

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF YELLOW PAGES LIMITED

September 30, 2021 and 2020

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Interim Condensed Consolidated Statements of Financial Position

(in thousands of Canadian dollars – Unaudited)

As at	September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,565	\$ 153,492
Trade and other receivables (Note 3)	46,720	64,430
Prepaid expenses	4,575	4,826
Deferred publication costs	2,155	2,115
Net investment in subleases	1,423	1,206
TOTAL CURRENT ASSETS	158,438	226,069
NON-CURRENT ASSETS		
Deferred commissions	1,740	1,921
Financial and other assets (Note 4)	1,688	4,009
Right-of-use assets	10,024	11,081
Net investment in subleases	25,572	25,609
Property and equipment	5,483	6,609
Intangible assets	61,642	70,700
Deferred income taxes	6,581	21,915
TOTAL NON-CURRENT ASSETS	112,730	141,844
TOTAL ASSETS	\$ 271,168	\$ 367,913
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	\$ 33,401	\$ 35,056
Income taxes payable	4,765	–
Provisions	18,280	22,076
Deferred revenues	1,636	1,496
Current portion of lease obligations	2,949	3,011
TOTAL CURRENT LIABILITIES	61,031	61,639
NON-CURRENT LIABILITIES		
Provisions	909	986
Post-employment benefits (Note 6)	79,383	125,009
Lease obligations	47,688	49,863
Exchangeable debentures (Note 4)	–	101,115
TOTAL NON-CURRENT LIABILITIES	127,980	276,973
TOTAL LIABILITIES	189,011	338,612
CAPITAL AND RESERVES	6,530,345	6,555,780
DEFICIT	(6,448,188)	(6,526,479)
TOTAL EQUITY	82,157	29,301
TOTAL LIABILITIES AND EQUITY	\$ 271,168	\$ 367,913

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 nine-month periods ended September 30,	2021		2020	
Revenues (Note 9)	\$	70,920	\$	80,281
Operating costs (Note 8)		44,303		52,969
Income from operations before depreciation and amortization, and restructuring and other charges		26,617		27,312
Depreciation and amortization		5,058		6,624
Restructuring and other charges (Note 5)		1,423		4,461
Income from operations		20,136		16,227
Financial charges, net (Note 11)		1,132		4,196
Loss on early repayment of debt (Note 4)		–		–
(Gain) loss on sale of business (Note 13)		–		(79)
Earnings before income taxes		19,004		12,110
Provision for income taxes		5,257		3,069
Net earnings	\$	13,747	\$	9,041
Basic earnings per share	\$	0.52	\$	0.34
Weighted average shares outstanding – basic earnings per share (Note 7)		26,341,494		26,636,552
Diluted earnings per share	\$	0.51	\$	0.34
Weighted average shares outstanding – diluted earnings per share (Note 7)		26,733,364		26,963,784

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 nine-month periods ended September 30,	2021		2020	
	2021	2020	2021	2020
Net earnings	\$ 13,747	\$ 9,041	\$ 31,900	\$ 43,483
Other comprehensive income:				
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) (Note 6)	14,231	(13,649)	43,038	(1,622)
Income taxes relating to items that will not be reclassified subsequently to net earnings	(3,753)	3,628	(11,349)	431
Other comprehensive income (loss)	10,478	(10,021)	31,689	(1,191)
Total comprehensive income (loss)	\$ 24,225	\$ (980)	\$ 63,589	\$ 42,292

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 nine-month periods ended September 30,

