MANAGEMENT DISCUSSION AND ANALYSIS

May 13, 2004

Management's Discussion and Analysis (MD&A) is intended to assist in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of YPG LP and Yellow Pages Income Fund during the first quarter of 2004.This review should be read in conjunction with our unaudited interim consolidated financial statements and accompanying notes for the period ended March 31, 2004, and with our annual consolidated financial statements and MD&A for the year ended December 31, 2003. In this MD&A, we, us, our and YPG mean YPG LP and its subsidiaries, and the Fund means Yellow Pages Income Fund and its subsidiaries. Quarterly reports, annual reports and supplementary information can be found under "financial reports" on our corporate Web site at www.ypg.com . Additional information can be found on SEDAR at www.sedar.com.

The MD&A is presented in the following sections:

- **Overview of our business**
- **Performance highlights**
- **Non-GAAP measures**
- **Analysis of operating and financial results**
- **Analysis of quarterly results**
- **Financial position**
- **Capital resources and liquidity**
- **Related party transactions**
- **Change in accounting policies**
- **Risks and uncertainties**
- **Outlook**

OVERVIEW OF OUR BUSINESS

YPG

We are Canada's largest directories publisher and the exclusive owner of the Yellow Pages™, Pages Jaunes™, and Walking Fingers & Design™ trademarks in Canada. Through our predecessor businesses, we have been an industry leader since we published our first directory in 1908. We are the official publisher of Bell Canada's directories in Canada as well as for a number of other incumbent telephone company directories that have leading market share in their markets. We are also the managing partner of Aliant ActiMedia, the incumbent telephone directories publisher in Atlantic Canada, in which we hold a 12.86% ownership interest. YPG published 236 different telephone directories in 2003.

We also operate the leading online telephone directories in Canada, YellowPages.ca™, Canada411.ca, CanadaTollFree.ca and the CanadaPlus.ca group of city sites. This online presence allows us to offer bundled packages of print and online directory advertising products. Our network of Web sites catered to an Internet audience of over 3.2 million unique visitors in March 2004 (Source: comScore Media Metrix).

Business Strategy

Our business strategy aims to connect buyers and sellers while further developing our leading directory franchise in Canada through the continued execution of organic growth strategies and the pursuit of external growth opportunities. We continually pursue initiatives to further grow our recurring and diversified revenue base while maintaining our industry-leading margins and significant free cash flow generation.

Since our acquisition of the directories businesses from affiliates of Bell Canada on November 29, 2002 (the "Acquisition"), we have implemented a business strategy to improve our operations and to achieve sustainable growth in revenues and profitability. Most notably, we have substantially completed our transition from a wholly-owned subsidiary of Bell Canada to a publicly-listed operating entity. Contemporaneously, we have implemented new sales and marketing initiatives, enhanced our competitive position through long-term contracts and other cost savings initiatives and expanded our online presence.

Our focus remains on executing our organic growth strategy and extending our product and service offerings for the benefit of both our advertisers and our end-users. We may also consider expanding our geographic coverage through selective investments and business acquisitions. We believe that the diversity of our customer base, geographic coverage and product offerings enhance the overall stability and potential growth of our earnings and cash flow. The capital raising activities we have conducted since the Fund's initial public offering in 2003 have now established a strong capital structure for our future growth, and we will consider investments or business acquisitions that could further strengthen our market position while being accretive to cash available for distributions to unitholders.

Strategic Imperatives

The following strategic imperatives remain critical to us for maximizing the long-term sustainability of our business:

- Reinforce our position as the leading publisher of directories in Canada;
- Increase the efficiency and productivity of our sales force;
- Improve the effectiveness of our workflows and business processes; and
- Enhance our financial flexibility while reducing our cost of capital.

We believe that the execution of our business strategy combined with the achievement of our strategic initiatives should result in healthy and sustainable free cash flow generation.

The Fund

The Fund was established as an unincorporated, open-ended limited purpose trust to invest in YPG . The Fund commenced operations on August 1, 2003 through the completion of a $1 billion initial public offering. On December 17, 2003, the Fund completed a follow-on offering and issued additional units to the public for gross proceeds of $1.5 billion.

At May 13, 2004, the Fund holds a 70.28% ownership interest in YPG.

