

## UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

March 31, 2022 and 2021

### Table of contents

Interim Condensed Consolidated Statements of Financial Position	2
Interim Condensed Consolidated Statements of Income	3
Interim Condensed Consolidated Statements of Comprehensive Income	4
Interim Condensed Consolidated Statements of Changes in Equity	5-6
Interim Condensed Consolidated Statements of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8-16

## Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at	March 31, 2022	December 31, 2021
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 115,868	\$ 123,559
Trade and other receivables (Note 3)	36,349	42,267
Prepaid expenses	4,029	4,137
Deferred publication costs	1,814	1,945
Net investment in subleases	1,485	1,485
<b>TOTAL CURRENT ASSETS</b>	<b>159,545</b>	<b>173,393</b>
NON-CURRENT ASSETS		
Deferred commissions	2,049	1,959
Financial and other assets	1,653	1,671
Right-of-use assets	9,492	9,752
Net investment in subleases	24,851	25,189
Property and equipment	5,122	5,249
Intangible assets	56,287	58,747
Deferred income taxes	22,834	29,269
<b>TOTAL NON-CURRENT ASSETS</b>	<b>122,288</b>	<b>131,836</b>
<b>TOTAL ASSETS</b>	<b>\$ 281,833</b>	<b>\$ 305,229</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES		
Trade and other payables	\$ 31,816	\$ 34,931
Income taxes payable	1,763	5,305
Provisions	10,809	21,090
Deferred revenues	1,645	1,622
Current portion of lease obligations	2,926	2,940
<b>TOTAL CURRENT LIABILITIES</b>	<b>48,959</b>	<b>65,888</b>
NON-CURRENT LIABILITIES		
Provisions	819	1,051
Post-employment benefits (Note 5)	56,954	75,220
Lease obligations	46,173	46,939
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>103,946</b>	<b>123,210</b>
<b>TOTAL LIABILITIES</b>	<b>152,905</b>	<b>189,098</b>
CAPITAL AND RESERVES	6,430,733	6,498,894
DEFICIT	(6,301,805)	(6,382,763)
<b>TOTAL EQUITY</b>	<b>128,928</b>	<b>116,131</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 281,833</b>	<b>\$ 305,229</b>

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)

<b>For the three-month periods ended March 31,</b>	<b>2022</b>	<b>2021</b>
Revenues (Note 8)	\$ 67,789	\$ 73,514
Operating costs (Note 7)	42,378	46,931
Income from operations before depreciation and amortization, and restructuring and other charges	25,411	26,583
Depreciation and amortization	4,348	5,092
Restructuring and other charges (Note 4)	382	1,056
Income from operations	20,681	20,435
Financial charges, net (Note 10)	772	3,795
Earnings before income taxes	19,909	16,640
Provision for income taxes	5,279	4,505
<b>Net earnings</b>	<b>\$ 14,630</b>	<b>\$ 12,135</b>
Basic earnings per share	\$ 0.56	\$ 0.46
Weighted average shares outstanding – basic earnings per share (Note 6)	25,911,074	26,405,287
Diluted earnings per share	\$ 0.56	\$ 0.44
Weighted average shares outstanding – diluted earnings per share (Note 6)	26,031,097	32,348,152

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-month periods ended March 31,	2022	2021
<b>Net earnings</b>	\$ 14,630	\$ 12,135
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified subsequently to net earnings</b>		
Actuarial gains (Note 5)	16,539	25,966
Income taxes relating to items that will not be reclassified subsequently to net earnings	(4,366)	(6,847)
<b>Other comprehensive income</b>	<b>12,173</b>	<b>19,119</b>
<b>Total comprehensive income</b>	<b>\$ 26,803</b>	<b>\$ 31,254</b>

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 three-month periods ended March 31,

	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	–	–	–	–	–	–	12,173	12,173
Net earnings	–	–	–	–	–	–	14,630	14,630
<b>Total comprehensive income</b>	–	–	–	–	–	–	26,803	26,803
Repurchase of common shares (Note 6)	(64,339)	–	–	–	–	(64,339)	58,028	(6,311)
Shares issued under the stock option plan (Note 6)	20	–	–	(4)	–	16	–	16
Dividends to shareholders (Note 6)	–	–	–	21	–	21	(3,873)	(3,852)
Restricted shares settled	–	492	–	(492)	–	–	–	–
Restricted shares expense (Note 9)	–	–	–	79	–	79	–	79
Stock options equity-settled expense (Note 9)	–	–	–	472	–	472	–	472
Stock options reclassification (Note 9)	–	–	–	(4,410)	–	(4,410)	–	(4,410)
<b>Balance, March 31, 2022</b>	<b>\$ 3,873,805</b>	<b>\$ (18,196)</b>	<b>\$ 1,456</b>	<b>\$ 116,615</b>	<b>\$ 2,457,053</b>	<b>\$ 6,430,733</b>	<b>\$ (6,301,805)</b>	<b>\$ 128,928</b>

