

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

June 30, 2023 and 2022

Table of contents

Interim Condensed Consolidated Statements of Income and Other Comprehensive income	2
Interim Condensed Consolidated Statements of Financial Position	3
Interim Condensed Consolidated Statements of Changes in Equity	4
Interim Condensed Consolidated Statements of Cash Flows	5
Notes to the Interim Condensed Consolidated Financial Statements	6-13

Interim Condensed Consolidated Statements of Income and Other Comprehensive Income

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

For the three and six-month periods ended June 30,	<i>Note</i>	2023	2022	2023	2022
Revenues	3	\$ 62,736	\$ 69,584	\$ 125,451	\$ 137,373
Operating costs	4	40,802	45,796	82,762	88,174
Income from operations before depreciation and amortization, and restructuring and other charges		21,934	23,788	42,689	49,199
Depreciation and amortization		3,426	4,208	6,785	8,556
Restructuring and other charges	5	880	1,773	942	2,155
Income from operations		17,628	17,807	34,962	38,488
Financial charges, net	6	277	458	831	1,230
Income before income taxes		17,351	17,349	34,131	37,258
Provision for income taxes		4,620	4,671	9,012	9,950
Net income		\$ 12,731	\$ 12,678	\$ 25,119	\$ 27,308
Other Comprehensive Income					
Items that will not be reclassified subsequently to net income					
Actuarial (losses) gains on post-employment benefit plans	9	(797)	(136)	485	16,403
Income taxes relating to items that will not be reclassified subsequently to net income		211	36	(128)	(4,330)
Other comprehensive (loss) income		(586)	(100)	357	12,073
Total comprehensive income		\$ 12,145	\$ 12,578	\$ 25,476	\$ 39,381
Income per share					
Basic income per share		\$ 0.72	\$ 0.50	\$ 1.41	\$ 1.06
Weighted average shares outstanding – basic income per share	10	17,765,692	25,537,764	17,757,410	25,723,388
Diluted income per share		\$ 0.69	\$ 0.49	\$ 1.37	\$ 1.06
Weighted average shares outstanding – diluted income per share	10	17,922,048	25,640,603	17,941,273	25,827,884

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

Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

As at	Note	June 30, 2023	December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash		\$ 64,429	\$ 43,907
Trade and other receivables	8	40,681	38,415
Prepaid expenses		4,619	4,903
Deferred publication costs		969	580
Net investment in subleases		1,801	1,701
TOTAL CURRENT ASSETS		112,499	89,506
NON-CURRENT ASSETS			
Deferred commissions		2,333	2,153
Financial and other assets	7	1,817	1,835
Right-of-use assets		6,349	7,085
Net investment in subleases		23,879	24,756
Property and equipment		3,765	4,169
Intangible assets		45,515	49,662
Deferred income taxes		23,437	28,132
TOTAL NON-CURRENT ASSETS		107,095	117,792
TOTAL ASSETS		\$ 219,594	\$ 207,298
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables		\$ 35,082	\$ 33,623
Income taxes payable		2,992	298
Provisions		12,699	17,431
Deferred revenues		865	1,266
Current portion of lease obligations		3,767	3,396
TOTAL CURRENT LIABILITIES		55,405	56,014
NON-CURRENT LIABILITIES			
Provisions		544	826
Post-employment benefits	9	37,111	40,944
Lease obligations		41,814	43,733
TOTAL NON-CURRENT LIABILITIES		79,469	85,503
TOTAL LIABILITIES		134,874	141,517
CAPITAL AND RESERVES		121,047	121,070
DEFICIT		(36,327)	(55,289)
TOTAL EQUITY		84,720	65,781
TOTAL LIABILITIES AND EQUITY		\$ 219,594	\$ 207,298

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

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)

