UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

June 30, 2020 and 2019

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at		June 30, 2020		December 31, 2019
ASSETS				
CURRENT ASSETS				
Cash	$	**97,691**	$	44,408
Trade and other receivables (Note 3)		**81,793**		87,250
Prepaid expenses		**5,148**		5,563
Deferred publication costs		**2,532**		2,492
Net investment in subleases		**1,075**		926
Income taxes receivable		–		344
TOTAL CURRENT ASSETS		**188,239**		140,983
NON-CURRENT ASSETS				
Deferred commissions		**2,415**		3,610
Financial and other assets		**1,417**		829
Right-of-use assets		**12,101**		14,060
Net investment in subleases		**25,157**		25,611
Property and equipment		**9,346**		12,309
Intangible assets		**79,400**		89,749
Deferred income taxes		**23,609**		39,727
TOTAL NON-CURRENT ASSETS		**153,445**		185,895
TOTAL ASSETS	**$**	**341,684**	$	326,878
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	$	**30,754**	$	33,662
Provisions		**17,551**		26,644
Deferred revenues		**2,265**		2,667
Current portion of lease obligations		**3,048**		2,767
TOTAL CURRENT LIABILITIES		**53,618**		65,740
NON-CURRENT LIABILITIES				
Provisions		**1,316**		1,576
Post-employment benefits (Note 6)		**110,648**		122,567
Lease obligations		**51,271**		55,118
Exchangeable debentures (Note 4)		**99,783**		98,537
TOTAL NON-CURRENT LIABILITIES		**263,018**		277,798
TOTAL LIABILITIES		**316,636**		343,538
CAPITAL AND RESERVES		**6,597,203**		6,595,802
DEFICIT		**(6,572,155)**		(6,612,462)
TOTAL EQUITY (DEFICIENCY)		**25,048**		(16,660)
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	**$**	**341,684**	$	326,878

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

Interim Condensed Consolidated Statements of Income

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

For the three and six-month periods ended June 30,	**2020**	2019	**2020**	2019
Revenues	**$ 88,280**	$ 106,772	**$ 176,588**	$ 211,559
Operating costs (Note 8)	**46,352**	63,350	**102,097**	122,756
Income from operations before depreciation and amortization, and restructuring and other charges	**41,928**	43,422	**74,491**	88,803
Depreciation and amortization	**7,190**	10,082	**14,791**	21,210
Restructuring and other charges (Note 5)	**134**	1,571	**3,449**	4,433
Income from operations	**34,604**	31,769	**56,251**	63,160
Financial charges, net (Note 11)	**4,121**	11,456	**8,302**	25,221
Loss on sale of businesses (Note 13)	**4**	197	**502**	197
Earnings before income taxes	**30,479**	20,116	**47,447**	37,742
Provision for income taxes	**8,440**	5,543	**13,005**	10,509
Net earnings	**$ 22,039**	$ 14,573	**$ 34,442**	$ 27,233
Basic earnings per share	**$ 0.83**	$ 0.55	**$ 1.29**	$ 1.03
Weighted average shares outstanding – basic earnings per share (Note 7)	**26,669,626**	26,523,068	**26,632,855**	26,502,850
Diluted earnings per share	**$ 0.73**	$ 0.51	**$ 1.17**	$ 0.96
Weighted average shares outstanding – diluted earnings per share (Note 7)	**32,800,387**	32,670,871	**32,850,169**	32,650,653

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

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars – Unaudited)

For the three and six-month periods ended June 30,	2020	2019	2020	2019
Net earnings	**$ 22,039**	$ 14,573	**$ 34,442**	$ 27,233
Other comprehensive (loss) income:				
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains (Note 6)	**(24,694)**	(5,387)	**12,027**	(4,271)
Income taxes relating to items that will not be reclassified subsequently to net earnings	**6,563**	1,449	**(3,197)**	1,149
Other comprehensive (loss) income	**(18,131)**	(3,938)	**8,830**	(3,122)
Total comprehensive income	**$ 3,908**	$ 10,635	**$ 43,272**	$ 24,111

