

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

June 30, 2022 and 2021

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at	June 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 129,298	\$ 123,559
Trade and other receivables (Note 3)	38,028	42,267
Prepaid expenses	4,919	4,137
Deferred publication costs	1,204	1,945
Net investment in subleases	1,580	1,485
TOTAL CURRENT ASSETS	175,029	173,393
NON-CURRENT ASSETS		
Deferred commissions	2,190	1,959
Financial and other assets	1,644	1,671
Right-of-use assets	8,003	9,752
Net investment in subleases	24,373	25,189
Property and equipment	4,832	5,249
Intangible assets	53,728	58,747
Deferred income taxes	20,834	29,269
TOTAL NON-CURRENT ASSETS	115,604	131,836
TOTAL ASSETS	\$ 290,633	\$ 305,229
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	\$ 36,120	\$ 34,931
Income taxes payable	2,960	5,305
Provisions	14,059	21,090
Deferred revenues	1,631	1,622
Current portion of lease obligations	2,983	2,940
TOTAL CURRENT LIABILITIES	57,753	65,888
NON-CURRENT LIABILITIES		
Provisions	882	1,051
Post-employment benefits (Note 5)	55,757	75,220
Lease obligations	45,392	46,939
TOTAL NON-CURRENT LIABILITIES	102,031	123,210
TOTAL LIABILITIES	159,784	189,098
CAPITAL AND RESERVES	6,369,275	6,498,894
DEFICIT	(6,238,426)	(6,382,763)
TOTAL EQUITY	130,849	116,131
TOTAL LIABILITIES AND EQUITY	\$ 290,633	\$ 305,229

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,	2022		2021	
Revenues (Note 8)	\$	69,584	\$	74,588
Operating costs (Note 7)		45,796		50,148
Income from operations before depreciation and amortization, and restructuring and other charges		23,788		24,440
Depreciation and amortization		4,208		4,928
Restructuring and other charges (Note 4)		1,773		200
Income from operations		17,807		19,312
Financial charges, net (Note 10)		458		3,202
Loss on early repayment of debt		–		7,764
Earnings before income taxes		17,349		8,346
Provision for income taxes		4,671		2,328
Net earnings	\$	12,678	\$	6,018
Basic earnings per share	\$	0.50	\$	0.23
Weighted average shares outstanding – basic earnings per share (Note 6)		25,537,764		26,394,166
Diluted earnings per share	\$	0.49	\$	0.22
Weighted average shares outstanding – diluted earnings per share (Note 6)		25,640,603		26,747,518

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,	2022		2021	
	2022	2021	2022	2021
Net earnings	\$ 12,678	\$ 6,018	\$ 27,308	\$ 18,153
Other comprehensive income:				
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains (Note 5)	(136)	2,841	16,403	28,807
Income taxes relating to items that will not be reclassified subsequently to net earnings	36	(749)	(4,330)	(7,596)
Other comprehensive (loss) income	(100)	2,092	12,073	21,211
Total comprehensive income	\$ 12,578	\$ 8,110	\$ 39,381	\$ 39,364

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,

	2022							
	Shareholders' capital (Note 6)	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 earnings	–	–	–	–	–	–	27,308	27,308
Total comprehensive income	–	–	–	–	–	–	39,381	39,381
Repurchase of common shares (Note 6)	(125,098)	–	–	–	–	(125,098)	112,694	(12,404)
Shares issued under the stock option plan (Note 6)	210	–	–	(57)	–	153	–	153
Dividends to shareholders (Note 6)	–	–	–	33	–	33	(7,738)	(7,705)
Restricted shares settled	–	864	–	(864)	–	–	–	–
Restricted shares expense (Note 9)	–	–	–	147	–	147	–	147
Stock options equity-settled expense (Note 9)	–	–	–	466	–	466	–	466
Stock options reclassification (Note 9)	–	–	–	(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