	2021									
	Shareholders' capital (Note 6)	Restricted shares	Warrants	Compound financial instruments <sup>1</sup>	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	–	–	–	–	–	–	–	19,119	19,119	
Net earnings	–	–	–	–	–	–	–	12,135	12,135	
Total comprehensive income	–	–	–	–	–	–	–	31,254	31,254	
Repurchase of common shares (Note 6)	(7,318)	–	–	–	–	–	(7,318)	6,683	(635)	
Shares issued under the stock option plan (Note 6)	61	–	–	–	(16)	–	45	–	45	
Dividends to shareholders (Note 6)	–	–	–	–	12	–	12	(2,917)	(2,905)	
Restricted shares settled	–	545	–	–	(545)	–	–	–	–	
Restricted shares expense (Note 9)	–	–	–	–	77	–	77	–	77	
Stock options equity-settled expense (Note 9)	–	–	–	–	405	–	405	–	405	
Stock options reclassification (Note 9)	–	–	–	–	(1,106)	–	(1,106)	–	(1,106)	
Common shares subject to repurchase (Note 6)	–	–	–	–	979	–	979	–	979	
Balance, March 31, 2021	\$ 3,985,497	\$ (18,773)	\$ 1,456	\$ 3,617	\$ 120,024	\$ 2,457,053	\$ 6,548,874	\$ (6,491,459)	\$ 57,415	

<sup>1</sup> 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 three-month periods ended March 31,	2022	2021
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 14,630	\$ 12,135
Adjusting items		
Stock-based compensation expense – equity settled	551	482
Depreciation and amortization	4,348	5,092
Restructuring and other charges	382	1,056
Financial charges, net	772	3,795
Provision for income taxes	5,279	4,505
Change in operating assets and liabilities	(6,052)	267
Stock-based compensation cash payments	(3,742)	(931)
Funding of post-employment benefit plans in excess of costs	(2,258)	(926)
Restructuring and other charges paid	(2,207)	(2,332)
Interest paid	(553)	(587)
Income taxes paid, net	(6,750)	–
	<b>4,400</b>	<b>22,556</b>
<b>INVESTING ACTIVITIES</b>		
Additions to intangible assets	(1,478)	(1,206)
Additions to property and equipment	(24)	(34)
Payments received from net investment in subleases	338	315
	<b>(1,164)</b>	<b>(925)</b>
<b>FINANCING ACTIVITIES</b>		
Repurchase of common shares (Note 6)	(6,311)	(635)
Issuance of common shares (Note 6)	16	45
Payment of lease obligations	(780)	(685)
Dividends paid (Note 6)	(3,852)	(2,905)
	<b>(10,927)</b>	<b>(4,180)</b>
NET (DECREASE) INCREASE IN CASH	<b>(7,691)</b>	<b>17,451</b>
CASH, BEGINNING OF YEAR	<b>123,559</b>	<b>153,492</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 115,868</b>	<b>\$ 170,943</b>

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-month periods ended March 31, 2022 and 2021 on May 10, 2022 for publication on May 11, 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 receivables<sup>1</sup>

As at	March 31, 2022	December 31, 2021
Current	\$ 31,669	\$ 33,800
Past due less than 180 days	3,268	3,639
Past due over 180 days	892	1,259
<b>Trade receivables</b>	<b>\$ 35,829</b>	<b>\$ 38,698</b>
<b>Other receivables<sup>2</sup></b>	<b>\$ 520</b>	<b>\$ 3,569</b>
<b>Trade and other receivables</b>	<b>\$ 36,349</b>	<b>\$ 42,267</b>

<sup>1</sup> Trade and other receivables are presented net of allowance for revenue adjustments ("AFRA") and ECL of \$25.5 million as at March 31, 2022 (\$27.7 million as at December 31, 2021).

<sup>2</sup> Other receivables included a loan receivable associated with a forward contract, for a net amount of \$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	March 31, 2022	December 31, 2021
Contract assets	\$ 24,457	\$ 25,366
Allowance for revenue adjustments and ECL	(1,736)	(1,884)
<b>Contract assets net of allowance for revenue adjustments and ECL</b>	<b>\$ 22,721</b>	<b>\$ 23,482</b>

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 three-month period ended March 31, 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 \$0.4 million during the first quarter of 2022 consisting mainly of restructuring charges associated with workforce reductions.

Yellow Pages Limited recorded restructuring and other charges of \$1.1 million during the first quarter of 2021 consisting of restructuring charges of \$1.2 million relating to 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 gain of \$12.2 million in other comprehensive income, net of income taxes of \$4.4 million during the first quarter of 2022. A gain of \$74.1 million resulting from the increase in the discount rate from 3.20% to 4.30%, was partially offset by a loss of \$57.5 million due to the lower than expected actual return on plan assets.