For the six-month periods ended June 30,

								2023	
	Note	Shareholders' capital	Restricted shares	Stock-based compensation and other reserves	Total capital and reserves	Deficit	Total equity		
Balance, December 31, 2022		\$ 129,004	\$ (10,988)	\$ 3,054	\$ 121,070	\$ (55,289)	\$ 65,781		
Other comprehensive income		–	–	–	–	357	357		
Net income		–	–	–	–	25,119	25,119		
Total comprehensive income		–	–	–	–	25,476	25,476		
Dividends to shareholders	10	–	–	12	12	(6,230)	(6,218)		
Restricted shares settled	11	–	618	(402)	216	(216)	–		
Restricted shares equity-settled expense	11	–	–	116	116	–	116		
Restricted shares reclassification	11	–	–	(367)	(367)	(56)	(423)		
Stock options equity-settled expense	11	–	–	57	57	–	57		
Stock options reclassification	11	–	–	(57)	(57)	(12)	(69)		
Balance, June 30, 2023		\$ 129,004	\$ (10,370)	\$ 2,413	\$ 121,047	\$ (36,327)	\$ 84,720		
2022									
	Note	Shareholders' capital	Restricted shares	Warrants	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total equity
Balance, December 31, 2021		\$ 3,938,124	\$ (18,688)	\$ 1,456	\$ 120,949	\$ 2,457,053	\$ 6,498,894	\$ (6,382,763)	\$ 116,131
Other comprehensive income		–	–	–	–	–	–	12,073	12,073
Net income		–	–	–	–	–	–	27,308	27,308
Total comprehensive income		–	–	–	–	–	–	39,381	39,381
Repurchase of common shares through NCIB ¹	10	(125,098)	–	–	–	–	(125,098)	112,694	(12,404)
Shares issued under the stock option plan	10,11	210	–	–	(57)	–	153	–	153
Dividends to shareholders	10	–	–	–	33	–	33	(7,738)	(7,705)
Restricted shares settled	11	–	864	–	(864)	–	–	–	–
Restricted shares expense	11	–	–	–	147	–	147	–	147
Stock options equity-settled expense	11	–	–	–	466	–	466	–	466
Stock options reclassification	11	–	–	–	(5,956)	–	(5,956)	–	(5,956)
Common shares subject to repurchase		–	–	–	636	–	636	–	636
Balance, June 30, 2022		\$ 3,813,236	\$ (17,824)	\$ 1,456	\$ 115,354	\$ 2,457,053	\$ 6,369,275	\$ (6,238,426)	\$ 130,849

¹ NCIB – Normal course issuer bid

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

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)

For the six-month periods ended June 30,	Note	2023	2022
OPERATING ACTIVITIES			
Net income		\$ 25,119	\$ 27,308
Adjusting items			
Stock-based compensation expense – equity settled		173	613
Depreciation and amortization		6,785	8,556
Restructuring and other charges		942	2,155
Financial charges, net		831	1,230
Provision for income taxes		9,012	9,950
Change in operating assets and liabilities		(4,472)	(313)
Stock-based compensation cash payments		(726)	(4,010)
Funding of post-employment benefit plans in excess of costs		(4,323)	(4,237)
Restructuring and other charges paid		(794)	(2,753)
Interest paid		(1,009)	(1,097)
Income taxes paid, net		(1,757)	(8,188)
Cash from operating activities		29,781	29,214
INVESTING ACTIVITIES			
Additions to intangible assets		(2,283)	(2,711)
Additions to property and equipment		(27)	(25)
Payments received from net investment in subleases		817	721
Cash used in investing activities		(1,493)	(2,015)
FINANCING ACTIVITIES			
Dividends paid	10	(6,218)	(7,705)
Repurchase of common shares through NCIBs	10	–	(12,404)
Issuance of common shares	10	–	153
Payment of lease obligations		(1,548)	(1,504)
Cash used in financing activities		(7,766)	(21,460)
NET INCREASE IN CASH		20,522	5,739
CASH, BEGINNING OF YEAR		43,907	123,559
CASH, END OF PERIOD		\$ 64,429	\$ 129,298

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

1. Description

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

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

The Board of Directors (the “Board”) approved the interim condensed consolidated financial statements for the three and six-month periods ended June 30, 2023 and 2022 on August 8, 2023 for publication on August 9, 2023.