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

Interim Condensed Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars – Unaudited)

For the six-month periods ended June 30,

2020

	Shareholders' capital (Note 7)	**Restricted shares**	**Warrants**	**Compound financial instruments[1]**	**Stock-based compensation and other reserves**	**Reduction of capital reserve**	**Total capital and reserves**	**Deficit**	**Total equity**
Balance, December 31, 2019	$ 4,031,685	$ (21,421)	$ 1,456	$ 3,619	$ 123,410	$ 2,457,053	$ 6,595,802	$ (6,612,462)	**$ (16,660)**
Other comprehensive income	–	–	–	–	–	–	**–**	8,830	**8,830**
Net earnings	–	–	–	–	–	–	**–**	34,442	**34,442**
Total comprehensive income	–	–	–	–	–	–	–	43,272	**43,272**
Repurchase of exchangeable debentures (Note 4)	–	–	–	(1)	–	–	(1)	–	**(1)**
Dividends to shareholders	–	–	–	–	32	–	32	(2,965)	**(2,933)**
Restricted shares settled	–	2,014	–	–	(2,014)	–	–	–	**–**
Restricted shares (Note 10)	–	–	–	–	415	–	415	–	**415**
Stock options (Note 10)	–	–	–	–	955	–	955	–	**955**
Balance, June 30, 2020	**$ 4,031,685**	**$ (19,407)**	**$ 1,456**	**$ 3,618**	**$ 122,798**	**$ 2,457,053**	**$ 6,597,203**	**$ (6,572,155)**	**$ 25,048**

2019

	Shareholders' capital (Note 7)	Restricted shares	Warrants	Compound financial instruments[1]	Stock-based compensation and other reserves	Reduction of capital reserve	Total capital and reserves	Deficit	Total deficiency
Balance, December 31, 2018	$ 4,031,685	$ (23,421)	$ 1,456	$ 3,619	$ 124,755	$ 2,457,053	$ 6,595,147	$ (6,714,311)	$ (119,164)
Other comprehensive loss	–	–	–	–	–	–	–	(3,122)	(3,122)
Net earnings	–	–	–	–	–	–	–	27,233	27,233
Total comprehensive income	–	–	–	–	–	–	–	24,111	24,111
Restricted shares settled	–	1,211	–	–	(1,211)	–	–	–	–
Restricted shares (Note 10)	–	–	–	–	(488)	–	(488)	–	(488)
Stock options (Note 10)	–	–	–	–	616	–	616	–	616
Balance, June 30, 2019	$ 4,031,685	$ (22,210)	$ 1,456	$ 3,619	$ 123,672	$ 2,457,053	$ 6,595,275	$ (6,690,200)	$ (94,925)

[1] *The equity component of the exchangeable debentures presented above is net of income taxes of $1.3 million (2019 - $1.3 million).*

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

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars – Unaudited)

For the six-month periods ended June 30,	**2020**	2019
OPERATING ACTIVITIES		
Net earnings	**$ 34,442**	$ 27,233
Adjusting items		
Stock-based compensation expense – equity settled	**1,370**	128
Depreciation and amortization	**14,791**	21,210
Restructuring and other charges	**3,449**	4,433
Financial charges, net	**8,302**	25,221
Loss on sale of businesses (Note 13)	**502**	197
Provision for income taxes	**13,005**	10,509
Change in operating assets and liabilities	**(3,763)**	3,886
Funding of post-employment benefit plans in excess of costs	**(1,800)**	(2,228)
Restructuring and other charges paid	**(6,457)**	(12,092)
Interest paid	**(5,280)**	(16,357)
Income taxes received, net	**260**	35
	58,821	62,175
INVESTING ACTIVITIES		
Additions to intangible assets	**(2,667)**	(5,295)
Additions to property and equipment	**(92)**	(111)
Payments received from net investment in subleases	**427**	148
Proceeds on sale of businesses (Note 13)	**1,200**	1,744
	(1,132)	(3,514)
FINANCING ACTIVITIES		
Repayment of senior secured notes	–	(90,000)
Repurchase of exchangeable debentures (Note 4)	**(36)**	–
Payment of lease obligations	**(1,437)**	(2,415)
Dividends paid	**(2,933)**	–
	(4,406)	(92,415)
NET INCREASE (DECREASE) IN CASH	**53,283**	(33,754)
CASH AND RESTRICTED CASH, BEGINNING OF PERIOD	**44,408**	81,452
CASH, END OF PERIOD	**$ 97,691**	$ 47,698

