS 2 – *Share-based Payment*

In June 2016, the IASB published amendments to IFRS 2 – *Share-based Payment*. The amendments clarify that the accounting for the effects of vesting and non-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 are not expected to 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 is not expected to have a significant impact on the consolidated financial statements of Yellow Pages Limited.

IFRIC 23 – *Uncertainty over Income Tax Treatments*

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

6. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YP's future business results.

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. Please refer to the "Risk Factors" section of our AIF for a complete description of these risk factors. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful.

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

The Corporation competes with other directory, advertising media and classified advertising businesses and across various media and platforms. This includes the internet, newspapers, television, radio, mobile telecommunication devices, magazines, billboards and direct mail advertising. In particular, the directories business faces substantial competition due to increased online penetration, through the use of online search engines and social networking organizations. The Corporation may not be able to compete effectively with these online competitors, some of which may have greater resources. The Corporation's internet strategy and its directories business may be adversely affected if major search engines build local sales forces or otherwise begin to more effectively reach local businesses for local commercial search services. These competitors may reduce their prices to increase their market share or may be able to offer their services at lower costs than the Corporation can.

The Corporation may be forced to reduce its prices or offer and perform other services in order to remain competitive. The Corporation's failure to compete effectively with its current or future competitors could have a number of impacts such as a reduction in its advertiser base, lower rates and increased costs. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

A prolonged economic downturn in principal markets of the Corporation could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation derives revenues principally from the sale of advertising in Yellow Pages print and digital directories across Canada. The Corporation's advertising revenues, as well as those of directories publishers in general, typically do not fluctuate widely with economic cycles. However, a prolonged economic downturn or recession affecting the Corporation's markets, or any deterioration in general economic conditions, could have a material adverse effect on the Corporation's business. The adverse effects of an economic downturn or recession on the Corporation could be compounded by the fact that the majority of the Corporation's customers are SMEs. Such businesses have fewer financial resources and higher rates of failure than larger businesses, and may be more vulnerable to prolonged economic downturns. Therefore, these SMEs may be more likely to reduce or discontinue advertising with the Corporation, which 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 Corporation could be materially adversely affected if the usage of print telephone directories declines at a rate higher than anticipated. The development of new technologies and the widespread use of internet is causing changes in preferences and consumer habits. The usage of internet-based products providing information, formerly exclusively available in print directories, has increased rapidly. The internet has become increasingly accessible as an advertising medium for businesses of all sizes. Further, the use of the internet, including as a means to transact commerce through mobile devices, has resulted in new technologies and services that compete with traditional advertising mediums. In particular, this has a significant influence on print products, and the decrease in usage gradually leads to lower advertising revenues. References to print business directories may decline faster than expected as users increasingly turn to digital and interactive media delivery devices for local commercial search information.

The inability of the Corporation to attract, retain and upsell customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The inability of the Corporation to successfully enhance and expand its offering of digital and new media products could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The transition from print to digital causes uncertainties surrounding whether and when new product introductions will compensate for the declining trend in print revenues. If revenue from the Corporation's digital products does not increase significantly, the Corporation's cash flow, results of operations and financial condition will be materially adversely affected.

The Corporation expects to derive a greater portion of its total revenue from its digital and other new media products, as directory usage continues to shift from print directories to digital and other new media products.

The Corporation's transformational expansion towards digital and new media products is subject to a variety of challenges and risks, including the following:

- the Corporation may not continue to grow usage on its digital properties at the same rate as other providers or may grow at a slower rate than currently anticipated;
- internet usage as a source of information and a medium for advertising may not continue to grow, or may grow at a slower rate than currently anticipated, as a result of factors that the Corporation cannot predict or control;
- the Corporation may incur substantial additional costs and expenses related to investments in its information technology, modifications to existing products and development of new products and this may reduce profit margins in the future;
- the Corporation may be unable to develop and market new products in a timely and efficient manner, as the Corporation's markets are characterised by rapidly changing technology, introductions and enhancements to existing products and shifting advertising customer and end-user demands, including technology preferences;
- the Corporation may be unable to improve its information technology systems so as to efficiently manage increased levels of traffic on the Corporation's digital properties and provide new services and products;
- the Corporation may be unable to keep apprised of changes to search engines' terms of service or algorithms, which could cause the Corporation's digital properties, or its advertising customers' digital properties, to be excluded from or ranked lower in search results or make it more difficult or more expensive for the Corporation to provide search engine marketing and search engine optimisation solutions to its advertising customers;
- the Corporation's advertising customers may be unwilling to grow their investment in digital advertising; and
- the Corporation may be unable to increase or maintain the prices of its products and services in the future.

If any of the above-mentioned risks were to occur, the Corporation's digital revenue, as well as its business, results from operations and financial condition could be materially adversely affected.

The inability of the Corporation to supply the relationships and technologies required to appropriately service the needs of its national customers could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation anticipates that it will continue to depend on various third-party relationships in order to grow its business, such as technology and content providers, real-time advertising exchanges and other strategic partners. The Corporation may not be able to maintain such relationships and these third parties may experience disruptions or performance problems, which could negatively affect the Corporation's efficiency and reputation.

In addition, the Corporation relies heavily on information technology systems to manage critical functions of its digital and mobile marketing solutions. The future success of the Corporation will depend in part upon its ability to continuously enhance and improve its existing solutions in a timely manner with features and pricing that meet changing advertiser needs. As marketing via new digital advertising channels, such as mobile advertising is emerging, it may evolve in unexpected ways, and the failure of the Corporation to adapt successfully to market evolution could have a material adverse effect on the Corporation, its business, results of operations and financial condition.

A higher than anticipated proportion of revenues coming from the Corporation's digital products with lower margins, such as services and resale, could have a material adverse effect on the Corporation's profitability

Digital advertising sold on the Corporation's owned and operated media currently operate at the highest level of profitability relative to digital service (websites, search engine optimization, content syndication and Facebook) solutions and resale (SEM) solutions. Revenues sourced from digital service and resale solutions that are proportionally materially higher than anticipated may have an adverse impact on the Corporation's profitability.

Failure by the Corporation to stabilize or grow its revenues and customer base

The Corporation's revenues remain adversely impacted by a lower customer count. Failure to provide existing customers with marketing solutions that meet their key marketing objectives and generate return on investment may limit the Corporation's ability to retain existing customers. In addition, the inability of the Corporation's customer acquisition strategies and channels to find and attract new customers may limit the Corporation's ability to grow its total customer count. These events could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The Corporation's inability to attract and retain key personnel could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The success of the Corporation depends on the abilities, experience and personal efforts of senior management of the Corporation, including their ability to retain and attract skilled employees. The Corporation is also dependent on the number and experience of its sales representatives and ISIT employees. The loss of the services of such key personnel could have a material adverse effect on the Corporation, its business, its results from operations and financial condition.

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

The success of numerous of our customers' marketing campaigns is dependent on how well they can attract valuable audiences. The Corporation will invest in order to protect digital audiences across its network of online and mobile properties by enhancing the quality, completeness and relevance of the content distributed to its properties, and by providing compelling verticalized sites and applications for local discovery. The Corporation may not be able to protect or grow traffic across its digital properties and such investments may not prove to be cost-effective. There can be no assurance that current traffic or potential growth in traffic across the Corporation's digital properties may maintain or increase advertising customer renewal rates and/or annual spending, or lead to a measurable increase in advertising customers.

Failure by either the Corporation or the Telco Partners to fulfill their obligations set forth in the agreements between the Corporation and the Telco Partners could result in a material adverse effect on the Corporation, its business, results from operations and financial condition

We have four billing and collection services agreements with Bell Canada (for itself and as a successor to Bell Aliant Communications LP and MTS Inc.) (Bell) and expire on December 31, 2018. The agreement with TELUS Communications Inc. (TELUS) expires in 2031. Through these agreements, our billing is included as a separate line item on the telephone bills of Bell and TELUS customers who use our services. Bell and TELUS (the Telco Partners) contract with third parties to conduct monthly billing of customers who use them as their local telephone service providers. In addition, the Telco Partners provide collection services for the Corporation with those customers who are also their customers. Additionally, the Corporation has entered into publishing agreements with each Telco Partner. If the Corporation fails to perform its obligations under these agreements and the agreements are consequently terminated by such Telco Partner, other agreements with such Telco Partners may also be terminated, including the Bell Canada Trademark License Agreement, the TELUS Trademark License Agreement, the MTS Inc. Branding and Trademark Agreement and the Bell Canada Inc. Branding and Trademark Agreement, as well as non-competition covenants we benefit from with such Telco Partners.

We have agreements with outside service suppliers to print and distribute our directories and publications. These agreements are for services that are integral to our business.

The failure of the Telco Partners or any of our other suppliers to fulfill their contractual obligations under these agreements could result in a material adverse effect on our business.

Customers who do not use the Telco Partners as their local telephone provider as well as all new customers are billed directly by the Corporation.

Work stoppages and other labour disturbances could have a material adverse effect on the Corporation, its business, results from operations and financial condition

Certain non-management employees of the Corporation are unionized. Current union agreements range between one to five years in duration and are subject to expiration at various dates in the future. Four of these agreements have expired and are being renegotiated. If the Corporation is unable to renew these agreements as they come up for renegotiation from time to time, it could result in work stoppages and other labour disturbances which could have a material adverse effect on our business. Additionally, if a greater percentage of the Corporation's workforce becomes unionized, this could have a material adverse effect on our business, results from operations and financial condition.

Challenge by tax authorities of the Corporation's position on certain income tax matters could have a material adverse effect on the Corporation, its business, results from operations and financial condition

In the normal course of the Corporation's activities, the tax authorities are carrying out ongoing reviews. In that respect, the Corporation is of the view that all expenses claimed by the different entities of the group are reasonable and deductible and that the cost amount and capital cost allowance claims of such entities' depreciable properties have been correctly determined. There is no assurance that the tax authorities may not challenge these positions. Such challenge, if successful, may have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The loss of key relationships or changes in the level of service provided by mapping applications and search engines could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation has entered into agreements with mapping applications and search engines to promote its online directories. These agreements facilitate access to the Corporation's content and customer advertising, allow the Corporation to generate a higher volume of traffic than it would on its own as well as generate business leads for its advertisers, while retaining the client relationship. Loss of key relationships or changes in the level of service provided by the mapping applications and search engines could impact performance of the Corporation's internet marketing solutions. In addition, internet marketing services are provided by many other competitors within the markets the Corporation serves and its clients could choose to work with other, sometimes larger providers of these services, or with other search engines directly. The foregoing could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

The failure of the Corporation's computers and communications systems could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's business activities rely significantly on the efficient and uninterrupted operation of computers and communications systems as well as those of third parties. The Corporation's media properties, sales and advertising processing, data storage, production, billing, collection and day-to-day operations could be adversely impaired by the failure of such technology, which could in turn have a material adverse effect on the Corporation, its business, results from operations and financial condition.

In addition, the Corporation's computer and ISIT systems may be vulnerable to damage or interruption from a variety of sources and its disaster recovery systems may be deemed ineffective. Any failure of these systems could impair the Corporation's business. This could have a material adverse effect on the Corporation, its business, results from operations and financial condition.

Declines in, or changes to, the real estate industry could have a material adverse effect on the Corporation, its business, results from operations and financial condition

On July 1, 2015, Yellow Pages acquired CFDP, growing the Corporation into a leading digital real estate marketplace. As a result of the acquisition, the Corporation has a greater presence in the real estate listing business. The CFDP business and financial performance are affected by the health of, and changes to, the real estate industry. Home-buying patterns are sensitive to economic conditions and tend to decline or grow more slowly during economic downturns. A decrease in real estate activities could lead to reductions in the purchase of package offerings by home sellers. CFDP is subject to rules and regulations in the real estate industry, which may change from time to time in a way that may restrict or complicate CFDP's ability to deliver its products and harm CFDP's business and operating results. Declines or disruptions in the real estate market could reduce demand for CFDP's products and could harm its business and operating results. This 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

The ability of the Corporation to make scheduled payments under its indebtedness will depend on, among other things, its future operating performance. There can be no assurance that the Corporation will be able to generate sufficient cash from its operations to pay its debt obligations. The Corporation's ability to generate sufficient funds from operations, debt financings, equity financings or refinancing transactions is, to a large extent, subject to economic, financial, competitive, operational and other factors, many of which are beyond the Corporation's control.

There can be no assurance that the Corporation will continue to be able to obtain on a timely basis sufficient funds on terms acceptable to the Corporation to provide adequate liquidity and to finance the operating and capital expenditures necessary to overcome the challenges associated with the evolution of its business and support its business strategy if cash flows from operations and cash on hand are insufficient.

Failure to generate sufficient funds, whether from operations or debt or equity financings or refinancing transactions, could require the Corporation to delay or abandon some of its anticipated expenditures or to modify its business strategy and could have a material adverse effect on the Corporation, its business, results from operations and financial condition. Furthermore, competitors with greater liquidity or their ability to raise money more easily and on less onerous terms could create a competitive disadvantage for the Corporation.

The Corporation's amount of debt could adversely affect its efforts to refinance or reduce its indebtedness and could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation's amount of debt could have material adverse effects on the Corporation, its business, results from operations and financial condition. For example, it could:

- increase the Corporation's vulnerability to adverse economic and industry conditions;
- require the Corporation to dedicate a substantial portion of its cash flows from operations to make payments on its debt, thereby reducing funds available for operations, future business opportunities or other purposes;
- limit the Corporation's flexibility in planning for, or reacting to, changes in its business and its industry;
- place the Corporation at a competitive disadvantage compared to its competitors that have less debt; and
- limit the Corporation's ability to obtain additional financing, if needed, for working capital, capital expenditures, acquisitions, debt service requirements or other purposes.