2. Basis of presentation and material accounting policies

2.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting and do not include all of the information required for full annual financial statements. The accounting policies and methods of computation applied in these interim condensed consolidated financial statements are consistent with International Financial Reporting Standards (“IFRS”) and are the same as those applied by Yellow Pages Limited in its audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

2.2 Standards, interpretations and amendments to published standards adopted on the interim condensed consolidated financial statements

Effective January 1, 2023, the Company adopted the following amended accounting standards;

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

These amendments to IAS 8 introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The adoption of these amendments did not have any significant impact to the Company’s financial statements.

Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months and make explicit that only rights in place at the end of the reporting period should affect the classification of a liability. The adoption of these amendments did not have any significant impact to the Company’s financial statements.

Amendments to IAS 12 – Income taxes - Deferred Tax related to Assets and Liabilities arising from a single transaction

The amendments to IAS 12, clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The adoption of these amendments did not have any impact to the Company’s financial statements.

2.3 Standards, interpretations and amendments to published accounting standards that have not yet been applied on the consolidated financial statements

Amendments to IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies

The amendments to IAS 1, Presentation of Financial Statements and to IFRS practice Statement 2, Making Material Judgements require entities to disclose their material accounting policy information rather than their significant accounting policies. These amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of this amendment on its current accounting policy disclosure, changes will be reflected in the Company’s financial statements for the year ended December 31, 2023.

3. Revenues

The Company reviews revenues by similar products and services, such as Print and Digital.

Print revenues are recognized at a point in time, whereas 99% of digital revenues were recognized over the term of the contract and 1% at a point in time for the three and six-month periods ended June 30, 2023 and 2022.

The following table presents revenue information by similar products and services:

For the three and six-month periods ended June 30,	2023	2022	2023	2022
Digital	\$ 48,769	\$ 52,804	\$ 98,362	\$ 105,391
Print	13,967	16,780	27,089	31,982
Total revenues	\$ 62,736	\$ 69,584	\$ 125,451	\$ 137,373

4. Operating costs

The Company was eligible for the Canada Emergency Wage Subsidy offered by the Government of Canada as it met the criteria for certain periods. Yellow Pages Limited received non-refundable contributions of \$nil and \$0.5 million during the three and six-month periods ended June 30, 2022 for admissible salaries related to its workforce. The contributions were recorded as a reduction to operating costs in the consolidated statements of income.

5. Restructuring and other charges

Yellow Pages Limited recorded restructuring and other charges of \$0.9 million during the three-month period ended June 30, 2023 consisting mainly of restructuring charges of \$0.3 million associated with workforce reductions and a \$0.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a \$0.5 million charge related to the impairment of property and equipment and right-of-use assets related to previously vacated office space. Yellow Pages Limited recorded restructuring and other charges of \$1.8 million during the three-month period ended June 30, 2022 consisting mainly of a \$1.4 million charge related to the impairment of property and equipment and right-of-use assets related to previously vacated office space, a \$0.2 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space and restructuring charges of \$0.2 million associated with workforce reductions.

Yellow Pages Limited recorded restructuring and other charges of \$0.9 million during the six-month period ended June 30, 2023 consisting mainly of restructuring charges of \$0.4 million associated with workforce reductions and \$0.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a \$0.4 million charge related to the impairment of property and equipment and right-of-use assets related to previously vacated office space. Yellow Pages Limited recorded restructuring and other charges of \$2.2 million during the six-month period ended June 30, 2022 consisting mainly of a \$1.4 million charge related to the impairment of property and equipment and right-of-use assets related to previously vacated office space, a \$0.2 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space and restructuring charges of \$0.6 million associated with workforce reductions.