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, 2020 and 2019 on August 5, 2020 for publication on August 6, 2020.

2. Basis of presentation and significant 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, 2019 and 2018, except as noted below. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2019 and 2018.

2.2 Significant estimates

Management has revised the assumptions and estimates it would normally use to apply the Company's accounting policies affecting the carrying value of certain assets and the information disclosed in the notes to the interim condensed consolidated financial statements in order to reflect the estimated impact of the COVID-19 pandemic. Any estimate of the length and severity of these developments is subject to significant uncertainty, and, accordingly, estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. The impact of these changes in accounting estimates is recognized during the period in which the change took place and all affected future periods.

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

Measurement of ECL allowance for trade receivables

In relation to the impairment of trade receivables (including contract assets), the Company uses the expected credit losses ("ECL") model, which requires the Company to account for the ECL and changes in the ECL at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable. The ECL related to doubtful accounts for trade receivables (also referred to as allowance for doubtful accounts) is established based on various factors, including amongst others the age of the exposure and in some cases the customer's solvency. As a result of the COVID-19 pandemic the Company applied the policy as described above using an additional factor in assessing the credit risk applied to the ECL, based on the customer's line of business and an estimation of the degree they may have been impacted by the pandemic. As a result, an additional ECL of $1.5 million was recorded in the first quarter of 2020. This significant estimate could affect the Company's future results if there is a further significant change in economic conditions or customer solvency or any new information that may impact our assumptions.

Deferred tax assets

The Company updated its assumptions related to the carrying value of the deferred tax assets to reflect the estimated impact of the COVID-19 pandemic and determine whether an adjustment would be required to its valuation allowance as at June 30, 2020. As a result of this assessment, no adjustment was required.

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

2.3 Government grant

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received. Government grants related to an expense are recognized in profit or loss as a reduction in the related expense for which the grants are intended to compensate.

In response to the negative economic impact of COVID-19, various government programs have been enacted to provide financial relief to businesses. The Company determined that it qualified for the Canada Emergency Wage Subsidy ("CEWS") program under the COVID-19 Economic Response plan for certain periods. Under CEWS the Company is eligible to receive up to 75% of wages or a maximum of $847 per week per employee for the qualifying periods. The contribution received was recorded as a reduction to operating costs in the interim condensed consolidated statements of income.

On July 27, 2020, legislation was enacted with respect to the extension and expansion of the CEWS program, whereby the CEWS program will be extended until November 21, 2020, with a potential additional extension through to December 19, 2020, with significant changes to the original program mechanics. The Company is evaluating the effect of these changes on its eligibility to qualify for any further subsidies.