In addition, the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures and the ABL contain a number of financial and other restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates and its business activities. A failure to comply with such obligations could result in a default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the indenture governing the Senior Secured Notes, the indenture governing the Exchangeable Debentures or the ABL, as the case may be, were to be accelerated, there can be no assurance that the Corporation would have sufficient liquidity or access to capital to repay in full that indebtedness.

Incremental contributions by the Corporation to its pension plans could have a material adverse effect on the Corporation, its business, results from operations and financial condition

The Corporation is currently and may be required to make incremental contributions to its pension plans in the future depending on various factors including future returns on pension plan assets, long-term interest rates and changes in pension regulations, which may have a materially negative effect on the Corporation's liquidity and results from operations. The Corporation is currently making incremental contributions to its pension plans to reduce its actuarial solvency deficits.

The funding requirements of the Corporation's pension plans, resulting from valuations of its pension plan assets and liabilities, depend on a number of factors, including actual returns on pension plan assets, long-term interest rates, plan demographic and pension regulations. Changes in these factors could cause actual future contributions to significantly differ from the Corporation's current estimates and could require the Corporation to make incremental contributions to its pension plans in the future and, therefore, could have a materially negative effect on the Corporation's liquidity, business, results from operations and financial condition.

There is no assurance that the Corporation's pension plans will be able to earn their assumed rate of return. A material portion of the Corporation's pension plans' assets is invested in public equity securities. As a result, the ability of the Corporation's pension plans to earn the rate of return that management has assumed depends significantly on the performance of capital markets. The market conditions also impact the discount rate used to calculate the Corporation's solvency obligations and thereby could also significantly affect the Corporation's cash funding requirements.

7. 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 December 31, 2017.

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 December 31, 2017.

During the quarter beginning on October 1, 2017 and ended on December 31, 2017, no changes were made to the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Independent Auditor's Report

To the Shareholders of Yellow Pages Limited

We have audited the accompanying consolidated financial statements of Yellow Pages Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Yellow Pages Limited as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) Deloitte LLP [1]

February 8, 2018

Montréal, Québec

[1] CPA auditor, CA, public accountancy permit No. A125494

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	**$ 46,405**	$ 17,260
Trade and other receivables (Note 21)	**124,051**	114,854
Prepaid expenses	**8,760**	8,934
Deferred publication costs	**53,579**	61,144
Income taxes receivable (Note 13)	**3,214**	3,057
TOTAL CURRENT ASSETS	**236,009**	205,249
NON-CURRENT ASSETS		
Deferred publication costs	**6,778**	7,936
Financial and other assets (Notes 11 and 21)	**13,338**	4,008
Investment in a jointly controlled entity (Note 5)	**–**	1,157
Property and equipment (Note 6)	**51,161**	36,194
Intangible assets (Note 7)	**193,352**	740,932
Goodwill (Note 7)	**26,829**	45,342
Deferred income taxes (Note 13)	**2,447**	59,119
TOTAL NON-CURRENT ASSETS	**293,905**	894,688
TOTAL ASSETS	**$ 529,914**	$ 1,099,937
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables (Note 8)	**$ 83,628**	$ 79,493
Provisions (Note 9)	**47,558**	53,010
Deferred revenues	**14,741**	18,927
Current portion of long-term debt (Note 11)	**54,939**	75,161
TOTAL CURRENT LIABILITIES	**200,866**	226,591
NON-CURRENT LIABILITIES		
Provisions (Note 9)	**14,371**	4,327
Deferred lease inducements (Note 20)	**17,749**	11,821
Deferred income taxes (Note 13)	**24,111**	7,081
Post-employment benefits (Note 10)	**143,372**	154,172
Long-term debt (Note 11)	**254,174**	234,867
Exchangeable debentures (Note 12)	**94,067**	92,174
TOTAL NON-CURRENT LIABILITIES	**547,844**	504,442
TOTAL LIABILITIES	**748,710**	731,033
CAPITAL AND RESERVES	**6,595,521**	6,597,891
DEFICIT	**(6,814,317)**	(6,228,987)
TOTAL EQUITY	**(218,796)**	368,904
TOTAL LIABILITIES AND EQUITY	**$ 529,914**	$ 1,099,937

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

Approved on behalf of Yellow Pages Limited by

Robert F. MacLellan, Director *David A. Lazzarato, Director*

Consolidated Statements of Loss

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

For the years ended December 31,		2017		2016
Revenues	$	**745,852**	$	817,979
Operating costs (Note 17)		**561,867**		582,788
Income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges		**183,985**		235,191
Depreciation and amortization (Notes 6 and 7)		**105,501**		104,882
Impairment of intangible assets and goodwill (Notes 6 and 7)		**507,032**		600,000
Restructuring and other charges (Note 9)		**34,400**		22,961
Loss from operations		**(462,948)**		(492,652)
Financial charges, net (Note 18)		**48,150**		56,130
Impairment of available-for-sale investments (Note 21)		**3,720**		–
Loss before income taxes and loss from investment in a jointly controlled entity		**(514,818)**		(548,782)
Provision for (recovery of) income taxes (Note 13)		**72,405**		(145,517)
Loss from investment in a jointly controlled entity (Note 5)		**2,104**		440
Net loss	$	**(589,327)**	$	(403,705)
Basic loss per share	$	**(22.32)**	$	(15.23)
Weighted average shares outstanding – basic loss per share (Note 14)		**26,399,242**		26,500,861
Diluted loss per share	$	**(22.32)**	$	(15.23)
Weighted average shares outstanding – diluted loss per share (Note 14)		**26,399,242**		26,500,861

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

Consolidated Statements of Comprehensive Loss

(in thousands of Canadian dollars)

For the years ended December 31,	2017	2016
Net loss	**$ (589,327)**	$ (403,705)
Other comprehensive (loss) income:		
Items that will be reclassified subsequently to net loss		
Unrealized loss on available-for-sale investments (Note 21)	**(3,720)**	–
Reclassification to loss of impairment of available-for-sale investments (Note 21)	**3,720**	–
Net change in fair value of derivatives designated as cash flow hedges (Note 21)	**(1,020)**	1,125
Reclassification to loss of derivatives designated as cash flow hedges (Note 21)	**24**	(129)
Income taxes relating to items that will be reclassified subsequently to net loss	**268**	(267)
	(728)	729
Items that will not be reclassified subsequently to net loss		
Actuarial gains (Note 10)	**5,461**	22,101
Income taxes relating to items that will not be reclassified subsequently to net loss	**(1,464)**	(5,941)
	3,997	16,160
Other comprehensive income	**3,269**	16,889
Total comprehensive loss	**$ (586,058)**	$ (386,816)

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

For the years ended December 31,

2017

	Shareholders' capital (Note 14)	Restricted shares	Warrants (Note 14)	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
Balance, December 31, 2016	$ 4,031,685	$ (31,848)	$ 1,456	$ 3,619	$ 135,926	$ 2,457,053	$ 6,597,891	$ (6,228,987)	$ 368,904
Other comprehensive (loss) income	–	–	–	–	(728)	–	(728)	3,997	3,269
Net loss	–	–	–	–	–	–	–	(589,327)	(589,327)
Total comprehensive loss	–	–	–	–	(728)	–	(728)	(585,330)	(586,058)
Restricted shares settled	–	7,405	–	–	(7,405)	–	–	–	–
Restricted shares (Note 16)	–	(3,129)	–	–	2,087	–	(1,042)	–	(1,042)
Stock options	–	–	–	–	(600)	–	(600)	–	(600)
Balance, December 31, 2017	**$ 4,031,685**	**$ (27,572)**	**$ 1,456**	**$ 3,619**	**$ 129,280**	**$ 2,457,053**	**$ 6,595,521**	**$ (6,814,317)**	**$ (218,796)**

2016

	Shareholders' capital (Note 14)	Restricted shares	Warrants (Note 14)	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
Balance, December 31, 2015	$ 4,031,528	$ (24,965)	$ 1,456	$ 3,619	$ 132,275	$ 2,457,053	$ 6,600,966	$ (5,841,442)	$ 759,524
Other comprehensive income	–	–	–	–	729	–	729	16,160	16,889
Net loss	–	–	–	–	–	–	–	(403,705)	(403,705)
Total comprehensive income (loss)	–	–	–	–	729	–	729	(387,545)	(386,816)
Restricted shares settled	–	3,589	–	–	(3,589)	–	–	–	–
Restricted shares (Note 16)	–	(10,472)	–	–	5,578	–	(4,894)	–	(4,894)
Stock options (Note 16)	–	–	–	–	975	–	975	–	975
Exercise of stock options (Note 16)	157	–	–	–	(42)	–	115	–	115
Balance, December 31, 2016	$ 4,031,685	$ (31,848)	$ 1,456	$ 3,619	$ 135,926	$ 2,457,053	$ 6,597,891	$ (6,228,987)	$ 368,904

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2016 - $1.3 million).*

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the years ended December 31,	2017	2016
OPERATING ACTIVITIES		
Net loss	$ (589,327)	$ (403,705)
Adjusting items		
Stock-based compensation expense	564	7,974
Depreciation and amortization	105,501	104,882
Impairment of intangible assets and goodwill	507,032	600,000
Restructuring and other charges	34,400	22,961
Financial charges, net	48,150	56,130
Impairment of available-for-sale investments	3,720	–
Provision for (recovery of) income taxes	72,405	(145,517)
Loss from investment in a jointly controlled entity	2,104	440
Other non-cash items	10,737	9,967
Change in operating assets and liabilities	(17,842)	(9,434)
Funding of post-employment benefit plans in excess of costs	(12,395)	(13,165)
Restructuring and other charges paid (Note 9)	(22,632)	(33,885)
Interest paid	(36,111)	(44,865)
Income taxes paid, net	(56)	(1,815)
Lease incentives received	9,094	8,145
	115,344	158,113
INVESTING ACTIVITIES		
Additions to intangible assets	(37,297)	(50,787)
Additions to property and equipment	(30,412)	(12,719)
Purchase of available-for-sale investments (Note 21)	(5,452)	(50)
Business acquisitions (Note 4)	(400)	(35,271)
Investment in a jointly controlled entity (Note 5)	(680)	(1,597)
	(74,241)	(100,424)
FINANCING ACTIVITIES		
Issuance of long-term debt, net of discount (Note 11)	308,700	–
Repayment of long-term debt (Note 11)	(309,813)	(97,325)
Debt issuance costs	(7,716)	–
Purchase of restricted shares (Note 16)	(3,129)	(10,472)
Issuance of common shares upon exercise of stock options (Note 16)	–	115
	(11,958)	(107,682)
NET INCREASE (DECREASE) IN CASH	29,145	(49,993)
CASH, BEGINNING OF YEAR	17,260	67,253
CASH, END OF YEAR	$ 46,405	$ 17,260
Supplemental disclosure of cash flow information (Note 19)		

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

1. Description

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

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

The Board of Directors (the "Board") approved the consolidated financial statements for the years ended December 31, 2017 and 2016 and authorized their publication on February 8, 2018.

2. Revised standards

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

The following revised standards are effective for annual periods beginning on January 1, 2017 and their adoption has not had any impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements:

Amendments to IAS 7 – *Statement of Cash Flows*

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

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

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

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

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

IFRS 15 – *Revenue from Contracts with Customers*

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

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

This new standard also provides guidance relating to the accounting for contract costs as well as for the measurement and recognition of gains and losses arising from the sale of certain non-financial assets. Additional disclosures will also be required under the new standard, which is effective for annual reporting periods beginning on or after January 1, 2018 with earlier adoption permitted. For comparative amounts, companies have the option of using either a full retrospective approach or a modified retrospective approach as set out in the new standard. Yellow Pages Limited intends to use the full retrospective approach. The IASB published final clarifications to IFRS 15 in April 2016, which do not change the underlying principles of the standard yet clarify how the principles should be applied.

The adoption of IFRS 15 will have an impact on the timing of recognition of revenues for print products as well as the deferral of related publication costs and the inclusion of required disclosures in the consolidated financial statements of Yellow Pages Limited. Upon adoption of IFRS 15, print revenues will be recognized upon delivery of the print directories instead of over the term of the publication period of twelve months. Similarly, deferred publication costs will be deferred and recognized when the related print revenue is recognized. In addition, the accounting for IFRS 15 is subject to other adjustments, such as recognition of commissions.

Based on management's preliminary assessment, when Yellow Pages Limited applies IFRS 15 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $30 million, total liabilities will decrease by $1 million and deficit will be reduced by approximately $31 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $8 million with the corresponding decrease in deficit. Basic and diluted loss per share will decrease by $0.31. Total assets as at December 31, 2017 will increase by approximately $23 million with the corresponding decrease in deficit.

IFRS 9 – *Financial Instruments*

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

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

IFRS 16 – *Leases*

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

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months and for which the underlying asset is not of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is initially measured at cost and subsequently depreciated. The lease liability is initially measured at the present value of the lease payments and subsequently adjusted for interest and lease payments. This accounting is subject to certain exceptions and other adjustments.