	2021									
	Shareholders' capital (Note 6)	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, 2020	\$ 3,992,754	\$ (19,318)	\$ 1,456	\$ 3,617	\$ 120,218	\$ 2,457,053	\$ 6,555,780	\$ (6,526,479)	\$ 29,301	
Other comprehensive income	–	–	–	–	–	–	–	21,211	21,211	
Net earnings	–	–	–	–	–	–	–	18,153	18,153	
Total comprehensive income	–	–	–	–	–	–	–	39,364	39,364	
Repayment of exchangeable debentures	–	–	–	(3,617)	–	–	(3,617)	4,946	1,329	
Repurchase of common shares (Note 6)	(16,757)	–	–	–	–	–	(16,757)	15,223	(1,534)	
Shares issued under the stock option plan (Note 6)	131	–	–	–	(28)	–	103	–	103	
Dividends to shareholders (Note 6)	–	–	–	–	30	–	30	(6,890)	(6,860)	
Restricted shares settled	–	549	–	–	(549)	–	–	–	–	
Restricted shares expense (Note 9)	–	–	–	–	151	–	151	–	151	
Stock options equity-settled expense (Note 9)	–	–	–	–	861	–	861	–	861	
Stock options reclassification (Note 9)	–	–	–	–	(1,130)	–	(1,130)	–	(1,130)	
Common shares subject to repurchase (Note 6)	–	–	–	–	790	–	790	–	790	
Balance, June 30, 2021	\$ 3,976,128	\$ (18,769)	\$ 1,456	\$ –	\$ 120,343	\$ 2,457,053	\$ 6,536,211	\$ (6,473,836)	\$ 62,375	

¹ The equity component of the exchangeable debentures presented above is net of income taxes of \$1.3 million. These exchangeable debentures were repaid in May 2021.

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,	2022	2021
OPERATING ACTIVITIES		
Net earnings	\$ 27,308	\$ 18,153
Adjusting items		
Stock-based compensation expense – equity settled	613	1,012
Depreciation and amortization	8,556	10,020
Restructuring and other charges	2,155	1,256
Financial charges, net	1,230	6,997
Loss on early repayment of debt	–	7,764
Provision for income taxes	9,950	6,833
Change in operating assets and liabilities	(313)	11,910
Stock-based compensation cash payments	(4,010)	(1,349)
Funding of post-employment benefit plans in excess of costs	(4,237)	(2,503)
Restructuring and other charges paid	(2,753)	(3,530)
Interest paid	(1,097)	(5,444)
Income taxes paid, net	(8,188)	–
	29,214	51,119
INVESTING ACTIVITIES		
Additions to intangible assets	(2,711)	(2,533)
Additions to property and equipment	(25)	(52)
Payments received from net investment in subleases	721	310
	(2,015)	(2,275)
FINANCING ACTIVITIES		
Repayment of exchangeable debentures	–	(107,033)
Repurchase of common shares (Note 6)	(12,404)	(1,534)
Issuance of common shares (Note 6)	153	103
Payment of lease obligations	(1,504)	(1,558)
Dividends paid (Note 6)	(7,705)	(6,860)
	(21,460)	(116,882)
NET INCREASE (DECREASE) IN CASH	5,739	(68,038)
CASH, BEGINNING OF YEAR	123,559	153,492
CASH, END OF PERIOD	\$ 129,298	\$ 85,454

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, 2022 and 2021 on August 4, 2022 for publication on August 5, 2022.

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, 2021 and 2020. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2021 and 2020.

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

Effective January 1, 2022, the Company adopted the following amended accounting standards;

Amendments to IFRS 3 – Business Combinations

The amendments to the implementation guidance of IFRS 3 clarify the definition of a business to assist entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. The adoption of these amendments did not have any impact to the Company’s financial statements. They may have an impact on the accounting of future business combinations, if any.

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

The 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 adoption of these amendments did not have any impact on the Company’s financial statements.

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

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

On February 12, 2021, the IASB, issued amendments to IAS 8. These amendments 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 amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company is assessing the impact of adopting these amendments on its 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 12 – Income taxes

On May 7, 2021, IASB published Deferred Tax related to Assets and Liabilities arising from a single transaction. The amendments clarify the accounting for deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is assessing the impact of adopting these amendments on its financial statements.

3. Trade and other receivables¹

As at	June 30, 2022	December 31, 2021
Current	\$ 32,923	\$ 33,800
Past due less than 180 days	3,435	3,639
Past due over 180 days	688	1,259
Trade receivables	\$ 37,046	\$ 38,698
Other receivables²	\$ 982	\$ 3,569
Trade and other receivables	\$ 38,028	\$ 42,267

¹ Trade and other receivables are presented net of allowance for revenue adjustments (“AFRA”) and ECL of \$21.1 million as at June 30, 2022 (\$27.7 million as at December 31, 2021).