6. Financial charges, net

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

For the three and six-month periods ended June 30,	2023	2022	2023	2022
Interest on lease obligations, net of interest income on investment in subleases	\$ 315	\$ 360	\$ 638	\$ 728
Net interest on the defined benefit obligations	487	581	974	1,183
Interest income on cash balances	(615)	(372)	(1,132)	(571)
Other, net	90	(111)	351	(110)
Financial charges, net	\$ 277	\$ 458	\$ 831	\$ 1,230

7. Financial risk management

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

The 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.

Cash, trade and other receivables, and trade and other payables and certain provisions are not measured at fair value in the consolidated statement of financial position, as their carrying amount is a reasonable approximation of fair value due to their short-term maturity.

Asset-Based Loan

The Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, has an ABL with a term to September 2025 and a total commitment of \$20.0 million. 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, CDOR (Canadian Dollar Offered Rate) loans or letters of credit. The ABL is subject to a trailing twelve-month fixed charge coverage ratio when there is an event of default or when excess availability is less than 10% of the facility limit. Upon such event, the fixed charged coverage ratio must be a minimum of 1.1 times. As at June 30, 2023, the Company had \$2.3 million of letters of credit issued and outstanding and an availability of \$17.7 million under the ABL. As at June 30, 2023, the Company was in compliance with all covenants under the loan agreement governing the ABL.

8. Trade and other receivables

As at	June 30, 2023	December 31, 2022
Current	\$ 32,537	\$ 31,984
Past due less than 180 days	5,347	4,344
Past due over 180 days	1,148	862
Trade receivables¹	\$ 39,032	\$ 37,190
Other receivables	\$ 1,649	\$ 1,225
Trade and other receivables	\$ 40,681	\$ 38,415

¹ Trade receivables are presented net of allowance for revenue adjustments ("AFRA") and ECL of \$10.8 million as at June 30, 2023 (\$13.9 million as at December 31, 2022).

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

As at	June 30, 2023	December 31, 2022
Contract assets	\$ 19,907	\$ 20,392
Allowance for revenue adjustments and ECL	(713)	(960)
Contract assets net of allowance for revenue adjustments and ECL	\$ 19,194	\$ 19,432

The contract assets, which are included in trade and other receivables, consist of payments for print products on delivered directories that are not yet due from the customer and represent the Company's right to consideration for the services rendered. Any amount previously recognized as a contract asset is reclassified to trade receivables once it is invoiced to the customer. The change in contract assets for the six-month period ended June 30, 2023 is primarily related to the fluctuation in print revenue.

The revenues related to the performance obligations that are unsatisfied (or partially unsatisfied at the reporting date) are expected to be recognized over the next twelve (12) months. The contract liabilities consist of deferred revenues which primarily relate to the advance consideration received from customers for which revenue is recognized over time.

9. Post-employment benefits

Yellow Pages Limited recorded an actuarial loss of \$0.6 million in other comprehensive income, net of income taxes of \$0.2 million during the second quarter of 2023. A gain of \$5.3 million due to the increases in the discount rate from 4.9% to 5.0% was more than offset by a loss of \$2.9 million resulting from lower-than-expected actual return on plan assets and the \$3.2 million impact for the asset ceiling minimum funding requirement which limits the total gain that can be recognized to other comprehensive income. Yellow Pages Limited recorded an actuarial loss of \$0.1 million in other comprehensive income, net of income taxes of \$36.0 thousand for the three-month period ended June 30, 2022. A loss of \$52.6 million due to the lower-than-expected actual return on plan assets was almost entirely offset by a gain of \$52.5 million resulting from the increase in the discount rate from 4.30% to 5.20%.

Yellow Pages Limited recorded an actuarial gain of \$0.4 million in other comprehensive income, net of income taxes of \$0.1 million for the six-month period ended June 30, 2023. A gain of \$16.3 million resulting from higher-than-expected actual return on plan assets was partially offset by a loss of \$2.9 million due to the decreases in the discount rate from 5.2% to 5.0% and in the inflation rate from 2.1% to 1.7% as well as a \$12.9 million impact for the asset ceiling minimum funding requirement which limits the total gain that can be recognized to other comprehensive income. Yellow Pages Limited recorded an actuarial gain of \$12.1 million in other comprehensive income, net of income taxes of \$4.3 million for the six-month period ended June 30, 2022. A gain of \$126.5 million resulting from the increase in the discount rate from 3.20% to 5.20%, was partially offset by a loss of \$110.1 million due to the lower-than-expected actual return on plan assets.