IFRS 16 contains disclosure requirements for lessees and lessors. This new standard will come into effect for annual periods beginning on or after January 1, 2019. Earlier application is permitted for companies that apply IFRS 15 – *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

Based on its preliminary assessment, Yellow Pages Limited has identified lease contracts, virtually all for office rentals, for which recognition will change under IFRS 16. The recognition of the leased assets and their related liabilities will increase income from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges, with a corresponding combined increase in depreciation and amortization and financial charges as at the date of application of IFRS 16. Management intends to early adopt IFRS 16 for the annual period beginning on January 1, 2018.

Based on management's preliminary assessment, when Yellow Pages Limited applies IFRS 16 for the first time for the year ending December 31, 2018, total assets as at January 1, 2017 will increase by approximately $40 million with an increase to total liabilities of approximately $45 million and deficit will be reduced by $5 million. Net earnings for the year ended December 31, 2017 will decrease by approximately $0.1 million with the corresponding adjustment in opening deficit. Basic and diluted loss per share will decrease by $0.01. Total assets as at December 31, 2017 will increase by approximately $52 million with an increase in total liabilities of approximately $57 million and deficit will be reduced by $5 million.

Amendments to IFRS 2 – *Share-based Payment*

In June 2016, the IASB published amendments to IFRS 2 – Share-based Payment. The amendments clarify that the accounting for the effects of vesting and non-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 are not expected to 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 is not expected to have a significant impact on the consolidated financial statements of Yellow Pages Limited.

3. Basis of presentation and significant accounting policies

3.1 Statement of compliance

These consolidated financial statements of Yellow Pages Limited and its subsidiaries were prepared by management in accordance with IFRS. These financial statements have been prepared in accordance with the following significant accounting policies which have been applied consistently to all periods presented throughout the consolidated entities.

3.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities (including derivative instruments) at fair value as explained in the policies below.

3.3 Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of Yellow Pages Limited.

3.4 Basis of consolidation

3.4.1 Subsidiaries

Subsidiaries that are directly controlled by Yellow Pages Limited or indirectly controlled through other consolidated subsidiaries are fully consolidated. Subsidiaries are all entities over which Yellow Pages Limited exercises control.

Subsidiaries are fully consolidated from the effective date of acquisition up to the effective date of disposal. Intercompany assets and liabilities and transactions between fully consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated. Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at the Yellow Pages Limited level.

3.4.2 Jointly controlled entities

Jointly controlled entities are all entities over which Yellow Pages Limited has joint control over the entity's management and operating and financial policy and generally implies holding 50% of the voting rights.

Investments in jointly controlled entities are accounted for using the equity method and are initially measured at cost. Subsequently, the share in profits or losses of the jointly controlled entity attributable to equity holders of Yellow Pages Limited is recognized in net earnings. Included in the recognized share of net earnings is the amortization of the amortizable assets based on their fair value at the acquisition date.

3.4.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Yellow Pages Limited in exchange for control of the acquiree. Transaction costs associated with business acquisitions are recognized in the statement of income (loss), as incurred.

Where a business combination is achieved in stages, Yellow Pages Limited's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (the date Yellow Pages Limited attains control) and the resulting gain or loss, if any, is recognized in the statement of income (loss).

3.5 Cash

Cash consist of funds on deposit and, from time to time, highly liquid investments with a purchased maturity of three months or less.

3.6 Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "held-to-maturity" investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets designated as FVTPL are carried at fair value. Changes in fair value are recorded in the statement of income (loss). Held-to-maturity investments and loans and receivables are measured at amortized cost using the effective interest method. AFS financial assets are recorded at fair value on the date of acquisition, and are revalued to fair value at each reporting date. The corresponding unrealized gains and losses are recorded in other comprehensive income ("OCI") and are reclassified to net income in the statement of income (loss) when realized or when an impairment is determined.

A financial asset is de-recognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. Cash and trade and other receivables are included in the loans and receivables category.

3.6.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset (liability) and of allocating interest (income) expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset (liability) or, where appropriate, a shorter period.

3.6.2 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis.

3.7 Deferred publication costs

An intangible asset is recognized for direct and incremental publication costs incurred during the sale, manufacturing and distribution of telephone print directories as well as the sale, provisioning and fulfillment of digital products and services. The intangible asset represents costs that will be recovered in future periods, when the related directories revenues, digital products and services revenues are recognized. An intangible asset is capitalized when the following conditions are met:

Yellow Pages Limited has control over the contract for which the costs were incurred;

- the control results from past events;
- future economic benefits are expected to flow to Yellow Pages Limited; and
- the asset is identifiable, non-monetary and without physical substance.

Deferred publication costs are initially measured at cost and are amortized over the economic life of the directory, digital products and services.

3.8 Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and impairment losses. The various components of property and equipment are depreciated separately based on their estimated useful lives and therefore, their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition. All other borrowing costs are recognized in the statement of income (loss) in the period in which they are incurred. Yellow Pages Limited has not capitalized any borrowing costs during the periods presented.

Subsequent costs are included in the carrying value of the asset or recognized as a separate component, where necessary, if it is probable that future economic benefits will flow to Yellow Pages Limited and the cost of the asset can be reliably measured. All other repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the capitalized costs, less any residual value over a period corresponding to the useful life of each asset. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.

As at December 31, 2017, the expected useful lives are as follows:

Office equipment	10 years
Computer equipment	3 years
Other equipment	3 – 12 years
Leasehold improvements	Shorter of term of lease or useful life

The residual value, the depreciation method and the useful life of an asset are reviewed at a minimum annually. Property and equipment are tested for impairment when an indication of impairment loss exists. When the asset's recoverable amount is less than its net carrying value, an impairment loss is recognized. Where an individual asset does not generate independent cash inflows, Yellow Pages Limited determines the recoverable amount of the cash generating units ("CGUs") or group of CGUs to which the asset belongs.

3.9 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as an obligation under finance lease that is included with long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of income (loss), unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with Yellow Pages Limited's general policy on borrowing costs.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that incentives to enter into operating leases are received, such incentives are recognized as a deferred lease inducement liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

3.10 Intangibles assets

Intangible assets acquired through a business combination are identified and recognized separately from goodwill where they arise from legal or contractual rights or are capable of being separated from the acquiree and sold, transferred, licensed or exchanged. The cost of such intangible assets is deemed to be their fair value at the acquisition date. Intangible assets not acquired through a business combination are reported at cost less accumulated amortization and accumulated impairment losses.

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

Internally-generated intangible assets, consisting of software used by the Company, are recognized to the extent the criteria in IAS 38 – *Intangible Assets* are met. Development costs for internally-generated intangible assets are capitalized at cost if, and only if, Yellow Pages Limited can demonstrate:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditures are charged to the statement of income (loss) in the period in which they are incurred.

Internally-generated intangible assets include the cost of software tools and licenses used in the development of Yellow Pages Limited's systems, as well as all directly attributable payroll and consulting costs. These items are not amortized until the assets are available for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. Intangibles assets are amortized, unless their useful lives are indefinite, as follows:

Non-competition agreements	Straight-line over shorter of 7 years or life of agreement
Customer-related intangible assets	Straight-line over a period not exceeding 3 years
Trademarks	Indefinite or straight-line over 10 years[1]
Domain names	Indefinite or straight-line over 4 – 12 years
Software	Straight-line over 3 years

[1] *Subsequent to consecutive impairment losses incurred during the years ended December 31, 2017 and 2016 in the Yellow Pages CGU and uncertainty with regards to future long-term trends in future cash flows, the indefinite life trademarks in the Yellow Pages CGU were classified as finite life as at December 31, 2017 and their useful lives were reduced to 10 years.*

The estimated useful life and amortization method are reviewed at the end of each reporting period or annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life of certain non-competition agreements was revised as at December 31, 2016 and reduced to 7 years, subsequent to an impairment loss incurred during the year ended December 31, 2016, which indicated a shortened period of future economic benefits.

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from the de-recognition of an intangible asset, measured as the difference between the net disposal proceeds or fair value, as applicable, and the carrying value of the asset, are recognized in the statement of income (loss) when the asset is de-recognized.

3.11 Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the purchase consideration over the fair value of identifiable net assets acquired.

Goodwill is not amortized. It is reviewed for impairment at least annually or sooner if indicators of impairment exist. Any impairment loss is recognized immediately in the statement of income (loss) and is not subsequently reversed.

3.12 Impairment of tangible and intangible assets including goodwill

At each reporting date, Yellow Pages Limited determines whether there are any indications that the carrying values of its tangible and intangible assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Yellow Pages Limited estimates the recoverable amount of the CGU or group of CGUs to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are independent of those from other assets.

Intangible assets with indefinite useful lives, intangible assets not yet available for use and goodwill are tested for impairment annually, and whenever there is an indication that the asset may be impaired. A majority of the Company's intangible assets do not have cash inflows independent of those from other assets and as such, are tested within their respective CGUs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of income (loss).

For the purpose of impairment testing of goodwill, goodwill is tested at the CGU level which represents the lowest level where goodwill is monitored for internal management purposes. Goodwill is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of a CGU or group of CGUs is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of goodwill and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The Company does not reduce the carrying value of an asset below the highest of its fair value less costs of disposal and its value in use.

3.13 Trade and other payables

Trade and other payables, including accruals, are recorded when Yellow Pages Limited is required to make future payments as a result of purchases of assets or services. Trade and other payables are carried at amortized cost.

3.14 Financial liabilities

The valuation of financial liabilities depends on their classification. Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Excluding derivative liabilities and financial liabilities accounted for at FVTPL, Yellow Pages Limited recognizes all financial liabilities, specifically long-term debt, exchangeable debentures, trade and other payables, initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

Financial liabilities designated as FVTPL are carried at fair value. Changes in fair value are recorded in the statement of income (loss). Transaction costs incurred in setting up these financial liabilities are recognized immediately as expenses in the statement of income (loss).

Yellow Pages Limited de-recognizes financial liabilities when, and only when, Yellow Pages Limited's obligations are discharged, cancelled or expire.

3.15 Provisions

Provisions are recognized when Yellow Pages Limited has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financial charge.

3.15.1 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where Yellow Pages Limited has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3.15.2 Restructuring

A restructuring provision is recognized when Yellow Pages Limited has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.16 Long-term debt

All long-term debt instruments are initially stated at the fair value of the consideration, net of any related discount. Debt instruments are subsequently measured at amortized cost. Issue costs are initially capitalized and presented as financial and other assets on the statement of financial position. They are subsequently amortized over the term of the debt instrument and presented as financial charges on the statement of income (loss). Accretion of any related discount is recognized over the term of the debt instrument and presented as financial charges on the statement of income (loss).

3.17 Employee benefits

3.17.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of income (loss) when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

3.17.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. Yellow Pages Limited's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted from the obligation. The discount rate is the yield at the reporting date on high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability adjusted for a spread to reflect any additional credit risk and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected benefit method prorated on service.

Yellow Pages Limited recognizes all actuarial gains and losses arising subsequently from defined benefit plans in OCI. Re-measurement, comprising actuarial gains and losses, the effects of changes to the asset ceiling, if applicable, and the return on plan assets, excluding net interest on the defined benefit obligation, is reflected immediately in the statement of financial position with a charge or credit recognized in OCI. Re-measurement recognized in OCI is reflected immediately in retained earnings and will not be classified to the statement of income (loss). Past service costs are recognized in the statement of income (loss) in the period a plan amendment is announced to employees. The net interest amount, which is calculated by applying the discount rate to the net defined liability or asset of defined benefit plans, is included within net financial charges while service costs are recorded in operating expenses.

3.17.3 Other long-term employee benefits

Yellow Pages Limited's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related asset is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have terms to maturity approximating the terms of the related obligation. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognized in the period in which they arise.

3.17.4 Termination benefits

Termination benefits are recognized as an expense when Yellow Pages Limited can no longer withdraw the offer of those benefits, or if earlier, when there is no realistic possibility of withdrawal from a formal detailed plan to either terminate employment before the normal retirement date, or from providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if Yellow Pages Limited has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

3.17.5 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if Yellow Pages Limited has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

3.17.6 Share-based payment transactions

Yellow Pages Limited's restricted share units, performance share units, deferred share units, stock options and share appreciated rights granted to employees and directors are measured at the fair value of the equity instruments at the grant date.

The restricted share units, performance share units and deferred share units granted may be settled in cash or equity at the Company's option. If the restricted share unit and performance share unit plan is funded, eligible employees will receive, upon vesting of the instruments, common shares. The funded portion of these plans is treated as equity-settled instruments and recorded accordingly in equity. In the event these plans are unfunded, Yellow Pages Limited will pay to the eligible employees and directors, upon vesting of the instruments, an amount in cash. The unfunded portion of these plans is treated as cash-settled instruments and recorded as a liability. The share appreciation rights are settled in cash and recorded accordingly as a liability. At each reporting period, the liabilities from these plans is re-measured at fair value with any changes recorded in operating costs. Certain of the Company's stock options may be settled in cash upon certain conditions being met. These stock options are recorded as a liability, which is re-measured at fair value at each reporting period with any changes recorded in operating costs.

The fair value determined at the grant date of the share-based instruments is expensed on a straight-line basis over the vesting period, based on Yellow Pages Limited's estimate of share-based instruments that will eventually vest. At each reporting period, Yellow Pages Limited revises its estimate of the number of share-based instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in the statement of income (loss), with a corresponding adjustment to the reserve.

3.18 Equity instruments issued by Yellow Pages Limited

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Yellow Pages Limited are recorded at the proceeds received, net of direct issue costs.