2.4 Standards, interpretations and amendments to published standards that are issued but not yet effective on the interim consolidated financial statements

Amendments to IAS 1 - *Presentation of Financial Statements*

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments 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 amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*

On May 14, 2020, the IASB issued amendments to IAS 37 – *Provisions, Contingent Liabilities, and Contingent Assets*, specifying which costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments to IAS 37, clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. Earlier application is permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

3. Trade and other receivables[1]

As at		June 30, 2020		December 31, 2019[2]
Current	$	**53,992**	$	62,743
Past due less than 180 days		**14,412**		9,689
Past due over 180 days		**6,483**		6,153
Trade receivables	$	**74,887**	$	78,585
Other receivables[3]	$	**6,906**	$	8,665
Trade and other receivables	$	**81,793**	$	87,250

1 *Trade and other receivables are presented net of allowance for revenue adjustments ("AFRA") and ECL of $33.4 million as at June 30, 2020 ($31.6 million as at December 31, 2019).*

2 *Certain comparative information has been restated to conform to current year presentation to more accurately allocate the AFRA to each aging bucket.*

3 *Other receivables as at June 30, 2020 and December 31, 2019 included a loan receivable of $4.4 million associated with a forward contract.*

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

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

As at	**June 30, 2020**	December 31, 2019
Contract assets	**$ 38,010**	$ 41,785
Allowance for revenue adjustments and ECL	**(3,855)**	(3,703)
Contract assets net of allowance for revenue adjustments and ECL	**$ 34,155**	$ 38,082

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, 2020 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 advanced consideration received from customers for which revenue is recognized over time.

4. Exchangeable debentures

As at	**June 30, 2020**	December 31, 2019
Principal amount of exchangeable debentures (at maturity, November 30, 2022)	**$ 107,053**	$ 107,089
Less unaccreted interest	**7,270**	8,552
Exchangeable debentures	**$ 99,783**	$ 98,537

As announced on April 15, 2020, the Company entered into a Normal Course Issuer Bid ("NCIB") to purchase up to $6.6 million principal amount of its Exchangeable Debentures starting on April 20, 2020 and ending on April 19, 2021. The price which Yellow Pages Digital & Media Solutions Limited will pay for any such Exchangeable Debentures will be the prevailing market price at the time of acquisition. All Exchangeable Debentures will be purchased for cancellation. As at June 30, 2020, the Company purchased Exchangeable Debentures with a carrying value of $33.5 thousand for cash of $36.0 thousand under this NCIB program.

5. Restructuring and other charges

Restructuring and other charges of $0.1 million were recorded for the three-month period ended June 30, 2020 consisting mainly of restructuring charges of $0.9 million associated with workforce reductions and a $0.7 million charge related to property and equipment disposals offset by a $1.2 million recovery for a surrender, both related to vacated office space. For the three-month period ended June 30, 2019, the Company recorded restructuring and other charges of $1.6 million consisting of restructuring charges of $1.4 million relating to workforce reductions, and a $0.9 million charge relating to future operation costs provisioned related to lease contracts for office closures, offset by a $0.7 million recovery of previously recorded impairments of right-of-use assets.

Restructuring and other charges of $3.4 million were recorded for the six-month period ended June 30, 2020 (2019 – $4.4 million) consisting mainly of restructuring charges of $1.5 million associated with workforce reductions, a $1.1 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a $2.0 million charge related to property and equipment disposals and impairment of right-of-use assets related to vacated office space, offset by a $1.2 million recovery related to the surrender of vacated office space. For the six-month period ended June 30, 2019, the Company recorded restructuring and other charges of $4.4 million of which $4.3 million consisted of restructuring charges due to workforce reductions.

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6. Post-employment benefits

Yellow Pages Limited recorded an actuarial loss of $18.1 million in other comprehensive income, net of income taxes of $6.6 million for the three-month period ended June 30, 2020. A loss of $87.2 million resulting from the decrease in the discount rate from 3.8% to 2.8% and the increase in the inflation rate from 0.9% to 1.0% was partially offset by a gain of $62.5 million due to the higher than expected actual return on plan assets. Yellow Pages Limited recorded an actuarial loss of $3.9 million in other comprehensive (loss) income, net of income tax recovery of $1.4 million, for the three-month period ended June 30, 2019, primarily due to a decrease in the discount rate from 3.30% to 3.00% and inflation rate from 1.40% to 1.30%, partially offset by a higher than expected return on plan assets.