² Other receivables included a loan receivable associated with a forward contract, for a net amount of \$nil as at June 30, 2022 (\$3.1 million as at December 31, 2021).

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

As at	June 30, 2022	December 31, 2021
Contract assets	\$ 24,882	\$ 25,366
Allowance for revenue adjustments and ECL	(1,591)	(1,884)
Contract assets net of allowance for revenue adjustments and ECL	\$ 23,291	\$ 23,482

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, 2022 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. Restructuring and other charges

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 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. Restructuring and other charges of \$0.2 million were recorded for the three-month period ended June 30, 2021 consisting mainly of restructuring charges associated with workforce reductions.

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 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. Yellow Pages Limited recorded restructuring and other charges of \$1.3 million during the six-month period ended June 30, 2021 consisting mainly of restructuring charges of \$1.4 million associated with workforce reductions and a \$0.2 million recovery related to future operation costs provisioned related to lease contracts of previously vacated office space.

5. Post-employment benefits

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 \$2.1 million in other comprehensive income, net of income taxes of \$0.7 million for the three-month period ended June 30, 2021. A gain of \$18.7 million due to the higher than expected actual return on plan assets was partially offset by a loss of \$15.9 million resulting from the decrease in the discount rate from 3.3% to 3.1%.

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. Yellow Pages Limited recorded an actuarial gain of \$21.2 million in other comprehensive income, net of income taxes of \$7.6 million for the six-month period ended June 30, 2021. A gain of \$34.3 million resulting from the increase in the discount rate from 2.6% to 3.1%, partially offset by the increase in the inflation rate from 1.5% to 1.7% and a loss of \$5.5 million due to the lower than expected actual return on plan assets.

6. Shareholders' capital

Common shares – Issued

For the six-month period ended June 30, 2022	Number of Shares	Amount
Balance, December 31, 2021	27,459,686	\$ 3,938,124
Common shares repurchased	(871,135)	(125,098)
Shared issued under stock option plan	18,873	210
Balance, June 30, 2022	26,607,424	\$ 3,813,236

For the year ended December 31, 2021	Number of Shares	Amount
Balance, December 31, 2020	27,828,906	\$ 3,992,754
Common shares repurchased	(381,406)	(54,771)
Shared issued under stock option plan	12,185	141
Exchange of common share purchase warrants	1	–
Balance, December 31, 2021	27,459,686	\$ 3,938,124

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 1,306,943 as at June 30, 2022 (see Note 9).

Share repurchases

The Company entered 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. Upon completion of this NCIB on July 16, 2021, the Company had purchased 403,220 common shares for cash of \$5.0 million. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder’s capital to deficit.

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. For the three and six-month periods ended June 30, 2022, the Company purchased under this NCIB program 423,099 and 871,135 common shares, respectively for cash of \$6.1 million and \$12.4 million, respectively. The related historical carrying value of these shares in excess of the repurchase proceeds was reclassified from shareholder’s capital to deficit within the Company’s interim condensed consolidated financial statements.

Dividends

On May 12th, 2021, the Company’s Board of Directors (the “Board”) modified its dividend policy of paying a quarterly cash dividend to its common shareholders by increasing the dividend from \$0.11 per share to \$0.15 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, 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. During the six-month period ended June 30, 2021, the Company paid quarterly dividends of \$0.11 per common share on March 15, 2021 and of \$0.15 per common share on June 30, 2021 for a total consideration of \$6.9 million to common shareholders.

Warrants

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

As at June 30, 2022, the Company had a total of 2,995,483 Warrants outstanding for an amount of \$1.5 million. During the year ended December 31, 2021, 1 Warrant was exercised in exchange for 1 common share of Yellow Pages Limited. As at December 31, 2021, the Company had a total of 2,995,483 Warrants outstanding for an amount of \$1.5 million.

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.

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%

Earnings per share

The following table presents the weighted average number of shares outstanding used in computing earnings per share and 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,	2022	2021	2022	2021
Weighted average number of shares outstanding used in computing basic earnings per share ¹	25,537,764	26,394,166	25,723,388	26,399,696
Dilutive effect of restricted share units	84,873	114,853	84,873	114,853
Dilutive effect of stock options	17,966	238,499	19,623	227,334
Weighted average number of shares outstanding used in computing diluted earnings per share¹	25,640,603	26,747,518	25,827,884	26,741,883
For the three and six-month periods ended June 30,	2022	2021	2022	2021
Net earnings used in the computation of diluted earnings per share	\$ 12,678	\$ 6,018	\$ 27,308	\$ 18,153

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, 2022 and 2021, 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.