10. Shareholders' capital

Common shares – Issued

	Number of Shares	Amount
Balance, December 31, 2021	27,459,686	\$ 3,938,124
Common shares repurchased through NCIBs	(871,135)	(125,098)
Common shares repurchased per plan of arrangement	(7,949,125)	(1,139,226)
Shares issued under stock option plan	18,873	210
Exchange of common share purchase warrants	48	–
Transfer of capital accounts	–	(2,545,006)
Balance, June 30, 2023 and December 31, 2022	18,658,347	\$ 129,004

The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan") amounted to 877,998 as at June 30, 2023 (see *Note 11*).

Share repurchases - NCIBs

On August 5, 2021, the Company announced a new NCIB commencing August 10, 2021 to purchase up to \$16.0 million of the Company's outstanding shares for cancellation on or before August 9, 2022. Upon completion of this NCIB program on May 30, 2022, the Company purchased under this NCIB program, a total of 1,122,511 common shares for cash of \$16.0 million. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder's capital to deficit.

Share repurchases – Plan of Arrangement

On August 4, 2022, the Board approved a distribution to shareholders of approximately \$100.0 million by way of a share repurchase from all shareholders pursuant to a statutory arrangement under the Business Corporations Act (British Columbia). The shareholders of the Company (the "Shareholders") approved the Arrangement at a special meeting of the Shareholders held on September 23, 2022 and the Company subsequently obtained the final order from the Supreme Court of British Columbia approving the Arrangement on September 27, 2022. On October 4, 2022, the Company repurchased from shareholders *pro rata* an aggregate of 7,949,125 common

shares (including 388,082 shares held in treasury) at a purchase price of \$12.58 per share pursuant to the Arrangement for a total of \$101.0 million, including \$1.0 million of transaction costs. The \$101.0 million cash outlay was reduced by \$4.9 million for the cancellation of 388,082 of YP's 1,298,994 shares held in Treasury for a net cash outlay of \$96.1 million.

In addition, the Board approved a reduction in the carrying amount of Shareholders' capital of \$2,545.0 million in order to reflect the legal stated capital amount at December 31, 2022 of \$129.0 million; and the reversal of the amounts previously recognized for Reduction of capital reserves of \$2,457.1 million and Other reserves of \$112.3 million, with an offset to Deficit. The Reduction of capital and Other reserves were mostly created through multiple transactions over a decade ago and the reversal of these reserves and the reduction in the carrying amount of Shareholders' capital was performed to provide more relevant information about the state of current capital and related reserves to users of these financial statements. There is no impact on total equity, net income, or cash flows.

Dividends

On May 10th, 2023, the Board modified its dividend policy of paying a quarterly cash dividend to its common shareholders by increasing the dividend from \$0.15 per share to \$0.20 per share. YP's dividend payout policy and the declaration of dividends on any of the Company's outstanding common shares are subject to the discretion of the Board and, consequently, there can be no guarantee that the dividend payout policy will be maintained or that dividends will be declared.

During the six-month period ended June 30, 2023, the Company paid quarterly dividends of \$0.15 per common share on March 15, 2023 and of \$0.20 per common share on June 15, 2023 for a total consideration of \$6.2 million to common shareholders. During the six-month period ended June 30, 2022, the Company paid quarterly dividends of \$0.15 per common share. The dividends were paid on March 15 and June 15 of 2022 for a total consideration of \$7.7 million to common shareholders.

Warrants

On December 20, 2012, the Company issued 2,995,506 common share purchase warrants ("Warrants"). Each Warrant was transferable and entitled 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.

During the year-ended December 31, 2022, 48 Warrants were exercised in exchange for 48 common shares of Yellow Pages Limited.