	2021								
	Shareholders' capital (Note 7)	Restricted shares	Warrants	Compound financial instruments	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	–	–	–	–	–	–	–	31,689	31,689
Net earnings	–	–	–	–	–	–	–	31,900	31,900
Total comprehensive income	–	–	–	–	–	–	–	63,589	63,589
Repayment of exchangeable debentures (Note 4)	–	–	–	(3,617)	–	–	(3,617)	4,946	1,329
Repurchase of common shares	(22,744)	–	–	–	–	–	(22,744)	20,614	(2,130)
Shares issued under the stock option plan	141	–	–	–	(30)	–	111	–	111
Dividends to shareholders	–	–	–	–	47	–	47	(10,858)	(10,811)
Restricted shares settled	–	630	–	–	(566)	–	64	–	64
Restricted shares (Note 10)	–	–	–	–	224	–	224	–	224
Stock options (Note 10)	–	–	–	–	181	–	181	–	181
Common shares subject to repurchase	–	–	–	–	299	–	299	–	299
Balance, September 30, 2021	\$ 3,970,151	\$ (18,688)	\$ 1,456	\$ –	\$ 120,373	\$ 2,457,053	\$ 6,530,345	\$ (6,448,188)	\$ 82,157
	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 loss	–	–	–	–	–	–	–	(1,191)	(1,191)
Net earnings	–	–	–	–	–	–	–	43,483	43,483
Total comprehensive income	–	–	–	–	–	–	–	42,292	42,292
Repurchase of exchangeable debentures (Note 4)	–	–	–	(2)	–	–	(2)	–	(2)
Repurchase of common shares	(14,257)	–	–	–	–	–	(14,257)	13,148	(1,109)
Dividends to shareholders	–	–	–	–	29	–	29	(5,925)	(5,896)
Restricted shares settled	–	2,049	–	–	(2,049)	–	–	–	–
Restricted shares (Note 10)	–	–	–	–	(708)	–	(708)	–	(708)
Stock options (Note 10)	–	–	–	–	224	–	224	–	224
Balance, September 30, 2020	\$ 4,017,428	\$ (19,372)	\$ 1,456	\$ 3,617	\$ 120,906	\$ 2,457,053	\$ 6,581,088	\$ (6,562,947)	\$ 18,141

¹ The equity component of the exchangeable debentures presented above is net of income taxes of \$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 nine-month periods ended September 30,	2021	2020
OPERATING ACTIVITIES		
Net earnings	\$ 31,900	\$ 43,483
Adjusting items		
Stock-based compensation expense (recovery) – equity settled	405	(484)
Depreciation and amortization	15,078	21,415
Restructuring and other charges	2,679	7,910
Financial charges, net	8,129	12,498
Loss on early repayment of debt (Note 4)	7,764	–
Loss on sale of business (Note 13)	–	423
Provision for income taxes	12,090	16,074
Change in operating assets and liabilities	13,509	6,778
Funding of post-employment benefit plans in excess of costs	(4,984)	(2,478)
Restructuring and other charges paid	(4,754)	(8,470)
Interest paid	(6,012)	(5,849)
Income taxes received, net	–	260
	75,804	91,560
INVESTING ACTIVITIES		
Additions to intangible assets	(3,798)	(3,942)
Additions to property and equipment	(56)	(157)
Payments received from net investment in subleases	272	716
Proceeds on sale of business (Note 13)	–	1,200
	(3,582)	(2,183)
FINANCING ACTIVITIES		
Repayment of exchangeable debentures (Note 4)	(107,033)	(56)
Repurchase of common shares (Note 7)	(2,130)	(1,109)
Issuance of common shares (Note 7)	111	–
Payment of lease obligations	(2,286)	(2,249)
Dividends paid	(10,811)	(5,896)
	(122,149)	(9,310)
NET (DECREASE) INCREASE IN CASH	(49,927)	80,067
CASH, BEGINNING OF YEAR	153,492	44,408
CASH, END OF PERIOD	\$ 103,565	\$ 124,475

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 nine-month periods ended September 30, 2021 and 2020 on November 11, 2021 for publication on November 12, 2021.