7. 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 million and \$0.5 million during the three and six-month periods ended June 30, 2022 (2021 - \$2.3 and \$3.0 million, respectively), for admissible salaries related to its workforce. The contributions are recorded as a reduction to operating costs in the interim condensed consolidated statements of income.

8. 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, 2022 and 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, 2021.

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

For the three and six-month periods ended June 30,	2022	2021	2022	2021
Digital	\$ 52,804	\$ 55,700	\$ 105,391	\$ 112,700
Print	16,780	18,888	31,982	35,402
Total revenues	\$ 69,584	\$ 74,588	\$ 137,373	\$ 148,102

9. 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 RSU and PSU Plan amounted to 1,306,943 as at June 30, 2022.

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

	2022		2021	
	Number of RSUs	Liability ¹	Number of RSUs	Liability ¹
Outstanding, beginning of year	277,317	\$ 1,950	327,617	\$ 831
Dividends credited ²	6,192	82	6,392	37
Variation due to change in fair value and vesting	–	663	–	1,307
Outstanding, end of period³	283,509	\$ 2,695	334,009	\$ 2,175

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 vested as of June 30, 2022 is 197,454 (2021 – 147,929).

The following table summarizes the continuity of all the RSUs, including those shown in the table above, during the six-month periods ended June 30:

	2022	2021
Number of	RSUs	RSUs
Outstanding, beginning of year	393,525	448,965
Granted	21,853	26,512
Settled	(53,673)	(34,105)
Dividends credited ¹	8,614	8,602
Forfeited	(1,938)	(1,112)
Outstanding, end of period	368,381	448,862
Weighted average remaining life (years)	0.98	1.40

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.

During the three and six-month periods ended June 30, 2022, an expense of \$0.5 million and \$0.9 million, respectively (2021 –\$0.9 million and \$1.5 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to RSUs.

Deferred Share Unit Plan

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

	2022		2021	
	Number of DSUs	Liability ¹	Number of DSUs	Liability ¹
Outstanding, beginning of year	300,919	\$ 4,111	339,808	\$ 4,257
Granted ²	24,560	169	30,704	185
Forfeited	–	–	(3,292)	–
Dividends credited ³	7,268	98	7,194	96
Variation due to change in stock price	–	(4)	–	778
Outstanding, end of period⁴	332,747	\$ 4,374	374,414	\$ 5,316

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, 2022 is 320,467 (2021 – 361,629).

During the three and six-month periods ended June 30, 2022, an expense of \$0.1 million and \$0.3 million, respectively (2021 – an expense of \$1.0 million and \$1.1 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the Deferred Share Unit Plan.

Stock options

On March 24, 2022, the Board approved an amendment to the 2012 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.

On March 23, 2021, the Board approved an amendment to the 2012 Stock Option Plan to increase the insider participation limits and the maximum number of shares issuable to one person from 5% of the issued and outstanding shares to 10% of the issued and outstanding shares. In addition, the 2012 Stock Option Plan was amended to provide that any shares repurchased by the Company for cancellation pursuant to a NCIB will not constitute non-compliance with these limits for any options outstanding prior to such purchase of Shares for cancellation.

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

Stock options granted that are payable in cash upon certain conditions being met are presented as a liability.

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

	2022		2021	
	Number of options	Liability ¹	Number of options	Liability ¹
Outstanding, beginning of year	1,044,992	\$ 3,315	1,567,847	\$ 1,703
Granted	513,943	501	–	–
Stock options reclassified from equity-settled to cash settled ^{2,3}	1,259,364	5,959	365,335	1,129
Settled	(657,118)	(4,010)	(329,809)	(1,349)
Variation due to change in fair value and vesting	–	738	–	3,999
Outstanding, end of period⁴	2,161,181	\$ 6,503	1,603,373	\$ 5,482

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 On February 9, 2022 and February 10, 2021, 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.

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

⁴ The number of stock options vested as of June 30, 2022 is 1,342,788 (2021 – 913,610).