Yellow Pages Limited recorded an actuarial gain of \$19.1 million in other comprehensive income, net of income taxes of \$6.8 million for the three-month period ended March 31, 2021. A gain of \$50.1 million resulting from the increase in the discount rate from 2.60% to 3.30%, partially offset by the increase in the inflation rate from 1.50% to 1.70% and a loss of \$24.1 million due to the lower than expected actual return on plan assets.

## 6. Shareholders' capital

### Common shares – Issued

<b>For the three-month period ended March 31, 2022</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, December 31, 2021	27,459,686	\$ 3,938,124
Common shares repurchased	(448,036)	(64,339)
Shared issued under stock option plan	1,377	20
<b>Balance, March 31, 2022</b>	<b>27,013,027</b>	<b>\$ 3,873,805</b>

  

<b>For the year ended December 31, 2021</b>	<b>Number of Shares</b>	<b>Amount</b>
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	–
<b>Balance, December 31, 2021</b>	<b>27,459,686</b>	<b>\$ 3,938,124</b>

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 1,330,044 as at March 31, 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 was reclassified from shareholder’s capital to deficit.

On August 5, 2021, the Company’s announced a NCIB commencing August 10, 2021 to purchase up to 5% of the Company’s outstanding shares for cancellation on or before August 9, 2022. However, the Company intends to limit aggregate purchases under the new NCIB to \$16.0 million. For the three-month period ended March 31, 2022, the Company purchased under this NCIB program 448,036 common shares for cash of \$6.3 million. As at March 31, 2022, the Company has purchased under this NCIB program a total of 699,412 common shares for cash of \$9.9 million. The related historical carrying value of these shares was reclassified from shareholder’s capital to deficit.

## Dividends

On May 12<sup>th</sup>, 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 three-month period ended March 31, 2022, the Company paid a quarterly dividend of \$0.15 per common share. The dividend was paid on March 15, 2022 for a consideration of \$3.9 million to common shareholders. The Company paid a cash dividend on common shares of \$2.9 million, or \$0.11 per common share, during the first quarter, ended March 31, 2021.

## Warrants

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

As at March 31, 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-month periods ended March 31,	2022	2021
Weighted average number of shares outstanding used in computing basic earnings per share <sup>1</sup>	25,911,074	26,405,287
Dilutive effect of restricted share units	107,672	115,043
Dilutive effect of stock options	12,351	206,341
Dilutive effect of exchangeable debentures <sup>2</sup>	–	5,621,481
<b>Weighted average number of shares outstanding used in computing diluted earnings per share<sup>1</sup></b>	<b>26,031,097</b>	<b>32,348,152</b>
For the three-month periods ended March 31,	2022	2021
Net earnings used in the computation of basic earnings per share	\$ 14,630	\$ 12,135
Impact of assumed conversion of exchangeable debentures, net of applicable taxes <sup>2</sup>	–	2,051
<b>Total net earnings used in the computation of diluted earnings per share</b>	<b>\$ 14,630</b>	<b>\$ 14,186</b>

<sup>1</sup> 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").

<sup>2</sup> The exchangeable debentures were repaid in May 2021.

For the three-month periods ended March 31, 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

During the three-month periods ended March 31, 2022 and March 31, 2021, 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. Yellow Pages Limited received non-refundable contributions of \$0.5 million during the three-month period ended March 31, 2022 (2021 - \$0.7 million), 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-month period ended March 31, 2022 and 100% of digital revenues were recognized over the term of the contract for the three-month period ended March 31, 2021, respectively.

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

For the three-month periods ended March 31,	2022		2021	
Digital	\$	52,587	\$	57,000
Print		15,202		16,514
<b>Total revenues</b>	<b>\$</b>	<b>67,789</b>	<b>\$</b>	<b>73,514</b>

## 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 1,330,044 as at March 31, 2022.

The following table summarizes the continuity of the RSUs presented as a liability during the three-month periods ended March 31:

	2022		2021	
	Number of RSUs	Liability <sup>1</sup>	Number of RSUs	Liability <sup>1</sup>
Outstanding, beginning of year	277,317	\$ 1,950	327,617	\$ 831
Dividends credited <sup>2</sup>	3,171	34	2,982	13
Variation due to change in fair value and vesting	–	229	–	465
<b>Outstanding, end of period<sup>3</sup></b>	<b>280,488</b>	<b>\$ 2,213</b>	<b>330,599</b>	<b>\$ 1,309</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The number of restricted shares vested as of March 31, 2022 is 169,548 (2021 – 106,662).