Distributions to Unitholders

The distribution policy of the Fund is to make distributions to unitholders of its available cash to the maximum extent possible. The Fund makes equal monthly cash distributions to unitholders of record on the last business day of each month, net of estimated cash amounts required for expenses and other obligations of the Fund, potential cash redemptions of units and any tax liability.

The Board of Directors periodically review cash distributions taking into account our current and prospective performance. Some of the factors considered in making decisions related to distributions include cash amounts to service debt obligations, maintenance capital expenditures, taxes and other items considered to be prudent. In addition we believe that underlying trends in revenues and EBITDA(1) as well as sustainability of distributions should ultimately result in increases in distributions.

(1) see definition of Adjusted revenues, EBITDA and Adjusted EBITDA on page 4

PERFORMANCE HIGHLIGHTS

This section reviews the progress made during the first quarter of 2004 in executing our organic growth strategy. The impact of recent management initiatives on the results of operations and financial condition in 2004 is also discussed in the remaining pages of this MD&A.

We continue to implement initiatives to increase revenues and reduce operating costs while reinforcing our position as the leading publisher of both print and online directories in Canada. Examples of some key initiatives we have undertaken since the Acquisition include the optimization of our supply chain, the redesign of our directories, the relaunch of neighbourhood directories to expand our market coverage and the strategic investment in our brands through broadcast and billboard advertising campaigns. Our more recent focus includes improvements to our sales coverage and pricing models as well as initiatives to reduce our workforce and contain costs. The implementation of these initiatives has enabled YPG to achieve strong operating and financial performance for the first quarter of 2004 and we expect this trend to continue for the balance of the year 2004.

Following a thorough review of all aspects of our business, we undertook a workforce reduction program in 2003 which resulted in an internal reorganization. The workforce reduction program addressed redundancies in certain activities and is expected to be substantially completed by the end of the second quarter of 2004.

We continue to pursue organic growth opportunities such as the launching of premium products and the introduction of our Directory Plus offer. Premium products are advertising options available for both Yellow Pages™ and alphabetical listing telephone directories that allow businesses to advertise in a variety of high-visibility locations on or in our directories. Directory Plus is a print-Internet bundle that seamlessly integrates the two media.

Our capital structure has improved through the implementation of a commercial paper program and the follow-on equity offering mentioned above. During the first quarter of 2004, we initiated a medium term note program to further diversify our funding sources. Subsequent to the end of the first quarter of 2004, we issued Medium Term Notes for an aggregate principal amount of $750 million. Net proceeds from these offerings of Medium Term Notes of approximately $742 million were received on April 21, 2004 and were used to refinance bank borrowings as well as for general corporate purposes.

(in thousands of Canadian dollars)	**Three-month period ended March 31, 2004 (unaudited)**	**Three-month period ended March 31, 2003 (unaudited)**
YPG		
Revenues	$164,323	$146,295
Income (loss) from operations	86,427	(15,469)
Adjusted revenues (1)	164,323	157,202
Adjusted EBITDA (1)	95,606	91,273
Adjusted EBITDA margin	58.2%	58.1%
Cash available for distributions	84,815	42,789
The Fund		
Distributions declared	$52,198	N/A
Distributions paid and payable per unit	$0.2199	N/A

(1) see definition of Adjusted revenues, EBITDA and Adjusted EBITDA on page 4

NON-GAAP MEASURES

YPG

We acquired the directories businesses from affiliates of Bell Canada on November 29, 2002. The Acquisition was accounted for using the purchase method of accounting. Purchase accounting resulted in the elimination of deferred revenues and deferred publication costs related to those directories that were published prior to the Acquisition. These deferred revenues would have been recognized in 2003 while the deferred publication costs would have been recognized in 2003 and 2004, had the Acquisition not occurred. As a result, reported revenues in 2003 and expenses in 2003 and 2004 are not representative of revenues and expenses that would have otherwise been reported and are not representative of revenues and expenses that will be reported in subsequent periods.

Below are reconciliations of the reported results under Canadian generally accepted accounting principles ("GAAP") to the adjusted results had the Acquisition not occurred. The adjusted results are derived by excluding from the reported amounts the impact of purchase accounting, transition expenses relating to the Acquisition which are non-recurring, such as costs incurred to become a stand-alone entity, and restructuring and special charges when applicable.