On December 20, 2022, the Warrants expired and there were no warrants outstanding as at December 31, 2022.

Income per share

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

For the three and six-month periods ended June 30,	2023	2022	2023	2022
Weighted average number of shares outstanding used in computing basic income per share ¹	17,765,692	25,537,764	17,757,410	25,723,388
Dilutive effect of restricted share units	–	84,873	–	84,873
Dilutive effect of stock options	156,356	17,966	183,863	19,623
Weighted average number of shares outstanding used in computing diluted income per share	17,922,048	25,640,603	17,941,273	25,827,884
For the three and six-month periods ended June 30,	2023	2022	2023	2022
Net income used in the computation of basic income per share	\$ 12,731	\$ 12,678	\$ 25,119	\$ 27,308
Impact of assumed conversion of stock options, net of applicable taxes	(450)	–	(534)	–
Total net income used in the computation of diluted income per share	\$ 12,281	\$ 12,678	\$ 24,585	\$ 27,308

¹ The weighted average number of shares outstanding used in the income per share calculation is reduced by the shares held by the trustee for the purpose of funding the RSU and PSU Plan.

For the three and six-month period ended June 30, 2023, the diluted income per share calculation did not take into consideration the potential dilutive effect of stock options that are not in the money and therefore not dilutive, nor did it take into consideration the potential dilutive effect of restricted shares units since these have been

reclassified to liability as of April 18, 2023 (see to Note 11 for details). For the three and six-month period ended June 30, 2022, the diluted income per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as stock options that were not in the money and therefore not dilutive.

11. Stock-based compensation plans

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

Restricted Share Unit and Performance Share Unit Plan

On April 18, 2023, a modification to the RSU and PSU Plan, adding a cash alternative at the participant's choice to the settlement of all unvested RSUs and PSUs outstanding as of such date and all grants subsequent to such date, resulted in an obligation to settle in cash. A reclass from equity to liability was recorded at the modification date, based on the fair value of the unvested RSUs outstanding at the modification date. The variation due to change in fair value subsequent to the modification date is included in operating costs.

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 877,998 as at June 30, 2023.

The following table summarizes the continuity of the RSUs presented as a liability during the six-month periods ended June 30:

	2023		2022	
	Number of RSUs	Liability ¹	Number of RSUs	Liability ¹
Outstanding, beginning of year	374,121	\$ 2,675	277,317	\$ 1,950
Granted	119,146	94	–	–
Dividends credited ²	13,392	165	6,192	82
RSUs reclassified from equity-settled to cash settled ³	62,272	423	–	–
Variation due to change in fair value and vesting	–	480	–	663
Outstanding, end of period⁴	568,931	\$ 3,837	283,509	\$ 2,695

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

² Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on common shares.

³ The number of restricted shares is net of restricted shares forfeited.

⁴ The number of restricted shares vested as of June 30, 2023 is 310,962 (2022 – 197,454).

The following table summarizes the continuity of all the RSUs, including those shown in the table above and those presented in equity, during the six-month periods ended June 30. As of April 18, 2023 all RSUs are presented as a liability.

	2023	2022
Number of	RSUs	RSUs
Outstanding, beginning of year	451,049	393,525
Granted	140,028	21,853
Settled	(32,914)	(53,673)
Dividends credited ¹	14,219	8,614
Forfeited	(3,451)	(1,938)
Outstanding, end of period	568,931	368,381
Weighted average remaining life (years)	1.21	0.98

¹ Dividends in the form of additional RSUs are credited to the participant's account on each dividend payment date and are equivalent in value to the dividend paid on common shares.

Deferred Share Unit Plan

The following table summarizes the continuity of the deferred share units (“DSUs”) during the six-month periods ended June 30:

	2023		2022	
	Number of DSUs	Liability ¹	Number of DSUs	Liability ¹
Outstanding, beginning of year	340,250	\$ 4,661	300,919	\$ 4,111
Granted ²	16,747	115	24,560	169
Dividends credited ³	9,893	126	7,268	98
Variation due to change in stock price	–	(478)	–	(4)
Outstanding and vested, end of period⁴	366,890	\$ 4,424	332,747	\$ 4,374

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

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

³ Dividends in the form of additional DSUs are credited to the participant’s account on each dividend payment date and are equivalent in value to the dividend paid on common shares.