Transaction costs incurred by Yellow Pages Limited in issuing, acquiring or reselling its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

3.19 Operating segments

Disclosure of segment information is reported in a manner consistent with the internal reports regularly reviewed by Yellow Pages Limited's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer. The Company's operations are divided into four reportable segments: YP, Agency, Real Estate and Other. The accounting policies the Company uses for its reportable segments are the same as those used in its consolidated financial statements.

3.20 Revenues

Yellow Pages Limited's revenues are measured at the fair value of the consideration received or receivable after deduction of sales allowances and sales taxes.

Print directory advertising is sold in bundles that can include several related online advertising products. Print products are not sold separately. Revenues from print directory advertising as well as revenues from related online products are recognized in the statement of income (loss) rateably on a monthly basis from the point at which service is first provided over the life of the contract.

Revenues from private and commercial classified advertisements and display advertisements are recognized at the time the advertisements are published either on a weekly or monthly basis. Revenues related to advertisements appearing on multiple occasions are recognized over the period the advertisements are displayed.

3.21 Derivative financial instruments

Yellow Pages Limited enters from time to time into a variety of derivative financial instruments to manage interest rate risk on its long-term debt and to manage the risk of fluctuations in the share price of its common shares affecting its stock-based compensation plans. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each statement of financial position date. The resulting gain or loss is recognized in the statement of income (loss) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of income (loss) depends on the nature of the hedge relationship.

Yellow Pages Limited designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

3.21.1 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in the statement of income (loss).

3.22 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The Company currently has not capitalized any borrowing costs.

3.23 Taxation

Income tax expense represents the sum of the current and deferred tax.

3.23.1 Current income tax

Taxable profit differs from profit as reported in the consolidated statement of income (loss) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Yellow Pages Limited's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

3.23.2 Deferred tax

Deferred tax is recognized on differences between the carrying values of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where Yellow Pages Limited is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Yellow Pages Limited expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and Yellow Pages Limited intends to settle its tax assets and liabilities on a net basis.

3.23.3 Current and deferred tax for the period

Current and deferred taxes are recognized as an expense or income in the statement of income (loss), except when they relate to items that are recognized outside net earnings (whether in OCI or directly in equity), in which case the tax is also recognized outside net earnings, or where they arise from the initial accounting for a business combination. In the case of a business combination, the applicable tax effects are taken into account in the accounting for the business combination.

3.24 Significant estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that can affect the carrying value of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the consolidated financial statements. Management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

The estimates and judgments made by management that are critical to the determination of the carrying value of assets and liabilities are addressed below.

Significant estimates

Business acquisitions

As a result of the business acquisition in March 2016 of Oriole Media Corp. (doing business as JUICE Mobile), Yellow Pages Limited measured the fair value of JUICE Mobile's intangible assets, namely its software, using the income approach (refer to Note 4 – Business acquisitions). The measurement at fair value required significant estimation and was based on a discounted cash flow model which maximized the amount of observable market inputs as well as using forecasted cash flows.

Intangible assets and goodwill

The valuations associated with measuring the recoverability of identifiable intangible assets and goodwill for impairment analysis purposes involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates and asset lives. These significant estimates could affect Yellow Pages Limited's future results if the current estimates of future performance and fair values change.

Yellow Pages Limited assesses impairment by comparing the recoverable amount of a CGU or group of CGUs to which an identifiable intangible asset and goodwill belongs, with its carrying value. The determination of the recoverable amount involves significant management estimates.

Yellow Pages Limited performs its annual test for impairment of indefinite life intangible assets and goodwill in the fourth quarter in accordance with the policy described in Note 3.12.

Useful lives of intangible assets and property and equipment

Yellow Pages Limited reviews the estimated useful lives of its intangible assets and property and equipment at the end of each reporting period. At the end of the current reporting period, management determined that the useful lives of its intangible assets and property and equipment were adequate.

Employee future benefits

The present value of the defined benefit obligation is determined by employing the projected benefit method prorated on service using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Determination of the net benefit costs (recovery) requires assumptions such as the discount rate to measure defined benefit obligations and expected return on plan assets, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. Actual results may differ from results which are estimated based on assumptions.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions against future taxable income before they expire. Yellow Pages Limited's assessment is based upon existing tax laws and estimates of future taxable income. If the assessment of Yellow Pages Limited's ability to utilize the underlying future tax deductions changes, Yellow Pages Limited would be required to recognize more or fewer of the tax deductions as assets, which would decrease or increase the income tax expense in the period in which this is determined. The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered in the foreseeable future.

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

Significant judgments

Uncertain tax provisions

Yellow Pages Limited is subject to taxation in numerous jurisdictions. Significant judgment is required in determining the consolidated provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Yellow Pages Limited maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions for uncertain tax positions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors.

Yellow Pages Limited reviews the adequacy of these provisions at each statement of financial position date. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

4. Business acquisitions

2016

On March 17, 2016, Yellow Pages Limited acquired the net assets of Oriole Media Corp. (doing business as JUICE Mobile) through its subsidiaries Juice DMS Advertising Limited and Juice Mobile USA LLC (the latter two collectively “JUICE Mobile”), for a purchase price of $35.3 million. The acquisition of JUICE Mobile, a premium advertising technology company whose programmatic platforms facilitate the automatic buying and selling of mobile advertising between brands and publishers, positioned Yellow Pages Limited as a desktop and mobile national advertising agency, expanding the Company’s reach of brands and media publishers. The acquisition was fully funded with cash on hand. Transaction costs of $1.3 million were incurred during the year ended December 31, 2016, and were included in restructuring and other charges.

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

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

JUICE Mobile’s revenues of $31.8 million and net loss of $6.7 million for the year ended December 31, 2016 were included in the consolidated statement of loss from the date of acquisition. Yellow Pages Limited’s consolidated revenues and net loss for the year ended December 31, 2016 would have been $823.7 million and $405.5 million, respectively, had the JUICE Mobile acquisition occurred on January 1, 2016.

The Company acquired in September 2016 the net assets of Totem via its subsidiary 9778748 Canada Inc., a creative agency specializing in customized content creation and delivery for global brands for a purchase price of $1.2 million, payable over 3 years. During the year ended December 31, 2017, the first instalment of $0.4 million was made.

5. Investment in a jointly controlled entity

On October 3, 2016, Yellow Pages Digital & Media Solutions Limited acquired a 50% ownership in 9778730 Canada Inc., which held 100% of Coupgon Inc., a digital coupon solutions provider, for cash consideration of $1.2 million. The difference between the acquisition price and the fair value of the net assets acquired was insignificant. During the year ended December 31, 2017, the Company invested an additional $0.7 million. On September 29, 2017, 9778730 Canada Inc. ceased operations and the net book value of the investment of $0.7 million was written off. During the year ended December 31, 2017, the Company recorded equity losses of $2.1 million, including the write-off of the investment of $0.7 million. The investment was accounted for using the equity method.

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

6. Property and equipment

										2017
		Office equipment[1]		Computer equipment		Other equipment		Leasehold improvements		**Total**
Cost										
As at December 31, 2016	$	37,293	$	41,689	$	2,215	$	43,183	**$**	**124,380**
Additions		5,877		6,567		87		14,174		**26,705**
Impairment		–		(348)		–		–		**(348)**
Disposals, write-offs and transfers		(7,476)		(1,768)		(1,619)		(470)		**(11,333)**
As at December 31, 2017	$	35,694	$	46,140	$	683	$	56,887	**$**	**139,404**
Accumulated depreciation										
As at December 31, 2016	$	25,211	$	31,772	$	1,684	$	29,519	**$**	**88,186**
Depreciation expense		1,633		5,893		111		3,604		**11,241**
Impairment		–		(222)		–		–		**(222)**
Disposals, write-offs and transfers		(7,351)		(1,746)		(1,396)		(469)		**(10,962)**
As at December 31, 2017	$	19,493	$	35,697	$	399	$	32,654	**$**	**88,243**
Net book value as at December 31, 2017	**$**	**16,201**	**$**	**10,443**	**$**	**284**	**$**	**24,233**	**$**	**51,161**

										2016
		Office equipment[1]		Computer equipment		Other equipment		Leasehold improvements		Total
Cost										
As at December 31, 2015	$	32,700	$	37,425	$	2,139	$	33,911	$	106,175
Business acquisitions		47		159		22		314		542
Additions		4,586		4,180		62		8,961		17,789
Disposals, write-offs and transfers		(40)		(75)		(8)		(3)		(126)
As at December 31, 2016	$	37,293	$	41,689	$	2,215	$	43,183	$	124,380
Accumulated depreciation										
As at December 31, 2015	$	23,778	$	25,348	$	1,384	$	25,111	$	75,621
Depreciation expense		1,470		6,499		304		4,411		12,684
Disposals, write-offs and transfers		(37)		(75)		(4)		(3)		(119)
As at December 31, 2016	$	25,211	$	31,772	$	1,684	$	29,519	$	88,186
Net book value as at December 31, 2016	$	12,082	$	9,917	$	531	$	13,664	$	36,194

[1] *The net book value of office equipment includes $0.2 million of assets held under finance leases (2016 - $0.3 million).*

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

7. Intangible assets and goodwill

Intangible assets and goodwill

							2017
	Trademarks and domain names[1]	Non-competition agreements	Customer-related intangible assets	Software[2]	Total Intangible assets	Goodwill	**Total intangible assets and goodwill**
Cost							
As at December 31, 2016	$ 483,596	$ 381,494	$ 12,022	$ 384,874	$ 1,261,986	$ 45,342	**$ 1,307,328**
Additions	–	–	–	35,263	35,263	–	**35,263**
Impairment	(360,578)	(119,551)	(1,358)	(8,400)	(489,887)	(18,513)	**(508,400)**
Disposals, write-offs and transfers	(12,500)	–	34	(8,609)	(21,075)	–	**(21,075)**
As at December 31, 2017	$ 110,518	$ 261,943	$ 10,698	$ 403,128	$ 786,287	$ 26,829	**$ 813,116**
Accumulated amortization							
As at December 31, 2016	$ 22,104	$ 240,774	$ 7,078	$ 251,098	$ 521,054	$ –	**$ 521,054**
Amortization expense	2,704	20,444	2,321	68,791	94,260	–	**94,260**
Impairment	–	–	–	(1,494)	(1,494)	–	**(1,494)**
Disposals, write-offs and transfers	(12,500)	–	–	(8,385)	(20,885)	–	**(20,885)**
As at December 31, 2017	$ 12,308	$ 261,218	$ 9,399	$ 310,010	$ 592,935	$ –	**$ 592,935**
Net book value as at December 31, 2017	**$ 98,210**	**$ 725**	**$ 1,299**	**$ 93,118**	**$ 193,352**	**$ 26,829**	**$ 220,181**

							2016
	Trademarks and domain names[1]	Non-competition agreements	Customer-related intangible assets	Software[2]	Total Intangible assets	Goodwill	Total intangible assets and goodwill
Cost							
As at December 31, 2015	$ 936,085	$ 532,773	$ 6,577	$ 327,695	$ 1,803,130	$ 26,829	$ 1,829,959
Business acquisitions (Note 4)	–	200	6,230	9,720	16,150	18,513	34,663
Additions	–	–	–	47,457	47,457	–	47,457
Impairment	(452,489)	(147,511)	–	–	(600,000)	–	(600,000)
Disposals, write-offs and transfers	–	(3,968)	(785)	2	(4,751)	–	(4,751)
As at December 31, 2016	$ 483,596	$ 381,494	$ 12,022	$ 384,874	$ 1,261,986	$ 45,342	$ 1,307,328
Accumulated amortization							
As at December 31, 2015	$ 19,265	$ 225,958	$ 3,592	$ 184,534	$ 433,349	$ –	$ 433,349
Amortization expense	2,839	18,784	4,009	66,566	92,198	–	92,198
Disposals, write-offs and transfers	–	(3,968)	(523)	(2)	(4,493)	–	(4,493)
As at December 31, 2016	$ 22,104	$ 240,774	$ 7,078	$ 251,098	$ 521,054	$ –	$ 521,054
Net book value as at December 31, 2016	$ 461,492	$ 140,720	$ 4,944	$ 133,776	$ 740,932	$ 45,342	$ 786,274

1 *Trademarks and domain names with indefinite useful lives amounted to $96.2 million (2016 - $456.8 million).*

2 *Software under development amounted to $15.6 million (2016 - $10.6 million).*

Impairment of intangible assets and goodwill

As a majority of the intangible assets do not generate cash inflows that are largely independent of those from other assets or group of assets, the Company performs its impairment analysis of its intangible assets at the CGU level. The CGUs of the Company are as follows: Yellow Pages and Other (includes multiple CGUs for which the carrying value of its intangible assets with indefinite useful lives is not significant in comparison with the Company's total carrying value of intangible assets with indefinite useful lives).

Goodwill was tested for impairment at the lowest level within the Company at which the goodwill is monitored for internal management purposes: the Other CGUs.

During the fourth quarters of 2016 and 2017, the Company completed its annual impairment analysis and assessed the recoverability of its assets allocated to its CGUs. The Company calculated the recoverable amounts of its CGUs using valuation methods which were consistent with those used in prior periods. The recoverable amounts were determined based on the higher of fair value less costs of disposal and value in use valuation methods, both based on estimates of discounted future cash flows.

2017

As a result of a shortfall in revenues in the Yellow Pages and Other CGUs compared to previous estimates and uncertainty with regards to future long-term trends, the Company revised estimates of future cash flows to reflect recent historical trends as the basis. In conjunction, the Company recorded an impairment loss of $480 million in the Yellow Pages CGU and an impairment loss of $20 million in a business within the Other CGUs group as the carrying values of these CGUs exceeded their recoverable amounts. The impairment loss was applied to trademarks and non-competition agreements of the Yellow Pages CGU and primarily to goodwill of the Other CGUS. The recoverable amount of the Yellow Pages CGU and Other CGUs post-impairment is $242 million and $145 million, respectively.