In order to provide a better understanding of our results, we use the term EBITDA (earnings before interest, taxes, depreciation and amortization). We define EBITDA as revenues less operating costs which represents income (loss) from operations before depreciation and amortization. YPG also uses the terms Adjusted revenues and Adjusted EBITDA (revenues and EBITDA adjusted for certain items indicated below which management believes are reflective of ongoing operations). These terms do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. We believe EBITDA, Adjusted revenues and Adjusted EBITDA to be important measures as they allow us to assess the operating performance of the ongoing business.

Three-month period ended March 31, 2004 (unaudited) *(in thousands of Canadian dollars)*				
	Three-month period ended March 31, 2004 (as reported)	**Elimination of purchase accounting impact**	**Transition expenses**	**Adjusted**
Revenues	$164,323	$-	$-	$164,323
Operating costs	66,307	2,973	(563)	68,717
EBITDA	98,016	(2,973)	563	95,606
Depreciation and amortization	11,589	(8,877)	-	2,712
Income from operations	$86,427	$5,904	$563	$92,894

Three-month period ended March 31, 2003 (unaudited) *(in thousands of Canadian dollars)*				
	Three-month period ended March 31, 2003 (as reported)	**Elimination of purchase accounting impact**	**Transition expenses**	**Adjusted**
Revenues	$146,295	$10,907	$-	$157,202
Operating costs	43,245	24,260	(1,576)	65,929
EBITDA	103,050	(13,353)	1,576	91,273
Depreciation and amortization	118,519	(117,597)	-	922
Income (loss) from operations	$(15,469)	$104,244	$1,576	$90,351

ANALYSIS OF OPERATING AND FINANCIAL RESULTS

The Fund

(in thousands of Canadian dollars)	**Three-month period ended March 31, 2004 (unaudited)**
Revenues	$154,684
Income from operations	$28,858
Net earnings	$9,471
Net earnings per unit	$0.040
Diluted earnings per unit	$0.039

The Fund was created in August 2003 and as such the financial information is disclosed without comparative figures.

The results of operations of the Fund are entirely dependent on the performance of YPG. To provide additional information on the underlying operations of this investment, the results of operations of YPG are commented on below.

YPG

You should refer to the information presented in tabular form in the section entitled "Non-GAAP Measures" of this MD&A for a meaningful discussion on the reported revenues and income/(loss) from operations.

Revenues (unaudited) *(in thousands of Canadian dollars)*	**Three-month period ended March 31, 2004**	**Three-month period ended March 31, 2003**
Revenues	$164,323	$146,295
Adjusted revenues	$164,323	$157,202

As a result of our organic growth strategy, adjusted revenues rose by $7.1 million or 4.5% during the first quarter compared to the same period last year. The increase in revenues is mainly attributable to an increase in advertising revenues in the print directories. New pricing models, improved sales coverage and our neighbourhood directories contributed to this growth.

Online advertising revenues increased by $ 0.9 million to $ 4.3 million in the first quarter of 2004, a 26.8% increase compared to the same quarter in 2003. Our Internet-based directory is offered as a complement to our print directories and as such its increased usage supports overall usage of our directory advertising products. The number of searches increased to 16.3 million in the first quarter of 2004 from 10.2 million in the first quarter of 2003 representing a 58.7% increase. (Source: ProCase Consulting Inc.).

EBITDA (unaudited) *(in thousands of Canadian dollars)*	**Three-month period ended March 31, 2004**	**Three-month period ended March 31, 2003**
EBITDA	$98,016	$103,050
Adjusted EBITDA	$95,606	$91,273
Adjusted EBITDA margin	58.2%	58.1%

Please refer to the "Non-GAAP Measure" Section for a discussion on EBITDA. Adjusted EBITDA of $95.6 million for the first quarter of 2004 increased by $4.3 million or 4.7% over the same period last year. This growth reflects the realization of cost saving initiatives partially offset by additional recurring costs related to becoming a publicly-listed entity on August 1, 2003 and the establishment of corporate functions as a result of becoming a stand-alone entity.

The cost savings in the first quarter of 2004 were mainly driven by certain initiatives undertaken in 2003 such as the renegotiation of our printing outsourcing arrangements, the optimization of operational processes and our internal reorganization that eliminated certain redundant activities.