Yellow Pages Limited recorded an actuarial gain of $8.8 million in other comprehensive income, net of income taxes of $3.2 million for the six-month period ended June 30, 2020. A gain of $14.8 million due to the higher than expected actual return on plan assets was partially offset by a loss of $2.8 million resulting from the decrease in the discount rate from 3.1% to 2.8% partially offset by the decrease in the inflation rate from 1.4% to 1.0%. Yellow Pages Limited recorded an actuarial loss of $3.1 million in other comprehensive (loss) income, net of income tax recovery of $1.1 million, for the six-month period ended June 30, 2019, primarily due to a decrease in the discount rate from 3.80% to 3.00% and inflation rate from 1.40% to 1.30%, partially offset by a higher than expected return on plan assets.

7. Shareholders' capital

Common shares – Issued

As at June 30, 2020 and December 31, 2019, the Company had a total of 28,075,308 common shares outstanding for an amount of $4,031.7 million.

Warrants

As at June 30, 2020 and December 31, 2019, the Company had a total of 2,995,484 Warrants outstanding for an amount of $1.5 million.

Earnings per share

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

For the three and six-month periods ended June 30,	**2020**	2019	**2020**	2019
Weighted average number of shares outstanding used in computing basic earnings per share[1]	**26,669,626**	26,523,068	**26,632,855**	26,502,850
Dilutive effect of restricted share units and performance share units	**298,180**	523,381	**298,180**	523,381
Dilutive effect of stock options	**210,049**	–	**296,602**	–
Dilutive effect of exchangeable debentures	**5,622,532**	5,624,422	**5,622,532**	5,624,422
Weighted average number of shares outstanding used in computing diluted earnings per share[1]	**32,800,387**	32,670,871	**32,850,169**	32,650,653

For the three and six-month periods ended June 30,	**2020**	2019	**2020**	2019
Net earnings used in the computation of basic earnings per share	**$ 22,039**	$ 14,573	**$ 34,442**	$ 27,233
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	**2,045**	1,989	**4,084**	3,969
Total net earnings used in the computation of diluted earnings per share	**$ 24,084**	$ 16,562	**$ 38,526**	$ 31,202

[1] *The weighted average number of shares outstanding used in the earnings per share calculation is reduced by the shares held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan").*

For the three and six-month periods ended June 30, 2020 and June 30, 2019, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the Warrants as well as stock options that are not in the money and therefore are not dilutive.

8. Operating costs

During the three-month period ended June 30, 2020, the Company applied for the Canada Emergency Wage Subsidy offered by the Government of Canada. The Company was eligible for the subsidy as it met the criteria for certain periods. YP received a non-refundable contribution of $4.8 million during the three-month period ended June 30, 2020, for admissible salaries related to its workforce. The contribution is recorded as a reduction to operating costs in the interim condensed consolidated statements of income.

9. Segmented information

The Company's operations are categorized into two reportable segments: YP and Other.

The YP segment provides small and medium-sized businesses across Canada digital and traditional marketing solutions, including online and mobile priority placement on Yellow Pages owned and operated media, content syndication, search engine solutions, website fulfillment, social media campaign management and digital display advertising, video production and print advertising. This segment also includes the 411.ca digital directory service helping users find and connect with people and local businesses which was integrated with the Company's wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, as at September 30, 2019.

The Other segment includes YP Dine digital property allowing users to discover, search for and book local restaurants in addition to offering online ordering capabilities until its sale on April 30, 2019. This segment also includes Mediative until its liquidation on January 31, 2019. Mediative's offers included dedicated marketing and performance media services to national clients Canada-wide. Subsequent to the second quarter of 2019, there are no longer any operations being reported in this segment.

Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The Company accounts for transactions between reportable segments in the same manner it accounts for transactions with external customers and eliminates them on consolidation. There were no transactions between the reportable segments for the three and six-month periods ended June 30, 2020 and June 30, 2019. The President and Chief Executive Officer ("CEO") is the Chief Operating Decision Maker and he uses Income from operations before depreciation and amortization, and restructuring and other charges less capital expenditures, to measure the performance of each segment. The Chief Operating Decision Maker also reviews revenues by similar products and services, such as Print and Digital. Print revenues are recognized at a point in time, whereas 99% of digital revenues were recognized over the term of the contract and 1% at a point in time for the three and six-month periods ended June 30, 2020 and 2019.

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

The following tables present financial information for the three and six-month periods ended June 30, 2020 and 2019.

For the three-month period ended June 30, 2020		**YP**		**Other**		**Yellow Pages Limited**
Revenues						
Digital	$	64,433	$	–	**$**	**64,433**
Print		23,847		–		**23,847**
Total revenues		88,280		–		**88,280**
Operating costs		46,352		–		**46,352**
Income from operations before depreciation and amortization, and restructuring and other charges	$	41,928	$	–	**$**	**41,928**
Depreciation and amortization						**7,190**
Restructuring and other charges						**134**
Financial charges, net						**4,121**
Loss on sale of business						**4**
Provision for income taxes						**8,440**
Net earnings					**$**	**22,039**
Additions to intangible assets and property and equipment	**$**	**1,528**	**$**	**–**	**$**	**1,528**

For the three-month period ended June 30, 2019		YP		Other		Yellow Pages Limited
Revenues						
Digital	$	76,489	$	162	$	76,651
Print		30,121		–		30,121
Total revenues		106,610		162		106,772
Operating costs		63,235		115		63,350
Income from operations before depreciation and amortization, and restructuring and other charges	$	43,375	$	47	$	43,422
Depreciation and amortization						10,082
Restructuring and other charges						1,571
Financial charges, net						11,456
Loss on sale of business						197
Provision for income taxes						5,543
Net earnings					$	14,573
Additions to intangible assets and property and equipment	$	2,712	$	70	$	2,782

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

For the six-month period ended June 30, 2020		**YP**		**Other**		**Yellow Pages Limited**
Revenues						
Digital	$	132,043	$	–	**$**	**132,043**
Print		44,545		–		**44,545**
Total revenues		176,588		–		**176,588**
Operating costs		102,097		–		**102,097**
Income from operations before depreciation and amortization, and restructuring and other charges	$	74,491	$	–	**$**	**74,491**
Depreciation and amortization						**14,791**
Restructuring and other charges						**3,449**
Financial charges, net						**8,302**
Loss on sale of businesses						**502**
Provision for income taxes						**13,005**
Net earnings					**$**	**34,442**
Additions to intangible assets and property and equipment	**$**	**2,759**	**$**	**–**	**$**	**2,759**

For the six-month period ended June 30, 2019		YP		Other		Yellow Pages Limited
Revenues						
Digital	$	154,291	$	1,274	$	155,565
Print		55,994		–		55,994
Total revenues		210,285		1,274		211,559
Operating costs		121,813		943		122,756
Income from operations before depreciation and amortization, and restructuring and other charges	$	88,472	$	331	$	88,803
Depreciation and amortization						21,210
Restructuring and other charges						4,433
Financial charges, net						25,221
Loss on sale of businesses						197
Provision for income taxes						10,509
Net earnings					$	27,233
Additions to intangible assets and property and equipment	$	5,128	$	278	$	5,406

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

10. 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

The total number of common shares of Yellow Pages Limited held by the trustee for the purpose of funding the restricted share unit and performance share unit plan (the "RSU and PSU Plan") amounted to 1,405,285 as at June 30, 2020.