2016

The cash flows were based on the 2017 budget and projected over a five-year period. Applicable terminal growth rates were applied. The forecasted cash flows also incorporated forecasted print revenue declines per annum between 17% and 20% and digital products and services revenue growth rates between 7% and 13% for the Yellow Pages and Other CGUs.

As a result of a marked acceleration in an unfavourable change in the product mix in the Yellow Pages CGU, the Company recorded an impairment loss of $600 million as the Company's carrying value of if its Yellow Pages CGU exceeded its recoverable amount. The impairment loss was applied to certain intangible assets of the Yellow Pages CGU, namely trademarks and non-competition agreements. The recoverable amount of the Yellow Pages CGU post-impairment is $704 million, and represents its value in use. The recoverable amount of the Other CGUs exceeded their carrying values, and accordingly, no impairment was recognized.

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

Carrying values and other assumptions

Cash flows beyond five-year projections were extrapolated using the terminal growth rates stated in the table below. The allocation of the carrying value of the intangible assets as at December 31, 2017 and 2016 by CGU or group of CGUs, prior to the impairment charges, and the other key assumptions used for the recoverable amount calculations for the December 31, 2017 and December 31, 2016 impairment analyses are presented below:

As at			**December 31, 2017[1]**
	Yellow Pages	**Other**	**Total**
Carrying value of intangible assets and goodwill by CGU			
Trademarks and domain names	$ 426,462	$ 30,362	$ 456,824
Trademarks and domain names with finite lives	890	1,074	1,964
Non-competition agreements	119,423	853	120,276
Customer-related intangible assets	–	2,657	2,657
Software	84,886	8,232	93,118
Goodwill	–	45,342	45,342
Total carrying value of intangible assets and goodwill by CGU	**$ 631,661**	**$ 88,520**	**$ 720,181**

As at			December 31, 2016[1,2]
	Yellow Pages	Other	Total
Carrying value of intangible assets and goodwill by CGU			
Trademarks and domain names	$ 876,835	$ 31,401	$ 908,236
Trademarks and domain names with finite lives	2,094	3,651	5,745
Non-competition agreements	286,816	1,415	288,231
Customer-related intangible assets	–	4,944	4,944
Software	119,603	14,173	133,776
Goodwill	–	45,342	45,342
Total carrying value of intangible assets and goodwill by CGU	$ 1,285,348	$ 100,926	$ 1,386,274

[1] *Prior to the impairment charge of $500 million (2016 – $600 million), as discussed above.*

[2] *Certain 2016 figures were restated to conform to the current year's presentation.*

	Yellow Pages	**Other**	**Total**
Key assumptions :			
Terminal growth rate			
December 31, 2017	-15% to -5%	3% to 4.5%	-15% to 4.5%
December 31, 2016	-15% to 4.3%	1% to 4.5%	-15% to 4.5%
Discount rate – post-tax [1]			
December 31, 2017	9.1% to 14%	14% to 20%	9.1% to 20%
December 31, 2016	8.4% to 13.6%	12.2% to 15%	8.4% to 15%

[1] *The fair value less costs of disposal method used in 2017 requires the use of a post-tax rate. In 2016, the Company used a value in use method, which requires the use of a pre-tax rate (Yellow Pages - 15.1% to 20.6%, Other – 14.8% to 18.6%)*

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

Yellow Pages Limited has accumulated impairment losses on intangible assets, goodwill and property and equipment in the amounts of $1,391.1 million, $5,866.3 million and $10.4 million, respectively.

8. Trade and other payables

As at	December 31, 2017	December 31, 2016
Trade	**$ 59,584**	$ 60,300
Accrued interest on long-term debt and exchangeable debentures	**6,915**	3,169
Payroll related	**7,993**	7,075
Long-term incentive plans	**3,181**	4,667
Other accrued liabilities	**5,955**	4,282
	$ 83,628	$ 79,493

9. Provisions

During the year ended December 31, 2017, Yellow Pages Limited recorded restructuring and other charges of $34.4 million, which consists primarily of lease contracts related to office closures, internal reorganizations and workforce reductions. During the year ended December 31, 2016, Yellow Pages Limited recorded restructuring and other charges of $23 million due primarily to internal reorganizations and workforce reductions, and transaction costs associated with business acquisitions.

The provisions for restructuring and other charges represent the present value of the best estimate of the future outflow of economic benefits that will be required to settle the provisions and may vary as a result of new events affecting the severances and charges that will need to be paid.

Other provisions include provisions primarily for vacation and short-term incentive plans.

	Provisions for restructuring	Provisions for other charges	Other provisions	**Total provisions**
As at December 31, 2016	$ 12,956	$ 15,610	$ 28,771	**$ 57,337**
Charge[1]	15,078	17,936	22,459	**55,473**
Payments	(18,731)	(3,901)	(28,154)	**(50,786)**
Reclassifications and other	778	(778)	(95)	**(95)**
As at December 31, 2017	$ 10,081	$ 28,867	$ 22,981	**$ 61,929**
Less current portion	8,561	16,016	22,981	**47,558**
Non-current portion	**$ 1,520**	**$ 12,851**	**$ –**	**$ 14,371**

[1] *Included in the restructuring and other charges of $34.4 million on the statement of loss are net charges of $1.4 million not affecting the provision.*

On January 16, 2018, Yellow Pages announced a workforce reduction of approximately 500 positions across Canada and in all functions of the organization. The Company expects to record a restructuring charge of $17 million in the first quarter ending March 31, 2018 associated with this workforce reduction.

10. Post-employment benefits

Yellow Pages Limited maintains pension plans with defined benefit and defined contribution components which cover substantially all of the employees of Yellow Pages Limited. Yellow Pages Limited maintains unfunded supplementary defined benefit pension plans for certain executives and also maintains other retirement and post-employment benefits ("other benefits") plans which cover substantially all of its employees.

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

The defined benefit plans typically expose the Company to actuarial risks such as investment, interest rate, longevity and salary risks.

Investment risk	The present value of the defined benefit plan obligation is calculated using a discount rate determined by reference to high quality corporate bond yields; if the actual return on plan assets is below the assumed rate, it will create a plan deficit. Currently, the defined benefit plan has a relatively balanced investment in equity securities and debt instruments. Due to the long-term nature of the defined benefit plan obligation, the pension committee considers it appropriate that a reasonable portion of the plan assets should be invested in equity instruments to leverage the return generated by the fund.
Interest risk	A decrease in the bond interest rate will increase the defined benefit plan obligation, particularly on a solvency basis. Although this will be partially offset by an increase in the return of the defined benefit plan's investments, the impact may be material as pension liabilities are sensitive to variations in interest rates.
Longevity risk	The present value of the defined benefit plan obligation is calculated based on assumptions regarding mortality rates of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
Salary risk	The present value of the defined benefit plan obligation is calculated by reference to the projected salaries of plan participants. As such, a higher salary increase than projected of the plan participants will increase the defined benefit plan's liability.

The present value of the defined benefit obligation and the related current service cost and past service costs were measured using the projected benefit method prorated on service. This was based on the actuarial valuation and the present value of the defined benefit plan obligation which was carried out by Morneau Shepell, Fellows of the Canadian Institute of Actuaries and Society of Actuaries, as at March 31, 2017, and extrapolated to December 31, 2017. For funding purposes, an actuarial valuation of the defined benefit component of the Yellow Pages pension plans was also performed as at March 31, 2017.

The changes in the defined benefit obligations and in the fair value of assets and the reconciliation of the funded status of the defined benefit plans to the amount recorded on the consolidated statements of financial position as at December 31, 2017 and 2016 were as follows:

As at	**December 31, 2017**		December 31, 2016	
	Pension benefits[1]	**Other benefits**	Pension benefits[1]	Other benefits
Fair value of plan assets, beginning of year	**$ 506,913**	**$ –**	$ 487,884	$ –
Employer contributions	**16,654**	**2,056**	17,907	2,002
Employee contributions	**1,244**	**–**	1,486	–
Interest income	**18,512**	**–**	19,087	–
Return on plan assets excluding interest income (actuarial gains)	**25,349**	**–**	20,456	–
Benefit payments	**(45,289)**	**(2,056)**	(38,952)	(2,002)
Assets distributed on settlement	**(15,511)**	**–**	–	–
Administration costs	**(850)**	**–**	(955)	–
Fair value of plan assets, end of year	**$ 507,022**	**$ –**	$ 506,913	$ –
Accrued benefit obligation, beginning of year	**$ 622,450**	**$ 38,635**	$ 632,599	$ 37,944
Current service cost	**5,496**	**23**	5,526	21
Employee contributions	**1,244**	**–**	1,486	–
Benefit payments	**(45,289)**	**(2,056)**	(38,952)	(2,002)
Defined benefit obligation extinguished on settlement	**(13,956)**	**–**	–	–
Interest cost	**22,772**	**1,409**	24,672	1,479
Recovery of past service costs	**(188)**	**(34)**	(28)	(15)
Actuarial (gains) losses due to:				
Experience adjustments	**(3,243)**	**–**	(2,010)	–
Changes in financial assumptions	**21,877**	**1,254**	(843)	1,208
Defined benefit obligation, end of year	**$ 611,163**	**$ 39,231**	$ 622,450	$ 38,635
Net defined benefit obligation	**$ (104,141)**	**$ (39,231)**	$ (115,537)	$ (38,635)

[1] *Including unfunded supplementary defined benefit pension plans.*

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

While all the plans are not considered fully funded for financial reporting purposes, registered plans are funded in accordance with the applicable statutory funding rules and regulations governing the particular plans.

The significant assumptions adopted in measuring Yellow Pages Limited's pension and other benefit obligations as at December 31, 2017 and 2016 were as follows:

As at	**December 31, 2017**		December 31, 2016	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Post-employment benefit obligation				
Discount rate, end of year	**3.50%**	**3.50%**	3.75%	3.75%
Rate of compensation increase	**2.25%**	**2.25%**	2.25%	2.25%
Net benefit plan costs				
Discount rate (current service cost), end of preceding year	**4.00%**	**3.75%**	4.25%	4.25%
Discount rate (interest expense), end of preceding year	**3.75%**	**3.75%**	4.00%	4.00%
Rate of compensation increase	**2.25%**	**2.25%**	2.95%	2.95%
Weighted average duration (years)	**15**	**13**	15	13

For measurement purposes, a 7.7% annual increase in the per capita cost of covered medical care benefits (the medical care cost trend rate) was assumed in 2017. The rate of increase of the cost of medical care was assumed to decrease to 7.4% in 2018 and gradually decline to 5% by 2026 and to remain at that level thereafter. A 5.8% annual increase in per capita cost of covered dental care benefits was assumed in 2017. The rate of increase of the cost of covered dental care was assumed to decrease to 5.6% in 2018 and gradually decline to 4% by 2026 and to remain at that level thereafter.

The following table shows how the defined benefit obligation as at December 31, 2017 would have been affected by changes that were reasonably possible at that date in each significant actuarial assumption:

	Pension benefits	**Other benefits**
Decrease of 0.25% in discount rate, end of year	**$ 23,225**	**$ 1,330**
Increase of 0.25% in rate of compensation	**$ 2,220**	**$ –**
Increase of 1% in health care cost trend rates	**$ N/A**	**$ 4,151**

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

The net benefit plan costs included in the statements of loss are comprised of the following components:

For the years ended December 31,	**2017**		2016	
	Pension benefits	**Other benefits**	Pension benefits	Other benefits
Current service cost	**$ 5,496**	**$ 23**	$ 5,526	$ 21
Administration costs	**850**	**–**	955	–
Recovery of past service costs	**(188)**	**(34)**	(28)	(15)
Loss on settlement	**1,555**	**–**	–	–
Service cost[1]	**$ 7,713**	**$ (11)**	$ 6,453	$ 6
Interest cost	**$ 22,772**	**$ 1,409**	$ 24,672	$ 1,479
Interest income	**(18,512)**	**–**	(19,087)	–
Net interest on the net defined benefit obligation (Note 18)	**$ 4,260**	**$ 1,409**	$ 5,585	$ 1,479
Net benefit costs recognized in the statement of loss	**$ 11,973**	**$ 1,398**	$ 12,038	$ 1,485
Actuarial (gains) losses recognized in OCI	**$ (6,715)**	**$ 1,254**	$ (23,309)	$ 1,208
Total net benefit plan costs (recovery) for the Yellow Pages ("YP") defined benefit plans	**$ 5,258**	**$ 2,652**	$ (11,271)	$ 2,693
Net benefit plan costs for the YP defined contribution plans[1]	**5,939**	**–**	7,157	–
Total net benefit plan costs (recovery)	**$ 11,197**	**$ 2,652**	$ (4,114)	$ 2,693

[1] *Included in operating costs.*

As a result of workforce reductions during the years ended December 31, 2017 and 2016, the number of employees covered by the pension plans decreased, and these restructurings gave rise to a recovery of past service cost as at November 29, 2017, March 31, 2017, and November 10, 2016. The assets distributed on settlement and the defined benefit obligation extinguished on settlement of $15.5 million and $14.0 million, respectively, during the year ended December 31, 2017 corresponds to the pension values paid out of the plan assets and the obligation recorded for the members who were terminated as part of prior restructurings. The difference between these two amounts represents the loss on settlement of $1.6 million recognized in 2017.