Other items (unaudited) *(in thousands of Canadian dollars)*	Three-month period ended March 31, 2004	Three-month period ended March 31, 2003
EBITDA, as reported	$98,016	$103,050
Depreciation and amortization	11,589	118,519
Income (loss) from operations	86,427	(15,469)
Financial charges	10,044	30,414
Income (loss) before taxes and non-controlling interest	76,383	(45,883)
Provision for (recovery of) income taxes	7,733	(27,082)
Non-controlling interest	-	(505)
Net earnings	$68,650	$(18,296)

Depreciation and amortization

The decrease of $106.9 million in depreciation and amortization to $11.6 million in the first quarter of 2004 is mainly due to lower amortization on certain intangibles.

At the time we acquired the directory businesses on November 29, 2002, intangible assets such as customer contracts and customer relationships were recorded at fair value and were amortized over their expected useful lives, pro rata based on related revenues, for a period not exceeding 24 months. The unamortized balance of those intangibles as at January 1, 2004 was minimal and as such the related amortization decreased from $117.4 million in the first quarter of 2003 to $8.7 million in the first quarter of 2004.

Financial charges

Interest expense decreased by 80.3% from $45.7 million in the first quarter of 2003 to $9.0 million in the first quarter of 2004 as a result of a lower level of borrowings and lower interest rates under our new credit facilities and commercial paper program.

Foreign exchange gains of $17.6 million were recognized in the first quarter of 2003 as a result of foreign exchange fluctuations associated with the U.S. denominated long-term debt for the period ended January 24, 2003, the date at which the debt became fully hedged. The new credit facilities and commercial paper program are denominated in Canadian dollars.

Income taxes

The combined provincial and federal tax rates were 34.04% and 35.43% for the first quarters of 2004 and 2003, respectively, while the effective tax rates were 10.1% for the first quarter of 2004 compared to 59.0% for the first quarter of the prior year.

The legal entity YPG LP is a limited partnership and as such is not subject to income taxes whereas its subsidiaries are subject to tax. The variance between the statutory and the effective tax rates is primarily due to intercompany revenues which are not taxable when received by YPG LP.

ANALYSIS OF QUARTERLY RESULTS

This section would ordinarily provide information for the eight most recently completed quarters. YPG acquired the directories businesses on November 29, 2002 and as such no quarterly financial information for the fiscal year 2002 is available.

Revenues (unaudited) *(in thousands of dollars)*					
	Three-month periods ended				
	March 31, 2004	**December 31, 2003**	**September 30, 2003**	**June 30, 2003**	**March 31, 2003**
Revenues	$164,323	$162,056	$154,546	$149,661	$146,295
Elimination of purchase accounting impact	-	1,201	6,430	9,120	10,907
Adjusted revenues	$164,323	$163,257	$160,976	$158,781	$157,202

Adjusted revenues have increased progressively quarter over quarter. These revenues are recognized over the life of the directories and, as such, sequential quarterly growth has been relatively stable. The slight increase in the third and fourth quarters of 2003 was mostly attributable to positive revenue trends in the second half of the year.

EBITDA (unaudited) *(in thousands of dollars)*					
	Three-month periods ended				
	March 31, 2004	**December 31, 2003**	**September 30, 2003**	**June 30, 2003**	**March 31, 2003**
Income (loss) from operations	$86,427	$69,795	$(88,503)	$3,109	$(15,469)
Adjustments to income (loss) from operations:					
Depreciation and amortization	11,589	21,675	52,222	95,353	118,519
Restructuring and special charges		7,979	136,136	-	-
EBITDA	98,016	99,449	99,855	98,462	103,050
Elimination of purchase accounting impact	(2,973)	(4,946)	(6,274)	(10,056)	(13,353)
Transition expenses	563	1,678	623	2,283	1,576
Adjusted EBITDA	$95,606	$96,181	$94,204	$90,689	$91,273
Adjusted EBITDA margins	58.2%	58.9%	58.5%	57.1%	58.1%

During the four quarters of 2003, Adjusted EBITDA increased steadily and in line with the growth in Adjusted revenues, except for the three-month period ended June 30, 2003 during which we recorded a higher pension-related expense. In comparing the first quarter of 2004 to the fourth quarter of 2003, there is a cyclicality with the sequence of book closings and as such expenses are not incurred uniformly throughout the year. A more meaningful comparison would be to compare quarters year over year.