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

		2020		2019
Number of	**RSUs**	**PSUs[1]**	RSUs	PSUs[1]
Outstanding, beginning of period	**318,536**	**60,406**	399,503	189,063
Granted	**37,724**	**–**	87,684	–
Reduction in payout related to achievement of targets[2]	–	**(15,105)**	–	(49,774)
Settled	**(61,063)**	**(45,301)**	(56,970)	–
Dividends credited[3]	**3,311**	**–**	–	–
Forfeited	**(328)**	–	(23,539)	(22,586)
Outstanding, end of period	**298,180**	–	406,678	116,703
Weighted average remaining life (years)	**0.82**	–	1.35	0.58

[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 nil common shares as at June 30, 2020 (2019 – 58,334 common shares).*

[2] *The reduction in payout is related to the achievement of certain performance targets resulting in a reduction of 25% for the six-month period ended June 30, 2020 (2019 – reduction of 100%).*

[3] *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.*

During the three and six-month periods ended June 30, 2020, an expense of $0.2 million and $0.4 million, respectively (2019 – an expense of $0.2 million and a recovery of $0.5 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the RSU and PSU Plan.

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

Deferred Share Unit Plan

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

		2020		2019
	Number of DSUs	**Liability[1]**	Number of DSUs	Liability[1]
Outstanding, beginning of period	**325,435**	**$ 2,948**	255,755	$ 1,557
Granted[2]	**53,719**	**224**	69,680	216
Forfeited	**(4,196)**	**–**	–	–
Settled	**(22,524)**	**(213)**	–	–
Dividends credited[3]	**4,239**	**41**	–	–
Variation due to change in stock price	**–**	**(10)**	–	284
Outstanding, end of period	**356,673**	**$ 2,990**	325,435	$ 2,057
Vested, end of period	**331,911**	**$ 2,990**	290,595	$ 2,057

[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.*

[2] *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.*

Stock options

At the Annual and Special Meeting of Shareholders held on May 13, 2020 an amendment to the 2012 Stock Option Plan was approved to provide for a cashless exercise feature, payable in cash, without a full deduction of the underlying shares from the plan reserve. Subject to approval of the Board or the Human Resources and Compensation Committee at the time of exercise, an option holder may elect to surrender an exercisable option for cancellation in exchange for a cash payment equal to the amount by which the fair market value of the share on the date of surrender exceeds the exercise price. The underlying shares in respect of the surrendered option will be added back to the plan reserve.

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

		2020		2019
	Number of options	**Liability[1]**	Number of options	Liability[1]
Outstanding, beginning of period	**701,875**	**$ 1,078**	701,875	$ 365
Variation due to change in fair value and vesting	**–**	**(60)**	–	215
Outstanding, end of period	**701,875**	**$ 1,018**	701,875	$ 580
Vested, end of period	**662,882**	**$ 1,018**	428,924	$ 580

[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.*

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

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

	2020		2019	
	Number of options	**Weighted average exercise price per option**	Number of options	Weighted average exercise price per option
Outstanding, beginning of period	**1,983,102**	**$ 7.11**	1,347,052	$ 8.39
Granted	**436,582**	**$ 12.10**	884,784	$ 5.86
Forfeited	**–**	**$ –**	(99,465)	$ 11.30
Outstanding, end of period	**2,419,684**	**$ 8.01**	2,132,371	$ 7.21
Exercisable, end of period	**3,325**	**$ 17.82**	26,775	$ 17.87

Stock options were valued using a binomial option pricing model. Expected volatility is determined by the implied volatility from the current market price of the Company's outstanding warrants. The following table shows the key inputs into the valuation model for the six-month periods ended June 30:

	2020	2019
Weighted average grant date share price	**$ 12.10**	$ 5.86
Exercise price	**$ 12.10**	$ 5.86
Expected volatility	**47.1%**	61.1%
Option life	**2.8 years**	4 years
Risk-free interest rate	**1.54%**	2.18%
Weighted average remaining life	**2.4 years**	3.7 years

During the three and six-month periods ended June 30, 2020, an expense of $1.0 million and $0.9 million, respectively (2019 – an expense of $0.5 million and $0.8 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the Stock Option Plan.