Plan assets include primarily Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages. Plan assets are held in trust and the asset allocation was as follows as at December 31, 2017 and 2016:

(in percentages - %)	**December 31, 2017**	December 31, 2016
Fair value of the plan assets:		
Canadian bonds and debentures	**12.5**	11.5
Canadian common stocks	**8.0**	9.5
Pooled fund units		
Canadian pooled equity funds	**22.0**	22.5
Global pooled equity funds	**30.5**	31.5
Canadian pooled fixed-income funds	**27.0**	24.5
Cash and cash equivalents	**–**	0.5

As at December 31, 2017 and 2016, the publicly traded equity securities did not directly include any shares of Yellow Pages Limited.

The total cash payments for pension and other benefit plans made by Yellow Pages Limited amounted to $25.0 million for 2017 (2016 – $26.8 million). Total cash payments for pension and other benefit plans expected in 2018 amount to approximately $18 million.

Yellow Pages Limited's funding policy is to make contributions to its pension plans based on various actuarial cost methods as permitted by pension regulatory bodies. Yellow Pages Limited is responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

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

In addition, Yellow Pages Limited recorded an expense for provincial, federal and state pension plans of $8.6 million for the year ended December 31, 2017 (2016 – $9.9 million).

As at December 31, 2017, Yellow Pages Limited had recognized an accumulated balance of $66.1 million, net of income taxes of $21.9 million, in actuarial losses in OCI.

11. Long-term debt

The long-term debt is comprised of the following:

As at		**December 31, 2017**		December 31, 2016
Principal amount of the 10.00% senior secured notes	**$**	**315,000**	$	–
Principal amount of the 9.25% senior secured notes		**–**		309,669
Less unaccreted discount		**6,102**		–
	$	**308,898**	$	309,669
Obligations under finance leases		**215**		359
	$	**309,113**	$	310,028
Less current portion[1]		**54,939**		75,161
Non-current portion	**$**	**254,174**	$	234,867

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

Asset-Based Loan

In August 2013, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, entered into a five-year $50 million asset-based loan ("ABL") expiring in August 2018. On October 19, 2017, Yellow Pages Limited entered into an Amended and Restated Loan and Security Agreement extending the term of the ABL to August 2022. The ABL is 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. The ABL is subject to an availability reserve of $5 million if the Company's trailing 12-month fixed charge coverage ratio is below 1.1 times. As at December 31, 2017, the Company had $6.4 million of letters of credit issued and outstanding under the ABL. As such, $43.6 million of the ABL was available as at December 31, 2017. Interest is calculated based either on the BA Rate or the Prime Rate plus an applicable margin.

The loan agreement governing the ABL contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets, and certain transactions with affiliates and its business activities.

As at December 31, 2017 and 2016, 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 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 will accrue interest from October 19, 2017 at a rate of 10.00% per annum, payable in semi-annual instalments in arrears on May 1 and November 1 of each year commencing May 1, 2018. The Company incurred debt issuance costs of $7.9 million related to the issuance of the New Notes during the fourth quarter. The debt issuance costs are presented in Financial and other assets on the consolidated statement of financial position and are being amortized over the term of the New Notes.

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 million on the last day of the mandatory redemption period. The Company is required to use 75% of its consolidated Excess Cash Flow to redeem the New Notes if the consolidated leverage ratio on the last day of the mandatory redemption period is 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.

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 December 31, 2017, the Company was in compliance with all covenants under the Indenture governing the New Notes.

9.25% Senior Secured Notes

On December 20, 2012, the Company through its subsidiary, Yellow Pages Digital & Media Solutions Limited, issued $800 million of 9.25% senior secured notes (the "Senior Secured Notes") maturing November 30, 2018. Interest on the Senior Secured Notes was payable in cash, quarterly in arrears and in equal instalments at 9.25% per annum on the last day of February, May, August and November of each year. The Company used the net proceeds from the sale of the New Notes to redeem on November 18, 2017 all of its Senior Secured Notes due November 30, 2018, including accrued and unpaid interest up to but excluding the redemption date. The total redemption price was $1,020.2986 for each $1,000 principal amount of Senior Secured Notes, including interest of $20.2986.

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

12. Exchangeable debentures

As at	December 31, 2017	December 31, 2016
Principal amount of exchangeable debentures	**$ 107,089**	$ 107,089
Less unaccreted interest	**13,022**	14,915
	$ 94,067	$ 92,174

On December 20, 2012, the Company through its subsidiary Yellow Pages Digital & Media Solutions Limited, issued $107.5 million of senior subordinated exchangeable debentures ("Exchangeable Debentures") due November 30, 2022. Interest on the Exchangeable Debentures accrues at a rate of 8% per annum if for the applicable interest period, it is paid in cash, or 12% per annum if the Company makes a Payment in Kind ("PIK") 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, and in equal instalments on the last day of May and November of each year. The initial fair value on December 20, 2012 of the Exchangeable Debentures was $91.6 million.

The Exchangeable Debentures are senior subordinated and unsecured obligations of Yellow Pages Digital & Media Solutions Limited. The Exchangeable Debentures are unconditionally guaranteed on a subordinated unsecured basis by Yellow Pages Limited and all of its Restricted Subsidiaries (as such term is defined in the indenture governing the Exchangeable Debentures).

The indenture governing the Exchangeable Debentures contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, sale and leaseback transactions, mergers, consolidations and sales of assets and certain transactions with affiliates. The indenture does not contain the obligation to maintain financial ratios. Financial ratio restrictions only apply upon incurrence of indebtedness and other transactions.

As at December 31, 2017 and 2016, 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.

The conversion option was valued at $3.6 million, net of income taxes of $1.3 million, at the date of issuance and is included in Equity. The liability portion is being accreted such that the liability at maturity equals the principal amount less exchanges.

Optional Redemption

The Company may, at any time on or after the date on which all of the Senior Secured Notes have been paid in full, redeem all or part of the Exchangeable Debentures at its option 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.

The redemption option for cash is an embedded derivative and is recorded at fair value on the consolidated statements of financial position with changes in fair value recognized in financial charges. The fair value was $nil as at December 31, 2017 (2016 – $0.1 million).

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

13. Income taxes

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	For the years ended December 31, 2017	2016
Losses before income taxes and loss from investment in jointly controlled entity	**$ (514,818)**	$ (548,782)
Combined Canadian federal and provincial tax rates[1]	**26.80%**	26.88%
Income tax recovery at statutory rates	**$ (137,967)**	$ (147,509)
Increase (decrease) resulting from:		
Unrecognized tax attributes and deductible temporary differences of the current year[2]	**134,509**	–
Reversal of tax attributes and deductible temporary differences of prior years[2]	**74,950**	–
Non-deductible expenses for tax purposes	**913**	1,354
Settlement of tax assessments	**–**	273
Other	**–**	365
Provision for (recovery of) income taxes	**$ 72,405**	$ (145,517)

[1] The combined applicable statutory tax rate decreased by 0.08% resulting mainly from the provincial allocation of revenues earned and the decrease in the Quebec and Saskatchewan statutory tax rates, offset by the increase in the New Brunswick statutory tax rate.

[2] During the fourth quarter ended December 31, 2017, The Company recorded a provision for income taxes of $72.4 million during 2017, comprised of a recovery of income taxes of $134.5 million and a valuation allowance of the same amount associated with an impairment loss of $500 million on certain of its intangible assets and goodwill recorded during the fourth quarter of 2017. Furthermore, the Company recognized a reversal of tax attributes and deductible temporary differences representing an income tax expense of approximately $75 million during the fourth quarter of 2017.

(Recovery of) provision for income taxes includes the following amounts:

	For the years ended December 31, 2017	2016
Current	**$ (101)**	$ 89
Deferred	**72,506**	(145,606)
	$ 72,405	$ (145,517)

Deferred income tax (assets) liabilities are attributable to the following items:

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Accrued liabilities	Property and equipment and lease incentives	Exchangeable Debentures	Intangible assets	Deferred income tax (assets) liabilities, net
December 31, 2016	$ (574)	$ (26,674)	$ (4,039)	$ (45,734)	$ (8,244)	$ 17,655	$ 4,104	$ 11,468	$ (52,038)
Expense (benefit) to statement of loss	4,306	21,170	875	3,048	(2,606)	(6,100)	(494)	52,307	72,506
Expense to OCI	–	–	–	1,196	–	–	–	–	1,196
December 31, 2017	**$ 3,732**	**$ (5,504)**	**$ (3,164)**	**$ (41,490)**	**$ (10,850)**	**$ 11,555**	**$ 3,610**	**$ 63,775**	**$ 21,664**

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

	Deferred financing costs	Non-capital losses carry forward	Deferred revenues	Post-employment benefits	Accrued liabilities	Property and equipment and lease incentives	Exchangeable Debentures	Intangible assets	Deferred income tax liabilities (assets), net
December 31, 2015	$ (4,521)	$ (15,988)	$ (5,610)	$ (52,113)	$ (10,923)	$ 10,919	$ 4,581	$ 160,887	$ 87,232
Business acquisitions	–	–	–	–	–	–	–	128	128
Expense (benefit) to statement of loss	3,947	(10,686)	1,571	171	2,679	6,736	(477)	(149,547)	(145,606)
Expense to OCI	–	–	–	6,208	–	–	–	–	6,208
December 31, 2016	$ (574)	$ (26,674)	$ (4,039)	$ (45,734)	$ (8,244)	$ 17,655	$ 4,104	$ 11,468	$ (52,038)

As at December 31, 2017, the Company had not recognized deferred income tax assets with respect to foreign operating losses of $181.5 million and Canadian non-capital losses of $97.3 million. These losses expire gradually between 2028 and 2037.

As at December 31, 2017, the Company and its subsidiaries had not recognized deductible temporary differences of $845.8 million.

14. Shareholders' capital

Common shares

For the year ended December 31, 2017	**Number of Shares**	**Amount**
Balance, December 31, 2016	28,075,304	$ 4,031,685
Exchange of common share purchase warrants	2	–
Balance, December 31, 2017	**28,075,306**	**$ 4,031,685**

For the year ended December 31, 2016	Number of Shares	Amount
Balance, December 31, 2015	28,063,919	4,031,528
Exercise of stock options (Note 16)	11,375	157
Exchange of common share purchase warrants	10	–
Balance, December 31, 2016	28,075,304	$ 4,031,685

Warrants

On December 20, 2012, the Company issued 2,995,506 common share purchase warrants ("Warrants").

During the years ended December 31, 2017 and 2016, 2 and 10 Warrants, respectively, were exercised in exchange for 2 and 10 common shares of Yellow Pages Limited, respectively. As at December 31, 2017 and 2016, the Company had a total of 2,995,486 and 2,995,488 Warrants outstanding, respectively.

Each Warrant is transferable and entitles the holder to purchase one common share of Yellow Pages Limited at an exercise price of $28.16 per Warrant payable in cash at any time on or prior to December 20, 2022. The fair value of the Warrants on December 20, 2012 was $1.5 million.

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

The fair value of the Warrants was calculated using a binomial option pricing model with the following assumptions:

Risk free interest rate	**2.27%**
Expected life	**10 years**
Expiry date	**December 20, 2022**
Expected volatility	**33.5%**

Loss per share

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

For the years ended December 31,	**2017**	2016
Weighted average number of shares outstanding used in computing basic and diluted loss per share	**26,399,242**	26,500,861

For the years ended December 31,	**2017**	2016
Net loss used in the computation of basic and diluted loss per share	**$ (589,327)**	$ (403,705)

Yellow Pages Limited did not calculate the diluted loss per share for the years ended December 31, 2017 and 2016 as the conversion of the restricted share units, performance share units, stock options, Exchangeable Debentures and Warrants would not be dilutive to the loss.

15. Segmented information

In 2017, the Company made changes to how it manages its business to assess performance and to allocate resources, with its operations being divided into four reportable segments: YP, Agency, Real Estate and Other. The four segments operate primarily in Canada, with substantially all of their assets also in Canada.

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

The Agency segment provides national advertising services to brands and publishers, primarily through its Mediative division, and JUICE Mobile and Totem subsidiaries. Mediative offers dedicated marketing and performance media services to national clients Canada-wide. JUICE Mobile's proprietary Programmatic Direct and Real-Time Bidding platforms facilitate the automatic buying and selling of mobile advertising between brands and advertisers. Totem is a creative agency specializing in customized content creation and delivery for global brands.

The Real Estate segment provides homeowners in Canada with media and expertise to sell their homes as well as publishes locally-targeted real estate listings. It addresses the needs of the consumer in the Canadian real estate market via its ComFree/DuProprio and Yellow Pages Homes Limited subsidiaries.

The Other segment offers a diversified portfolio of media properties to Canadian consumers, including the 411.ca digital directory service as well as local lifestyle magazines specific to the Western Canada region, in the restaurants, real estate and lifestyle categories.

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

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

The following tables present financial information for the years ended December 31, 2017 and 2016.