Other items (unaudited) *(in thousands of dollars)*					
	Three-month periods ended				
	March 31, 2004	**December 31, 2003**	**September 30, 2003**	**June 30, 2003**	**March 31, 2003**
Revenues	$164,323	$162,056	$154,546	$149,661	$146,295
Income (loss) from operations	86,427	69,795	(88,503)	3,109	(15,469)
Income (loss) before taxes and non-controlling interest	76,383	56,591	(114,645)	(47,723)	(45,883)
Net earnings (loss)	**$68,650**	**$54,116**	**$(70,615)**	**$(22,141)**	**$(18,296)**
Total Assets	$2,989,487	$2,990,821	$3,034,418	$3,042,817	$3,167,164
Long-term debt and other liabilities	$1,053,885	$1,053,992	$1,200,000	$1,965,372	$2,064,001

We incurred restructuring and special charges in the third and fourth quarters of 2003 which negatively impacted the results of those quarters while lower interest expense positively impacted results in the fourth quarter of 2003 and first quarter of 2004. The amortization of customer contracts and relationships on a pro rata basis with related revenues combined with the impact of purchase accounting has resulted in an improvement in earnings quarter over quarter.

FINANCIAL POSITION

The Fund

Assets *(in thousands of Canadian dollars)*	As at March 31, 2004 (unaudited)	As at December 31, 2003
Total assets	$4,486,608	$4,462,744

The balance sheet of the Fund is presented on a consolidated basis. Intangibles and goodwill amounted to approximately $4 billion as at March 31, 2004 and December 31, 2003 and are the result of the step-acquisition of YPG and the acquisition of the directories businesses by YPG.

Capital structure *(in thousands of Canadian dollars)*	As at March 31, 2004 (unaudited)	As at December 31, 2003
Cash	$39,912	$45,545
Long-term debt, including short term portion	1,055,247	1,055,106
Total net debt (net of cash and cash equivalents)	1,015,335	1,009,561
Non-controlling interest	527,202	585,615
Unitholders' Equity	2,515,143	2,422,481
Total capitalization	$4,057,680	$4,017,657
Net debt to total capitalization	25.0%	25.1%

Unitholders' Equity increased by $92.7 million during the first quarter of 2004. The exchange of units effective February 10, 2004 whereby BCE Inc. exchanged all of its units of YPG LP and common shares of YPG GP for the equivalent number of units of the Fund, in accordance with the Investor Liquidity Agreement entered into at the time of the Fund's initial public offering, increased the Unitholders' Capital by $134.6 million. This amount combined with net earnings of $9.5 million for the quarter was partially offset by the monthly distributions totaling $52.2 million during the first quarter.

YPG

Assets *(in thousands of Canadian dollars)*	As at March 31, 2004 (unaudited)	As at December 31, 2003
Total assets	$2,989,487	$2,990,821

Working capital was $96.9 million as at March 31, 2004 compared to $82.4 million as at December 31, 2003. The impact of purchase accounting on the deferred publication costs and deferred revenues following the Acquisition on November 29, 2002 accounts for approximately $7.5 million of the variance. The remaining change in working capital is mainly attributable to payments related to the acquisition of capital assets combined with issue costs related to the December 17, 2003 public offering.

Intangibles and goodwill as at March 31, 2004 and December 31, 2003 amounted to approximately $2.7 billion.

Capital structure *(in thousands of Canadian dollars)*	As at March 31, 2004 (unaudited)	As at December 31, 2003
Cash	$39,912	$45,545
Long-term debt, including short term portion	1,055,247	1,055,106
Total net debt (net of cash and cash equivalents)	1,015,335	1,009,561
Partners' Equity	1,773,671	1,774,730
Total capitalization	$2,789,006	$2,784,291
Net debt to total capitalization	36.4%	36.3%

Partners' Equity decreased by $1.1 million during the first quarter of 2004. The exchange of units effective February 20 and 26, 2004 whereby certain optionholders exercised 413,683 options into 413,683 shares of YPG Holdings Inc. and which were subsequently exchanged into 413,683 units of the Fund, in accordance with the Optionholders' Liquidity Agreement, increased the Partners' Capital by $4.9 million. This amount combined with net earnings of $68.7 million for the three- month period was offset by the monthly distributions totaling $75.4 million during the first quarter.