Share appreciation rights plan

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

	2020		2019	
	Number of SARs	**Liability[1]**	Number of SARs	Liability[1]
Outstanding, beginning of period	**701,875**	**$ 1,078**	701,875	$ 365
Variation due to change in fair value and vesting	**–**	**(60)**	–	215
Outstanding, end of period	**701,875**	**$ 1,018**	701,875	$ 580
Vested, end of period	**662,882**	**$ 1,018**	428,924	$ 580

[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.*

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

11. Financial charges, net

The significant components of the financial charges are as follows:

For the three and six-month periods ended June 30,		2020		2019		2020		2019
Interest on senior secured notes[1] and exchangeable debentures	**$**	**2,785**	$	7,593	**$**	**5,563**	$	15,250
Amortization of financing costs		**16**		1,318		**33**		4,504
Optional redemption price premium on senior secured notes		**–**		791		**–**		791
Interest on lease obligations, net of interest income on investment in subleases		**357**		738		**941**		1,799
Net interest on the defined benefit obligations		**951**		1,306		**1,902**		2,612
Other, net		**12**		(290)		**(137)**		265
Financial charges, net	**$**	**4,121**	$	11,456	**$**	**8,302**	$	25,221

[1] *The senior secured notes were repaid in full in November 2019.*

12. Financial Instruments - Fair values and Risk Management

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

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

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

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

The fair value of the exchangeable debentures is evaluated based on quoted market prices as at the statement of financial position date. The Company has not adopted any hedge accounting during the period.

The following schedule represents the carrying value and the fair value of financial instrument not measured at fair value in the consolidated statement of financial position as at June 30, 2020. The fair value of cash, trade and other receivables, and trade and other payables are not included, as their carrying amount is a reasonable approximation of fair value due to their short-term maturity:

	Level		Carrying Value		Fair Value
Exchangeable debentures	1	$	99,783	$	107,064

Asset-Based Loan

On October 19, 2017, the Company, through its subsidiary Yellow Pages Digital & Media Solutions Limited, renewed its five-year $50.0 million asset-based loan (ABL) and extended the term of the ABL to August 2022. At the request of the Company, the ABL agreement was amended on November 18, 2019 to reduce the total commitment from $50.0 million to $25.0 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, Banker's acceptance (BA) equivalent loans or letters of credit. The ABL is subject to an availability reserve of $5.0 million if the Company's trailing twelve-month fixed charge coverage ratio is below 1.1 times. As at June 30, 2020, the Company's fixed charge coverage ratio was 1.6 times. The Company had $3.4 million of letters of credit issued and outstanding under the ABL. As such, $21.6 million of the ABL was available as at June 30, 2020. As at June 30, 2020, the Company was in compliance with all covenants under the loan agreement governing the ABL.

13. Loss on sale of businesses

On July 6, 2018, the Company's wholly-owned subsidiary, Yellow Pages Digital & Media Solutions Limited, sold ComFree/DuProprio ("CFDP") to Purplebricks Group PLC ("PB") for cash consideration of $51.0 million on a cash free debt free basis, subject to a working capital adjustment. Of the $1.8 million balance that had been placed in escrow, an amount of $1.0 million was received by the Company on February 18, 2020. The Company recorded a loss on sale of business of $0.5 million for the six-month period ended June 30, 2020, related to the amount in escrow it no longer expects to receive. The remaining balance of $0.3 million remains in escrow.

On April 30, 2019, the Company sold its business in restaurant booking and table management through the asset sales of YP Dine, Bookenda and its 40% interest in the Bookenda International business for a total consideration of $2.2 million (including working capital adjustment). The sale resulted in the recognition of a $0.2 million loss in the interim condensed consolidated statements of income for the six-month period ended June 30, 2019.

14. Subsequent event

Share repurchase

On August 5, 2020, the Board of Directors approved that the Company enter into a normal course issuer bid ("NCIB"), commencing August 10, 2020, to purchase up to $5.0 million of Common Shares in the open market for cancellation, on or before August 9, 2021.