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

	2022		2021	
	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option
Outstanding, beginning of year	2,332,893	\$ 9.34	2,717,779	\$ 8.71
Granted	513,943	\$ 14.30	519,276	\$ 11.86
Forfeited	(9,664)	\$ 7.56	(4,838)	\$ 11.97
Exercised	(18,873)	\$ 7.98	(11,490)	\$ 8.97
Settled	(657,118)	\$ 7.92	(329,809)	\$ 8.89
Outstanding, end of period	2,161,181	\$ 10.95	2,890,918	\$ 9.25
Exercisable, end of period	15,969	\$ 7.98	15,660	\$ 9.80

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 six-month periods ended June 30:

	2022	2021
Weighted average grant date share price	\$ 14.30	\$ 11.86
Exercise price	\$ 14.30	\$ 11.86
Expected volatility	59.8%	54.2%
Option life	2.7 years	2.7 years
Risk-free interest rate	2.19%	0.66%
Weighted average remaining life	2.4 years	2.4 years

During the three and six-month periods ended June 30, 2022, an expense of \$1.3 million and \$1.7 million, respectively (2021 – an expense of \$3.5 million and \$4.9 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:

	2022		2021	
	Number of SARs	Liability ¹	Number of SARs	Liability ¹
Outstanding, beginning of year	116,110	\$ 368	174,165	\$ 190
Variation due to change in fair value and vesting	–	123	–	401
Outstanding, end of period²	116,110	\$ 491	174,165	\$ 591

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, 2022 is 92,727 (2021 – 97,565).

During the three and six-month periods ended June 30, 2022, an expense of \$0.1 million and \$0.1 million, respectively (2021 – an expense of \$0.3 million and \$0.4 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the SARs plan.

10. Financial charges, net

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

For the three and six-month periods ended June 30,	2022		2021	
Interest on exchangeable debentures ¹	\$ –	\$ 1,889	\$ –	\$ 4,692
Interest on lease obligations, net of interest income on investment in subleases	360	549	728	1,108
Net interest on the defined benefit obligations	581	812	1,163	1,623
Other, net	(483)	(48)	(661)	(426)
Financial charges, net	\$ 458	\$ 3,202	\$ 1,230	\$ 6,997

¹ The Company fully repaid the principal amount of Exchangeable Debentures of \$107.0 million at par plus accrued and unpaid interest on May 31, 2021.

11. 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 are not measured at fair value in the interim condensed 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 asset-based loan (ABL) with a term of the ABL to August 2022, recently extended to September 2022 and a total commitment of \$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, 2022, the Company's fixed charge coverage ratio was 1.7 times. The Company had \$2.8 million of letters of credit issued and outstanding under the ABL and a \$3.9 million deficiency in qualified collateral. As such, \$18.3 million of the ABL was available as at June 30, 2022. As at June 30, 2022, the Company was in compliance with all covenants under the loan agreement governing the ABL.

12. Subsequent event

On August 4, 2022, our Board approved a distribution to shareholders of approximately \$100 million by way of a share repurchase from all shareholders pursuant to a statutory arrangement under the *Business Corporations Act* (British Columbia). The arrangement will be effected pursuant to a plan of arrangement which provides that the Company will repurchase from shareholders *pro rata* an aggregate of 7,949,125 common shares at a purchase price of \$12.58 per share, which represents the volume weighted average price for the five consecutive trading days ending the trading day immediately prior to August 5, 2022.

Under the plan of arrangement, the Company will also advance the previously announced voluntary incremental cash contributions to the Defined Benefit Pension Plan's (the "Pension Plan") wind-up deficit by an amount of \$24.0 million during the year ending December 31, 2022, bringing 2022 cash payments to the Pension Plan's wind-up deficit to \$30.0 million by the end of the year. The incremental voluntary cash infusion of \$24.0 million during the year ended December 31, 2022 represents advancing the voluntary \$6.0 million contributions intended in years 2027, 2028, 2029 and 2030 that were part of the Deficit Reduction Plan we announced in May of 2021 to increase the probability that the Pension Plan will be fully funded by 2030. The probability of achieving a wind-up ratio of 100% by 2030 is dependent upon certain uncontrollable factors, including, among others, market returns and discount rates. The Board will continue to review the Deficit Reduction Plan annually.

The arrangement is subject to the approval of at least 66 2/3% of the votes cast by the holders of shares at a special meeting of shareholders that will be called to approve the arrangement. Shareholders holding in excess of 78% of the outstanding shares have agreed with the Company to vote in favor of the arrangement. The arrangement is also subject to the receipt of the approval of the Supreme Court of British Columbia.