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, 2020 and 2019. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

2.2 Standards, interpretations and amendments to published standards that are issued but not yet effective on the interim condensed 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 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	September 30, 2021	December 31, 2020
Current	\$ 35,883	\$ 44,686
Past due less than 180 days	3,685	7,138
Past due over 180 days	2,182	5,980
Trade receivables	\$ 41,750	\$ 57,804
Other receivables²	\$ 4,970	\$ 6,626
Trade and other receivables	\$ 46,720	\$ 64,430

¹ Trade and other receivables are presented net of allowance for revenue adjustments and ECL of \$30.8 million as at September 30, 2021 and \$34.3 million as at December 31, 2020.

² Other receivables as at September 30, 2021 and December 31, 2020 included a loan receivable of \$4.4 million associated with a forward contract.

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

As at	September 30, 2021	December 31, 2020
Contract assets	\$ 27,708	\$ 31,210
Allowance for revenue adjustments and ECL	(2,114)	(2,892)
Contract assets net of allowance for revenue adjustments and ECL	\$ 25,594	\$ 28,318

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 nine-month period ended September 30, 2021 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	September 30, 2021	December 31, 2020
Principal amount of exchangeable debentures (at maturity, November 30, 2022)	\$ 107,033	\$ 107,033
Unaccreted interest	(4,826)	(5,918)
Repayment of exchangeable debentures	(102,207)	–
	\$ –	\$ 101,115

The Company entered a Normal Course Issuer Bid ("NCIB") on April 20, 2020, to purchase up to \$6.6 million principal amount of its Exchangeable Debentures for cancellation on or before April 19, 2021. Prior to April 19, 2021, YP had purchased Exchangeable Debentures under this NCIB program, with a carrying value of \$52 thousand for cash and a face value of \$56 thousand. Purchases were made in accordance with the NCIB at the prevailing market price at the time of acquisition.

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.

The Company recorded a loss on early repayment of debt of \$7.8 million during the nine-month period ended September 30, 2021 consisting of a loss of \$4.8 million on the early repayment of the exchangeable debentures and a loss of \$3.0 million related to the derecognition of the redemption option of the exchangeable debentures previously recognized as Financial and other assets on the interim condensed consolidated statements of financial position.

5. Restructuring and other charges

Yellow Pages Limited recorded restructuring and other charges of \$1.4 million during the three-month period ended September 30, 2021 consisting mainly of restructuring charges of \$1.0 million associated with workforce reductions and a \$0.5 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space partially offset by a \$0.1 million recovery related to the sublease of previously vacated office space. Restructuring and other charges of \$4.5 million were recorded for the three-month period ended September 30, 2020 consisting mainly of restructuring charges of \$0.4 million associated with workforce reductions, a \$2.1 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 the impairment of property and equipment and right-of-use assets related to vacated office space.

Yellow Pages Limited recorded restructuring and other charges of \$2.7 million during the nine-month period ended September 30, 2021 consisting mainly of restructuring charges of \$2.5 million associated with workforce reductions and a \$0.3 million charge related to future operation costs provisioned related to lease contracts of previously vacated office space partially offset by a \$0.1 million recovery related to the sublease of previously vacated office space. Restructuring and other charges of \$7.9 million were recorded for the nine-month period ended September 30, 2020 consisting mainly of restructuring charges of \$2.0 million associated with workforce reductions, a \$3.2 million charge related to future operation costs provisioned related to lease contracts for office closures, as well as a \$3.7 million charge related to property and equipment disposals and impairment of property and equipment and right-of-use assets related to vacated office space, partially offset by a \$1.0 million recovery related to the surrender of vacated office space.

6. Post-employment benefits

Yellow Pages Limited recorded an actuarial gain of \$10.5 million in other comprehensive income, net of income taxes of \$3.7 million for the three-month period ended September 30, 2021. A gain of \$22.1 million resulting from the increase in the discount rate from 3.10% to 3.40%, was partially offset by a loss of \$7.9 million due to the lower than expected actual return on plan assets. Yellow Pages Limited recorded an actuarial loss of \$10.0 million in other comprehensive (loss) income, net of income taxes of \$3.6 million for the three-month period ended September 30, 2020. A loss of \$18.2 million resulting from the increase in the inflation rate from 1.00% to 1.30% was partially offset by a gain of \$4.6 million due to the higher than expected actual return on plan assets.