The following table summarizes the continuity of all the RSUs, including those shown in the table above, during the three-month periods ended March 31:

	2022	2021
Number of	RSUs	RSUs
Outstanding, beginning of year	393,525	448,965
Granted	21,853	26,512
Settled	(30,571)	(33,855)
Dividends credited <sup>1</sup>	4,711	4,021
Forfeited	(1,358)	–
<b>Outstanding, end of period</b>	<b>388,160</b>	<b>445,643</b>
<b>Weighted average remaining life (years)</b>	<b>1.15</b>	<b>1.63</b>

<sup>1</sup> 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-month period ended March 31, 2022, an expense of \$0.3 million (2021 –\$0.6 million) 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 three-month periods ended March 31:

	2022		2021	
	Number of DSUs	Liability <sup>1</sup>	Number of DSUs	Liability <sup>1</sup>
Outstanding, beginning of year	300,919	\$ 4,111	339,808	\$ 4,257
Granted <sup>2</sup>	24,560	84	30,704	97
Dividends credited <sup>3</sup>	3,723	49	3,372	41
Variation due to change in stock price	–	(193)	–	(90)
<b>Outstanding, end of period<sup>4</sup></b>	<b>329,202</b>	<b>\$ 4,051</b>	<b>373,884</b>	<b>\$ 4,305</b>

<sup>1</sup> 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.

<sup>2</sup> The liability related to the DSUs granted represents the portion that is vested as at March 31.

<sup>3</sup> 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.

<sup>4</sup> The number of DSUs vested as of March 31, 2022 is 310,432 (2021 – 350,856).

During the three-month period ended March 31, 2022, a recovery of \$0.1 million (2021 – nil) 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 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 three-month periods ended March 31:

	2022		2021	
	Number of options	Liability <sup>1</sup>	Number of options	Liability <sup>1</sup>
Outstanding, beginning of year	1,044,992	\$ 3,315	1,567,847	\$ 1,703
Stock options reclassified from equity-settled to cash settled <sup>2</sup>	690,583	4,410	351,088	1,106
Settled	(617,083)	(3,742)	(205,095)	(931)
Variation due to change in fair value and vesting	–	(51)	–	997
<b>Outstanding, end of period<sup>3</sup></b>	<b>1,118,492</b>	<b>\$ 3,932</b>	<b>1,713,840</b>	<b>\$ 2,875</b>

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> The number of stock options vested as of March 31, 2022 is 799,187 (2021 – 784,599).

The following table summarizes the continuity of all stock options under the Stock Option Plan, during the three-month periods ended March 31:

	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	(6,909)	\$ 11.96	–	\$ –
Exercised	(1,377)	\$ 11.86	(5,868)	\$ 7.61
Settled	(617,083)	\$ 7.93	(205,095)	\$ 7.61
<b>Outstanding, end of period</b>	<b>2,221,467</b>	<b>\$ 10.87</b>	<b>3,026,092</b>	<b>\$ 9.33</b>
<b>Exercisable, end of period</b>	<b>73,500</b>	<b>\$ 7.78</b>	<b>145,993</b>	<b>\$ 10.84</b>

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 three-month periods ended March 31:

	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	2.6 years	2.6 years

During the three-month period ended March 31, 2022, an expense of \$0.4 million (2021 –\$1.4 million) 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 three-month periods ended March 31:

	2022		2021	
	Number of SARs	Liability <sup>1</sup>	Number of SARs	Liability <sup>1</sup>
Outstanding, beginning of year	116,110	\$ 368	174,165	\$ 190
Variation due to change in fair value and vesting	–	26	–	106
<b>Outstanding, end of period<sup>2</sup></b>	<b>116,110</b>	<b>\$ 394</b>	<b>174,165</b>	<b>\$ 296</b>

<sup>1</sup> 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.

<sup>2</sup> The number of SARs vested as of March 31, 2022 is 80,632 (2021 – 70,956).

During the three-month period ended March 31, 2022, an expense of \$26 thousand (2021 –\$0.1 million) 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-month periods ended March 31,	2022	2021
Interest on exchangeable debentures <sup>1</sup>	\$ –	\$ 2,803
Interest on lease obligations, net of interest income on investment in subleases	368	559
Net interest on the defined benefit obligations	582	811
Redemption option on exchangeable debentures	–	(311)
Other, net	(178)	(67)
<b>Financial charges, net</b>	<b>\$ 772</b>	<b>\$ 3,795</b>

<sup>1</sup> 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 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 March 31, 2022, the Company's fixed charge coverage ratio was 0.6 times. The Company had \$2.8 million of letters of credit issued and outstanding under the ABL and a \$4.3 million deficiency in qualified collateral. As such, \$12.9 million of the ABL was available as at March 31, 2022. As at March 31, 2022, the Company was in compliance with all covenants under the loan agreement governing the ABL.