⁴ The number of DSUs vested as of June 30, 2023 is 358,516 (2022 – 320,467).

Stock options

On February 9, 2022, a modification adding a cash alternative to the settlement of certain stock options resulted in an obligation to settle in cash. A re-class from equity to liability was recorded at the modification date, based on the difference between the fair value of the shares at the modification date and the exercise price of the option. The variation due to change in fair value subsequent to the modification date is included in operating costs. As of February 9, 2022, all options previously recorded as equity settled were re-classified to cash settled.

On March 24, 2022, the Board approved an amendment to the Stock Option Plan in order provide the Board the discretion to amend the exercise price of Options, subject to TSX approval, in the event a stock dividend or cash dividend (other than any ordinary course cash dividend) is declared on the Corporation’s common shares.

A maximum of 2,806,932 stock options may be granted under the Stock Option Plan.

The following table summarizes the continuity of the stock options presented as a liability during the six-month periods ended June 30:

	2023		2022	
	Number of options	Liability ¹	Number of options	Liability ¹
Outstanding, beginning of year	2,132,132	\$ 3,599	1,044,992	\$ 3,315
Granted	688,270	202	513,943	501
Stock options reclassified from equity-settled to cash settled ²	(45,657)	69	1,259,364	5,959
Settled	(336,203)	(726)	(657,118)	(4,010)
Variation due to change in fair value and vesting ³	(192,551)	(839)	–	738
Outstanding, end of period⁴	2,245,991	\$ 2,305	2,161,181	\$ 6,503

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 number of stock options is net of stock options exercised and forfeited.

³ The number of stock options is net of stock options forfeited.

⁴ The number of stock options vested as of June 30, 2023 is 1,256,085 (2022 – 1,342,788).

The following table summarizes the continuity of all stock options under the Stock Option Plan, during the six-month periods ended June 30:

	2023		2022	
	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option
Outstanding, beginning of year	2,132,132	\$ 11.92	2,332,893	\$ 9.34
Granted	688,270	\$ 14.24	513,943	\$ 14.30
Forfeited	(238,208)	\$ 13.82	(9,664)	\$ 7.56
Exercised	–	\$ –	(18,873)	\$ 7.98
Settled	(336,203)	\$ 12.17	(657,118)	\$ 7.92
Outstanding, end of period	2,245,991	\$ 12.39	2,161,181	\$ 10.95
Exercisable, end of period	115,429	\$ 14.03	15,969	\$ 7.98

The following table shows the key assumptions used in applying the valuation model for stock options during the six-month periods ended June 30:

	2023	2022
Weighted average grant date share price	\$ 14.24	\$ 14.30
Weighted average exercise price	\$ 14.24	\$ 14.30
Volatility	28.9%	59.8%
Expected life (years)	2.7	2.7
Dividend yield	4.28%	4.22%
Risk-free interest rate	4.43%	2.19%

Share appreciation rights plan

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

	2023		2022	
	Number of SARs	Liability ¹	Number of SARs	Liability ¹
Outstanding, beginning of year	642,073	\$ 442	116,110	\$ 368
Variation due to change in fair value and vesting	–	(29)	–	123
Outstanding, end of period²	642,073	\$ 413	116,110	\$ 491

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 number of SARs vested as of June 30, 2023 is 275,059 (2022 – 92,727).

The following amounts for stock-based compensation are recorded in the consolidated statements of income in operating costs:

For the three and six-month periods ended June 30,	2023		2022	
RSU plan	\$ 400	\$ 550	\$ 855	\$ 892
DSU plan	(199)	323	(237)	263
Stock Options	(559)	1,284	(580)	1,705
SARs	(97)	97	(29)	123
Total	\$ (455)	\$ 2,254	\$ 9	\$ 2,983