Yellow Pages Limited recorded an actuarial gain of \$31.7 million in other comprehensive income, net of income taxes of \$11.3 million for the nine-month period ended September 30, 2021. A gain of \$56.4 million resulting from the increase in the discount rate from 2.60% to 3.40%, was partially offset by the increase in the inflation rate from 1.50% to 1.70% and a loss of \$13.4 million due to the lower than expected actual return on plan assets. Yellow Pages Limited recorded an actuarial loss of \$1.2 million in other comprehensive (loss) income, net of income taxes of \$0.4 million for the nine-month period ended September 30, 2020. A loss of \$21.0 million resulting from the decrease in the discount rate from 3.8% to 2.8% was partially offset by the decrease in the inflation rate from 1.4% to 1.3% and by a gain of \$19.4 million due to the higher than expected actual return on plan assets.

7. Shareholders' capital

Common shares – Issued

For the nine-month period ended September, 2021	Number of Shares	Amount
Balance, December 31, 2020	27,828,906	\$ 3,992,754
Common shares repurchased	(158,387)	(22,744)
Shares issued under stock option plan	12,185	141
Exchange of common share purchase warrants	1	–
Balance, September 30, 2021	27,682,705	\$ 3,970,151

For the year ended December 31, 2020	Number of Shares	Amount
Balance, December 31, 2019	28,075,308	\$ 4,031,685
Common shares repurchased	(273,190)	(39,231)
Shares issued under stock option plan	26,788	300
Balance, December 31, 2020	27,828,906	\$ 3,992,754

Share repurchases

The Company entered into a 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. For the nine-month period ended September 30, 2021, the Company purchased under this NCIB program 130,030 common shares for cash of \$1.7 million. The related historical carrying value of these shares was reclassified from shareholder's capital to deficit. The Company completed this NCIB program on July 16, 2021. For the three and nine-month periods ended September 30, 2020, the Company purchased under this NCIB program 99,280 common shares for cash of \$1.1 million.

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 and nine-month periods ended September 30, 2021, the Company purchased under this NCIB program 28,357 common shares for cash of \$0.4 million.

Warrants

As at December 31, 2020, the Company had a total of 2,995,484 warrants outstanding for an amount of \$1.5 million. During the nine-month period ended September 30, 2021, 1 warrant was exercised in exchange for 1 common share of Yellow Pages Limited. As at September 30, 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.

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 nine-month periods ended September 30,	2021	2020	2021	2020
Weighted average number of shares outstanding used in computing basic per share ¹	26,341,494	26,636,552	26,380,082	26,634,096
Dilutive effect of restricted share units and performance share units	114,977	129,467	114,977	129,467
Dilutive effect of stock options	276,893	197,765	247,482	162,211
Dilutive effect of exchangeable debentures	–	–	–	5,622,532
Weighted average number of shares outstanding used in computing diluted earnings per share¹	26,733,364	26,963,784	26,742,541	32,548,306

For the three and nine-month periods ended September 30,	2021	2020	2021	2020
Net earnings used in the computation of basic earnings per share	\$ 13,747	\$ 9,041	\$ 31,900	\$ 43,483
Impact of assumed conversion of exchangeable debentures, net of applicable taxes	–	–	–	6,147
Total net earnings used in the computation of diluted earnings per share	\$ 13,747	\$ 9,041	\$ 31,900	\$ 49,630

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 nine-month periods ended September 30, 2021, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures as they were repaid on May 31, 2021. For the three-month period ended September 30, 2020, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of the exchangeable debentures as they are not dilutive. For the three and nine-month periods ended September 30, 2021 and September 30, 2020, 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 and nine-month periods ended September 30, 2021 and September 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. Yellow Pages Limited received non-refundable contributions of \$1.0 million and \$4.0 million during the three and nine-month periods ended September 30, 2021, respectively (2020 - \$1.2 million and \$6.0 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.