For the year ended December 31, 2017	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 181,697	$ 5,416	$ 11,913	$ 3,924	$ (68)	**$ 202,882**
Digital	405,497	72,688	50,811	18,631	(4,657)	**542,970**
Total revenues	587,194	78,104	62,724	22,555	(4,725)	**745,852**
Operating costs	404,353	82,815	58,815	20,609	(4,725)	**561,867**
Income (loss) from operations before depreciation and amortization, impairment of intangible assets and goodwill, and restructuring and other charges	$ 182,841	$ (4,711)	$ 3,909	$ 1,946	$ –	**$ 183,985**
Depreciation and amortization						**105,501**
Impairment of intangible assets and goodwill	485,064	21,968	–	–	–	**507,032**
Restructuring and other charges						**34,400**
Financial charges, net						**48,150**
Impairment of available-for-sale investments						**3,720**
Provision for income taxes						**72,405**
Loss from investment in a jointly controlled entity						**2,104**
Net loss						**$ (589,327)**
Additions to intangible assets and property and equipment, net of lease incentives received	$ (53,081)	$ (2,038)	$ (1,266)	$ (2,230)	$ –	**$ (58,615)**
Goodwill	$ –	– –	$ 26,829	$ –	$ –	**$ 26,829**
Intangible assets	$ 151,660	$ 6,521	$ 32,715	$ 2,456	$ –	**$ 193,352**

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

For the year ended December 31, 2016	YP	Agency	Real Estate	Other	Intersegment eliminations	Yellow Pages Limited
Revenues						
Print	$ 238,756	$ 1,000	$ 18,319	$ 4,587	$ (455)	$ 262,207
Digital	419,066	73,524	48,096	19,774	(4,688)	555,772
Total revenues	657,822	74,524	66,415	24,361	(5,143)	817,979
Operating costs	432,447	71,076	63,062	21,346	(5,143)	582,788
Income from operations before depreciation and amortization, impairment of intangible assets and restructuring and other charges	$ 225,375	$ 3,448	$ 3,353	$ 3,015	$ –	$ 235,191
Depreciation and amortization						104,882
Impairment of intangible assets	600,000	–	–	–	–	600,000
Restructuring and other charges						22,961
Financial charges, net						56,130
Recovery of income taxes						(145,517)
Loss from investment in a jointly controlled entity						440
Net loss						$ (403,705)
Additions to intangible assets and property and equipment, net of lease incentives received	$ (50,523)	$ (2,234)	$ (1,283)	$ (1,321)	$ –	$ (55,361)
Goodwill	$ –	$ 18,513	$ 26,829	$ –	$ –	$ 45,342
Intangible assets	$ 686,407	$ 15,348	$ 34,187	$ 4,990	$ –	$ 740,932

16. Stock-based compensation plans

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

Restricted Share Unit and Performance Share Unit Plan

On May 6, 2013, Yellow Pages Limited adopted a restricted share unit and performance share unit plan (the "RSU and PSU Plan") to reward key employees and officers of Yellow Pages Limited (the "Participants"). Following the implementation of the RSU and PSU Plan, Yellow Pages Limited granted to Participants a number of restricted share units ("RSUs") and/or performance share units ("PSUs"), as applicable, based on the volume weighted average trading price of the common shares for the five days immediately preceding the grant date. The RSUs are time-based awards and will vest upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant or such other period not exceeding 36 months determined by the Board of Directors. The PSUs are performance-based awards and will vest upon confirmation by the Board of Directors of the achievement of specified performance targets and upon the continuous employment of the Participants for a period of 36 months starting from the date of the grant or such other period not exceeding 36 months determined by the Board of Directors. The PSUs for which the performance targets have not been achieved shall automatically be forfeited and cancelled. The number of PSUs that vest could potentially reach up to one-and-a-half times the actual number of PSUs awarded if the actual performance reaches the maximum level of performance targets.

Pursuant to the terms of the RSU and PSU Plan, if the RSU and PSU Plan is funded, Participants will receive, upon vesting of the RSUs and PSUs, common shares of the Company acquired on the open market. In the event the RSU and PSU Plan is unfunded, Yellow Pages Limited will pay to the Participant an amount in cash, equivalent to the number of RSUs or PSUs that have vested.

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

During the year ended December 31, 2017, 501,309 common shares of Yellow Pages Limited (2016 – 553,709) were purchased on the open market of the TSX by the trustee appointed under the RSU and PSU Plan at a cost of $3.1 million (2016 – $10.5 million) and are restricted for the purpose of funding of the RSU and PSU Plan. The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the RSU and PSU Plan amounted to 1,804,716 as at December 31, 2017.

The following table summarizes the continuity of the RSUs and PSUs during the years ended December 31:

		2017		2016
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**444,355**	**596,114**	464,924	520,117
Granted	**846,007**	**1,042,796**	199,427	327,137
Additional payout related to achievement of performance targets[2]	**–**	**21,451**	–	26,259
Settled	**(182,305)**	**(200,793)**	(159,398)	(85,947)
Forfeited	**(344,433)**	**(663,757)**	(60,598)	(191,452)
Outstanding, end of period	**763,624**	**795,811**	444,355	596,114
Weighted average remaining life (years)	**1.7**	**1.4**	1.1	1.1

[1] *The outstanding number of PSUs represents a payout of 100%. In addition, the potential payout in excess of 100% and limited to a maximum payout of 150% pursuant to the achievement of certain performance targets, amounted to 397,868 common shares as at December 31, 2017 (2016 – 297,990 common shares).*

[2] *The additional payout is related to the achievement of certain performance targets in excess of 100% and amounted to an additional 12% for the year ended December 31, 2017 (2016 – 44%).*

During the year ended December 31, 2017, an expense of $2.1 million (2016 – $5.6 million) was recorded in the consolidated statement of loss in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

On June 12, 2013, Yellow Pages Limited adopted a deferred share unit plan (the "DSU Plan"). The DSU Plan was amended in October 2013 to provide for the participation by eligible employees as designated by the Board of Directors. The Company shall settle the vested deferred share units ("DSUs") in cash or in common shares of Yellow Pages Limited acquired on the open market at the discretion of the Company when a Director leaves the Board of Directors or an eligible employee ceases employment with the Company.

The following table summarizes the continuity of the DSUs during the years ended December 31:

		2017		2016
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of period	**246,892**	**$ 4,368**	192,964	$ 2,947
Granted	**120,660**	**1,230**	53,928	825
Settled	**(35,307)**	**(264)**	–	–
Variation due to change in stock price	**–**	**(2,541)**	–	596
Outstanding and vested, end of period	**332,245**	**$ 2,793**	246,892	$ 4,368

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

Stock options

On December 20, 2012, as part of the implementation of Yellow Pages Limited's 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 of Yellow Pages Limited 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 Limited through the transformation of its business and to more closely align the interests of management with those of the shareholders of Yellow Pages Limited. A maximum of 1,290,612 stock options may be granted under the Stock Option Plan. During the year ended December 31, 2017, 701,875 stock options (2016 – nil) were granted that are payable in cash upon certain conditions being met. These stock options are presented as a liability.

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

The following table summarizes the continuity of the stock options presented as a liability during the years ended December 31:

		2017		2016
	Number of options	**Liability[1]**	Number of options	Liability
Outstanding, beginning of period	**–**	**$ –**	–	$ –
Granted[2]	**701,875**	**$ 241**	–	$ –
Variation due to change in fair value	**–**	**$ (47)**	–	$ –
Outstanding, end of period	**701,875**	**$ 194**	–	$ –
Vested, end of period	**77,986**	**$ 194**	–	$ –

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

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

The following table summarizes the continuity of all stock options under the Stock Option Plan during the years ended December 31:

		2017		2016
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**630,950**	**$ 16.73**	522,950	$ 16.38
Granted	**701,875**	**$ 7.97**	251,700	$ 17.83
Exercised	**–**	**$ –**	(11,375)	$ 10.12
Forfeited	**(308,275)**	**$ 18.78**	(132,325)	$ 17.99
Outstanding, end of period	**1,024,550**	**$ 10.11**	630,950	$ 16.73
Exercisable, end of period	**281,325**	**$ 14.28**	186,550	$ 15.38

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

		2017		2016
Exercise price	**Number of options outstanding**	**Weighted average remaining life**	Number of options outstanding	Weighted average remaining life
$7.97	**701,875**	**2.7**	–	–
$10.12	**167,375**	**2.4**	167,375	3.3
$16.44	**67,500**	**4.2**	166,050	5.2
$17.83	**20,800**	**5.2**	163,000	6.2
$17.96	**–**	**–**	4,600	5.4
$19.61	**7,700**	**3.5**	7,700	4.5
$20.33	**4,900**	**3.4**	4,900	4.4
$24.65	**54,400**	**3.2**	117,325	4.2
Outstanding, end of period	**1,024,550**	**2.8**	630,950	4.8
Exercisable, end of period	**281,325**	**2.9**	186,550	3.6

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

Stock options were valued using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the average expected life of the options granted. The following table shows the key inputs into the valuation model for the years ended December 31:

	2017	2016
Weighted average grant date share price	**$ 9.12**	$ 18.28
Exercise price	**$ 7.97**	$ 17.83
Expected volatility	**41%**	35%
Option life	**3 years**	7 years
Risk-free interest rate	**2.04%**	1.02%
Weighted average remaining life	**2.7 years**	6.2 years

During the year ended December 31, 2017, a recovery of $0.4 million (2016 – an expense of $1.0 million) was recorded in the consolidated statement of loss in operating costs in relation to the Stock Option Plan.

Share appreciation rights plan

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

The following table summarizes the continuity of the share appreciation rights ("SARs") during the years ended December 31:

		2017		2016
	Number of SARs	**Liability[1]**	Number of SARs	Liability
Outstanding, beginning of period	**–**	**$ –**	–	$ –
Granted[2]	**701,875**	**$ 241**	–	$ –
Variation due to change in fair value	**–**	**$ (47)**	–	$ –
Outstanding, end of period	**701,875**	**$ 194**	–	$ –
Vested, end of period	**77,986**	**$ 194**	–	$ –

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

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

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

	2017	2016
Weighted average grant date share price	**$ 9.12**	$ –
Exercise price	**$ 7.97**	–
Expected volatility	**41%**	–
SAR life	**3 years**	–
Risk-free interest rate	**2.04%**	–
Weighted average remaining life	**2.7 years**	–

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

17. Operating costs

For the years ended December 31,	2017	2016[3]
Salaries, commissions and benefits	**$ 271,567**	$ 300,310
Supply chain and logistics[1]	**147,277**	143,487
Other goods and services[2]	**83,065**	80,538
Information systems	**46,055**	45,624
Bad debt expense (Note 21)	**13,903**	12,829
	$ 561,867	$ 582,788

[1] *Supply chain and logistics costs relate to external supplier costs for manufacturing and distribution of our print and online products.*

[2] *Other goods and services include promotion and advertising costs, real estate, office services, consulting services including contractors and professional fees. Operating leases recognized in operating costs during the year amounted to $23.0 million (2016 - $22.5 million).*

[3] *Certain expenses in the prior period were reclassified to conform to this year's presentation.*

18. Financial charges, net

The significant components of the financial charges are as follows:

For the years ended December 31,	2017	2016
Interest on long-term debt and Exchangeable Debentures	**$ 39,374**	$ 43,776
Net interest on the defined benefit obligations (Note 10)	**5,669**	7,064
Sales taxes on tax assessment relating to financing costs	**–**	2,372
Other, net	**3,107**	2,918
	$ 48,150	$ 56,130

19. Supplemental disclosure of cash flow information

The following are non-cash transactions:

For the years ended December 31,	2017	2016
Additions to property and equipment included in trade and other payables	**$ 1,274**	$ 5,525
Additions to intangible assets included in trade and other payables	**$ 937**	$ 2,405

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

20. Commitments and contingencies

a) As at December 31, 2017, Yellow Pages Limited has commitments under various leases for premises, equipment, purchase and service contract obligations for both operating and capital expenditures for each of the next five years and thereafter, and in the aggregate of:

	Operating leases	Other	Total commitments
2018	$ 14,336	$ 24,981	**$ 39,317**
2019	16,324	10,456	**26,780**
2020	15,390	5,699	**21,089**
2021	14,551	3,765	**18,316**
2022	14,370	202	**14,572**
Thereafter	162,007	2,317	**164,324**
	$ 236,978	$ 47,420	**$ 284,398**

Under certain lease agreements, incentives for leasehold improvements exist. These lease incentives are accounted for in deferred lease inducements and amounted to $17.7 million as at December 31, 2017 (2016 – $11.8 million).

b) Yellow Pages Limited has four billing and collection services agreements. Three of these agreements are with Bell Canada (for itself and as a successor to Bell Aliant Regional Communications LP and MTS Inc.) (“Bell”) and expire on December 31, 2018. The agreement with TELUS Communications Inc. (“TELUS”) expires in 2031.

Pursuant to publication agreements with Bell and TELUS, Yellow Pages Limited produces alphabetical listing telephone directories for each of these companies in order for them to meet their regulatory obligations.

The Company also entered into several other agreements with Bell and TELUS, providing for the use of listing information and trademarks for the publications of directories. If the Company materially fails to perform its obligations under the publication agreements mentioned above and as a result these publication agreements are terminated in accordance with their terms, these other listing information and trademark licenses with Bell and TELUS, as the case may be, may also be terminated. These other agreements with Bell and TELUS will terminate between 2031 and 2037.

c) Yellow Pages Limited entered into directory printing agreements with its printing suppliers to print, bind and furnish alphabetical, classified and combined directories as well as other publications. It also entered into distribution agreements.

d) Yellow Pages Limited is subject to various claims and proceedings which have been instituted against it during the normal course of business for which certain of the claims are provided for and included in trade and other payables, and provisions based on management’s best estimate of the likelihood of the outcome. Management believes that the disposition of the matters pending or asserted is not expected to have any material adverse effect on the financial position, financial performance or cash flows of Yellow Pages Limited.