9. 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 nine-month periods ended September 30, 2021 and 100% of digital revenues were recognized over the term of the contract for the three and nine-month periods ended September 30, 2020. The following table presents revenue information by similar products and services:

For the three and nine-month periods ended September 30,	2021	2020	2021	2020
Digital	\$ 54,973	\$ 61,305	\$ 167,673	\$ 193,348
Print	15,947	18,976	51,349	63,521
Total revenues	\$ 70,920	\$ 80,281	\$ 219,022	\$ 256,869

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 1,360,615 as at September 30, 2021.

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

	2021		2020	
	Number of RSUs	Liability ¹	Number of RSUs	Liability ¹
Outstanding, beginning of period	327,617	\$ 831	156,839	\$ 972
Granted	–	–	321,671	232
Dividends credited ²	9,263	62	6,392	36
Settled	(62,504)	(891)	(160,137)	(1,850)
Variation due to change in fair value and vesting	–	1,601	–	905
Outstanding, end of period³	274,376	\$ 1,603	324,765	\$ 295

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 and vesting 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 September 30, 2021 is 116,608 (2020 – 26,364).

The following table summarizes the continuity of all RSUs and PSUs, including those shown in the table above, during the nine-month periods ended September 30:

Number of	2021		2020	
	RSUs ¹	PSUs	RSUs ¹	PSUs
Outstanding, beginning of period	448,965	–	318,536	60,406
Granted	26,512	–	359,395	–
Reduction in payout related to under-achievement of targets ²	–	–	–	(15,105)
Settled	(97,688)	–	(223,448)	(45,301)
Dividends credited ³	12,676	–	9,163	–
Forfeited	(1,112)	–	(9,414)	–
Outstanding, end of period	389,353	–	454,232	–
Weighted average remaining life (years)	1.39	–	1.88	–

¹ Included in the RSUs outstanding balance as at September 30, 2021 are 274,376 RSUs granted in July 2020 as well as dividends credited related to this grant, representing a liability of \$1.6 million (2020 – 324,765 RSUs and \$0.3 million, respectively) 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 reduction in payout is related to the under-achievement of certain performance targets resulting in a reduction of 25% for the nine-month period ended September 30, 2020.

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 nine-month periods ended September 30, 2021, an expense of \$0.4 million and \$1.9 million, respectively (2020 – an expense of \$1.0 million and \$1.4 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the RSU and PSU Plan.

Deferred Share Unit Plan

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

	2021		2020	
	Number of DSUs	Liability ¹	Number of DSUs	Liability ¹
Outstanding, beginning of period	339,808	\$ 4,257	325,435	\$ 2,948
Granted ²	30,704	266	53,719	336
Forfeited	(3,292)	–	(4,196)	–
Settled	–	–	(45,556)	(416)
Dividends credited ³	11,154	153	7,447	78
Variation due to change in stock price	–	439	–	688
Outstanding, end of period⁴	378,374	\$ 5,115	336,849	\$ 3,634

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 September 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 September 30, 2021 is 371,982 (2020 – 324,468).

During the three and nine-month periods ended September 30, 2021, a recovery of \$0.2 million and an expense of \$0.9 million, respectively (2020 – an expense of \$0.9 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 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.

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.

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 nine-month periods ended September 30:

	2021		2020	
	Number of options	Liability ¹	Number of options	Liability ¹
Outstanding, beginning of year	1,567,487	\$ 1,703	701,875	\$ 1,078
Granted	–	–	1,567,487	884
Stock options reclassified from equity-settled to cash settled ²	363,948	1,128	–	–
Settled	(878,427)	(4,337)	(701,875)	(2,434)
Variation due to change in fair value and vesting	–	4,393	–	1,051
Outstanding, end of period³	1,053,008	\$ 2,887	1,567,487	\$ 579

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 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 vested as of September 30, 2021 is 515,998 (2020 – 159,652).

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

	2021		2020	
	Number of options	Weighted average exercise price per option	Number of options	Weighted average exercise price per option
Outstanding, beginning of year	2,717,779	\$ 8.71	1,983,102	\$ 7.11
Granted	519,276	\$ 11.86	2,004,069	\$ 9.51
Forfeited	(5,533)	\$ 11.98	(701,875)	\$ 7.97
Exercised	(12,185)	\$ 9.15	–	\$ –
Settled	(878,427)	\$ 8.89	(538,057)	\$ 6.79
Outstanding, end of period	2,340,910	\$ 9.33	2,747,239	\$ 8.71
Exercisable, end of period	8,016	\$ 7.61	–	\$ –

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 nine-month periods ended September 30:

	2021	2020
Weighted average grant date share price	\$ 11.86	\$ 9.51
Exercise price	\$ 11.86	\$ 9.51
Expected volatility	54.2%	60.3%
Option life	2.7 years	2.5 years
Risk-free interest rate	0.66%	0.80%
Weighted average remaining life	2.1 years	2.2 years

During the three and nine-month periods ended September 30, 2021, an expense of \$0.8 million and \$5.7 million, respectively (2020 – an expense of \$1.3 million and \$2.2 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 nine-month periods ended September 30:

	2021		2020	
	Number of SARs	Liability ¹	Number of SARs	Liability ¹
Outstanding, beginning of year	174,165	\$ 190	701,875	\$ 1,078
Granted	–	–	174,165	527
Settled	(58,055)	(322)	(701,875)	(2,434)
Variation due to change in fair value and vesting	–	447	–	893
Outstanding, end of period²	116,110	\$ 315	174,165	\$ 64

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 September 30, 2021 is 56,442 (2020 – 17,739).

During the three and nine-month periods ended September 30, 2021, an expense of \$0.1 million and \$0.5 million, respectively (2020 – an expense of \$1.5 million and \$1.4 million, respectively) was recorded in the interim condensed consolidated statement of income in operating costs in relation to the SARs plan.

11. Financial charges, net

The significant components of the financial charges are as follows:

For the three and nine-month periods ended September 30,	2021		2020	
Interest on exchangeable debentures ¹	\$ –	\$ 2,827	\$ 4,692	\$ 8,423
Interest on lease obligations, net of interest income on investment in subleases	541	541	1,649	1,482
Net interest on the defined benefit obligations	812	951	2,435	2,853
Other, net	(221)	(123)	(647)	(260)
Financial charges, net	\$ 1,132	\$ 4,196	\$ 8,129	\$ 12,498

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.

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 redemption option on the exchangeable debentures was an embedded derivative and was recorded at fair value on the interim condensed consolidated statements of financial position as Financial and other assets with changes in fair value recognized in financial charges. Following the repayment of the exchangeable debentures on

May 31, 2021, the redemption option on the exchangeable debentures, was derecognized and was included in the loss on early repayment of debt. The fair value as at December 31, 2020 was \$2.6 million.

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 September 30, 2021, the Company's fixed charge coverage ratio was 0.7 times. The Company had \$2.8 million of letters of credit issued and outstanding under the ABL and a \$3.5 million deficiency in qualified collateral. As such, \$13.7 million of the ABL was available as at September 30, 2021. As at September 30, 2021, the Company was in compliance with all covenants under the loan agreement governing the ABL.

13. Loss on sale of business

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 \$0.4 million related to the amount in escrow it no longer expects to receive, in the interim condensed consolidated statements of income for the nine-month period ended September 30, 2020. The remaining balance was received during the fourth quarter of 2020.