21. Financial risk management

Credit Risk

Credit risk stems primarily from the potential inability of a customer or counterparty to a financial instrument to meet its contractual obligations. Yellow Pages Limited is exposed to credit risk with respect to cash and trade receivables from customers. The carrying value of financial assets represents Yellow Pages Limited’s maximum exposure.

Credit risk associated with cash is minimized substantially by ensuring that these financial assets are placed with creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

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

Yellow Pages Limited's extension of credit to customers involves judgment. Yellow Pages Limited has established internal controls designed to mitigate credit risk, including a formal credit policy managed by its credit department. New customers, customers increasing their advertising spend by a certain threshold and customers not respecting payment terms are subject to a specific vetting and approval process.

Yellow Pages Limited considers that it has limited exposure to concentration of credit risk with respect to trade receivables from customers due to its large and diverse customer base operating in numerous industries and its geographic diversity. There are no individual customers that account for 10% or more of revenues and there are no trade receivables from any one individual customer that exceeds 10% of the total balance of trade receivables at any point in time during the year.

Bell and TELUS provide Yellow Pages Limited with customer collection services with respect to advertisers who are also their customers. As such, they receive money from customers on behalf of Yellow Pages Limited. Yellow Pages Limited retains the ultimate collection risk on these receivables.

Allowance for doubtful accounts and past due receivables are reviewed by management at each statement of financial position date. Yellow Pages Limited updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade receivable balances of each customer taking into account historic collection trends of past due accounts and current economic conditions. Trade receivables are written off once determined not to be collectible. Subsequent recoveries of amounts previously written off are credited to the statement of loss.

The components of trade and other receivables are as follows:

As at	**December 31, 2017**	December 31, 2016
Trade receivables		
Current	**$ 61,572**	$ 66,517
Past due less than 180 days	**37,494**	30,620
Past due over 180 days	**12,016**	5,243
Trade receivables	**$ 111,082**	$ 102,380
Other receivables[1]	**$ 12,969**	$ 12,474
Trade and other receivables	**$ 124,051**	$ 114,854

[1] *Other receivables as at December 31, 2016 and 2017 included a loan receivable associated with a forward contract.*

Yellow Pages Limited's trade receivables are stated after deducting an allowance for doubtful accounts. The movements in the allowance for doubtful accounts were as follows:

As at	**December 31, 2017**	December 31, 2016
Balance, beginning of year	**$ 13,881**	$ 12,683
Bad debt expense, net of recovery	**13,903**	12,829
Written-off	**(10,720)**	(11,631)
Balance, end of year	**$ 17,064**	$ 13,881

Market Risk

(i) Interest Rate Risk

Yellow Pages Limited is exposed to interest rate risks resulting from fluctuations in interest rates on its ABL with rates which are generally based on the Prime rate or Canadian BA rate. Yellow Pages Limited does not use derivative instruments to reduce its exposure to interest rate risk. The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the necessary liquidity to conduct its day-to-day operations.

Yellow Pages Limited may also be exposed to fluctuations in long-term interest rates relative to the refinancing of its debt obligations upon their maturity. The interest rate on new long-term debt issuances will be based on the prevailing rates at the time of the refinancing, and will also depend on the tenor of the new debt issued.

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

There are no upcoming maturities that will require refinancing. Changes in interest rates will also affect the fair value of future cash flows of Yellow Pages Limited's fixed rate debt. As interest rates on the New Notes and Exchangeable Debentures are fixed, the Company is not exposed to interest rate fluctuation risk.

(ii) Foreign Exchange Risk

Yellow Pages Limited is exposed to foreign exchange risk arising from various currency transactions, which are not significant. Foreign exchange transaction risk arises primarily from commercial transactions that are denominated in a currency that is not the functional currency of Yellow Pages Limited's business unit that is party to the transaction. Yellow Pages Limited is exposed to fluctuations in the U.S. dollar. The effect on net earnings from existing U.S. dollar exposures of a one point increase or decrease in the Canadian/U.S. dollar exchange rate is not significant. The Company's expenditures, net of revenues, denominated in U.S. dollars were approximately $28 million for the year ended December 31, 2017 (2016 – $33 million). In 2016 and 2017, Yellow Pages Limited entered into foreign currency contracts to hedge this risk. As at December 31, 2017, there were no foreign currency contracts outstanding.

Liquidity Risk

Liquidity risk is the exposure of Yellow Pages Limited to the risk of not being able to meet its financial obligations as they become due.

Yellow Pages Limited manages this risk by maintaining detailed cash forecasts and long-term operating and strategic plans. The management of liquidity requires a constant monitoring of expected cash inflows and outflows which is achieved through a detailed forecast of the Company's liquidity position to ensure adequate and efficient use of cash resources.

The Company is required to use an amount equal to 100% of its consolidated Excess Cash Flow to redeem on a semi-annual basis the New Notes. This requirement is being met through internally-generated cash and cash on hand.

The following are the contractual maturities of the financial liabilities and related capital amounts:

			Payments due for the years following December 31, 2017		
	Total	1 year	2 – 3 years	4 – 5 years	After 5 years
Non-derivative financial liabilities					
Long-term debt[1,2]	$ 315,000	$ 54,800	$ –	$ 260,200	$ –
Obligations under finance leases[1]	215	139	76	–	–
Exchangeable Debentures[1]	107,089	–	–	107,089	–
Trade and other payables	83,628	83,628	–	–	–
Provisions	61,929	47,558	5,675	3,166	5,530
Total	**$ 567,861**	**$ 186,125**	**$ 5,751**	**$ 370,455**	**$ 5,530**

[1] *Principal amount.*

[2] *The repayment of the New Notes may vary subject to the Excess Cash Flow clause as well as the minimum cash balance requirement on the last day of the mandatory redemption period under the indenture governing the New Notes.*

Fair values

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

The fair value of cash, trade and other receivables, and trade and other payables is approximately equal to their carrying values due to their short-term maturity. The fair value of the New Notes and the Exchangeable Debentures is evaluated based on quoted market prices as at the statement of financial position date.

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

The following schedule represents the carrying values and the fair values of financial instruments not measured at fair value in the consolidated statement of financial position as at December 31, 2017:

	Level	Carrying Value	Fair Value
Current portion of long-term debt	1	$ 54,939	$ 56,930
Non-current portion of long-term debt	1	$ 254,174	$ 263,404
Exchangeable Debentures	1	$ 94,067	$ 97,451

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

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

As at	Level	**December 31, 2017**	December 31, 2016
Financial asset or liability			
Investments – available-for-sale	3	**$ 5,502**	$ 3,520
Foreign currency forward contracts	2	**$ –**	$ 996

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

During the year ended December 31, 2017, the Company invested $5.4 million in Melian Labs, Inc., which operates an all-in-one commerce platform, MyTime, which includes online booking, automated marketing, point of sale and analytics for local businesses.

During the year ended December 31, 2017, Yellow Pages determined that the fair value of certain of its available-for-sale investments were impaired and the fair value of these investments was subsequently reduced to $nil. The impairment loss of $3.7 million is presented in impairment of available-for-sale investments in the consolidated statement of loss.

In order to mitigate foreign exchange risk, Yellow Pages Limited entered into foreign currency forward contracts and designated them as cash-flow hedges for accounting purposes. On December 4, 2017, the foreign currency forward contracts came to maturity and were settled as at that same date. The foreign currency forward contracts were presented in prepaid expenses in the consolidated statement of financial position as at December 31, 2016.

22. Capital disclosures

Yellow Pages Limited's objective in managing capital is to ensure sufficient liquidity to cover financial obligations and investment requirements. Reducing debt and associated interest charges is one of the Company's primary financial goals which will improve its financial flexibility and support the implementation of its strategic objectives.

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

Yellow Pages Limited monitors its capital structure and makes adjustments based on the objectives described above in response to changes in economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements.

The primary measure used by Yellow Pages Limited to monitor its financial leverage is its ratio of net debt to Latest Twelve Month Adjusted EBITDA[3]. Yellow Pages Limited also uses other financial metrics to monitor its financial leverage including Fixed Charge Coverage Ratio and net debt to total capitalization.

Yellow Pages Limited's capital is comprised of net debt, Exchangeable Debentures and equity attributable to shareholders of Yellow Pages Limited as follows:

As at	**December 31, 2017**	December 31, 2016
Cash	**$ 46,405**	$ 17,260
10.00% senior secured notes[1] (Note 11)	**$ 308,898**	$ –
9.25% senior secured notes (Note 11)	**–**	309,669
Exchangeable Debentures[2] (Note 12)	**94,067**	92,174
Obligations under finance leases (Note 11)	**215**	359
Net debt	**$ 356,775**	$ 384,942
Equity attributable to shareholders	**(218,796)**	368,904
Total capitalization	**$ 137,979**	$ 753,846
Net debt to total capitalization	**258.6%**	51.1%

For the years ended December 31,	**2017**	2016
Latest Twelve Month Adjusted EBITDA[3]	**$ 183,985**	$ 235,191
Net debt to Latest Twelve Month Adjusted EBITDA ratio[1]	**1.9**	1.6

[1] *Represents the principal amount less unaccreted discount on the 10.00% senior secured notes.*

[2] *Represents the principal amount less unaccreted interest on the Exchangeable Debentures.*

[3] *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.*

23. Guarantees

In the normal course of operations, Yellow Pages Limited has entered into agreements which are customary in the industry that provide for indemnifications and guarantees to counterparties in transactions involving business acquisitions, business dispositions and sale of assets. Yellow Pages Limited has entered into agreements which contain indemnification of its directors and officers indemnifying them against expenses (including legal fees), judgments, fines and any amount actually and reasonably incurred by them in connection with any action, suit or proceeding in which the directors and/or officers are sued as a result of their service, if they acted honestly and in good faith with a view to the best interests of Yellow Pages Limited. Yellow Pages Limited benefits from directors' and officers' liability insurance which it has purchased. No amount has been accrued in the consolidated statements of financial position as at December 31, 2017 and 2016 with respect to these indemnities.

The nature of these guarantees prevents Yellow Pages Limited from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties.

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

24. List of subsidiaries

	Principal activity	Proportion of ownership	
As at			**December 31,**
Canada		**2017**	2016
Yellow Pages Digital & Media Solutions Limited	Digital and print media marketing solutions provider	**100%**	100%
Yellow Pages Homes Limited	Publisher of locally-targeted real estate listings	**100%**	100%
411 Local Search Corp.	Digital media marketing solutions provider	**100%**	100%
9059-2114 Quebec Inc.	Holding company	**100%**	100%
ByTheOwner Inc.	Real estate and related services provider	**100%**	100%
Juice DMS Advertising Limited	Digital media marketing solutions provider	**100%**	100%
YP Dine Solutions Limited	Local digital restaurant guides provider	**100%**	100%
Bookenda Limited	Booking and reservation management system provider	**100%**	100%
9778748 Canada Inc. (“Totem”)	Publisher	**100%**	100%
USA			
YPG (USA) Holdings, Inc.	Holding company	**100%**	100%
Yellow Pages Digital & Media Solutions, LLC	Operational support services provider	**100%**	100%
Juice Mobile USA LLC	Digital media marketing solutions provider	**100%**	100%

25. Related party disclosures

Key management personnel compensation

Yellow Pages Limited’s key management personnel have authority and responsibility for planning, directing and controlling the Company’s activities and consist of Yellow Pages Limited’s executive team and the Board of Directors.

Total compensation expense for key management personnel, and the composition thereof, is as follows:

For the years ended December 31	**2017**	2016
Salary, fees and other short-term employee benefits	**$ 4,276**	$ 4,787
Post-employment benefits	**506**	690
Stock-based compensation	**2,034**	4,173
Termination benefits	**6,184**	1,350
	$ 13,000	$ 11,000

[1] *During 2017, management reassessed its key management personnel. The prior period has been revised to reflect this change in composition.*

Executive Team

David A. Eckert
President and Chief
Executive Officer

John R. Ireland
Senior Vice-President,
Organizational Effectiveness

Dany Paradis
Senior Vice-President,
Sales and Customer Care

Stephen K. Smith
Senior Vice-President,
Profitable Growth

Ken Taylor
Senior Vice-President and
Chief Financial Officer

Board of Directors

Robert F. MacLellan
Director and Chairman
of the Board
Chair of the Ad Hoc
Committee

David A. Eckert
President and Chief
Executive Officer

Craig Forman
Director
Corporate Governance and
Nominating Committee

Robert Hall
Director
Audit Committee

Susan Kudzman
Director
Chair of the Human Resources
and Compensation Committee

David A. Lazzarato
Director
Chair of the Audit Committee
Ad Hoc Committee

David G. Leith
Director
Chair of the Corporate
Governance and Nominating
Committee
Ad Hoc Committee

Donald H. Morrison
Director
Human Resources and
Compensation Committee

Martin Nisenholtz
Director
Human Resources and
Compensation Committee

Kalpana Raina
Director
Corporate Governance and
Nominating Committee

Paul W. Russo
Director
Human Resources and
Compensation Committee

Michael G. Sifton
Director
Audit Committee

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Investor Relations

Telephone: 1 877 956-2003
E-mail: ir.info@yp.ca

Auditor

Deloitte LLP

TSX Symbols

Y	Common Shares
YPG.DB	Senior Subordinated Unsecured Exchangeable Debentures
Y.WT	Warrants

Transfer Agent

AST Trust Company
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For further information on Yellow Pages Limited, visit our corporate website at **corporate.yp.ca.**

corporate.yp.ca