CAPITAL RESOURCES AND LIQUIDITY

The Fund

Distributions to unitholders paid and payable amounted to $52.2 million ($0.2199 per unit) during the three-month period ended March 31, 2004. The March 31, 2004 distribution of $17.7 million ($0.0733 per unit) was paid on April 15, 2004.

Distributions by the Fund are entirely dependent on the distributions and the performance of YPG, a discussion of which follows below.

YPG

Cash flow from operating activities (unaudited) *(in thousands of Canadian dollars)*	**Three-month period ended March 31, 2004**	**Three-month period ended March 31, 2003**
Cash flow from operations	$89,879	$57,911
Change in non cash working capital items	(13,780)	(10,466)
Cash flow from operating activities	$76,099	$47,445

Interest paid during the three-month periods ended March 31, 2004 and March 31, 2003 amounted to $11.6 million and $40.5 million, respectively. Lower levels of borrowings resulting from the issuance of partnership units combined with reduced borrowing rates contributed to improve the cash generated from operating activities during the first quarter of 2004 compared to the same period in 2003.

Cash flow from investing activities

The investing activities for the three months ended March 31, 2004 and March 31, 2003 amounted to $6.1 million and $7.2 million, respectively, and are mainly related to capital expenditures except for the transaction costs of $4.7 million incurred during the first quarter of 2003 relating to the Acquisition.

Capital expenditures (unaudited) *(in thousands of Canadian dollars)*	**Three-month period ended March 31, 2004**	**Three-month period ended March 31, 2003**
Pre-funded	$3,358	$-
Maintenance	1,181	2,459
New initiatives	1,790	-
Leasehold improvements (1)	2,755	-
Total	$9,084	$2,459

(1) excludes proceeds from lease inducements of $3.0 million

Pursuant to the Acquisition and the Offering, $10.0 million was set aside as pre-funded capital for the purpose of transitioning to a stand-alone entity. For the first quarter ended March 31, 2004, pre-funded capital spending amounted to $3.4 million. For the same period, maintenance capital expenditures for ongoing operations amounted to $1.2 million and such expenditures are expected to average approximately $10 million per annum over the foreseeable future. In addition capital spending associated with leasehold improvements at our new headquarters amounted to $2.8 million. Most of the $1.8 million spent on new initiatives is related to project improvements in certain of our business processes.

Cash flow from financing activities (unaudited) *(in thousands of Canadian dollars)*		
	Three-month period ended March 31, 2004	**Three-month period ended March 31, 2003**
Repayment of long-term debt, net	$(278)	$(12,791)
Distributions	(75,470)	-
Deferred financing costs and other	92	(9,311)
Cash flows from financing activities	$(75,656)	$(22,102)

We improved our capital structure during 2003 by paying down debt with proceeds received from the initial public offering of the Fund, the closing of new credit facilities, the implementation of a commercial paper program and a follow-on equity offering. Since the initial public offering of the Fund on August 1, 2003, we executed on our financing plan to further reduce our borrowings, diversify our funding sources and extend the average term of our indebtedness.

During the first quarter of 2004, we announced a medium term note program to further diversify funding sources away from traditional bank credit facilities. The medium term notes can be issued during a 25 month period under a $1 billion shelf short-form prospectus.

On April 21, 2004, we issued medium term notes in the principal aggregate amount of $750 million. Proceeds from this offering of medium term notes consisted of $450 million 5 year notes and $300 million 10 year notes. Net proceeds estimated at approximately $742 million were used to refinance bank borrowings and for general corporate purposes.

Our debt funding sources are currently comprised of the following:

- The commercial paper program and associated standby lines of credit with an authorized limit of $300 million. The program is rated R-1 (low) by DBRS. Commercial paper issuance amounted to $290 million at March 31, 2004.
- The medium term note program with a potential total issuance during a period of 25 months following the final shelf short-form prospectus of $1 billion. The program is rated BBB (high) by DBRS and BBB- by Standard & Poor's. We issued medium term notes amounting to $750 million in April 2004.
- Bank credit facilities consisting of a $100 million, unsecured revolving term facility maturing August 1, 2007 (undrawn at March 31, 2004) and $50 million of borrowings under the $750 million, unsecured Term A loan facility maturing August 1, 2007.

Following the implementation of our financing initiatives discussed above, $700 million of borrowings under the above-mentioned $750 million Term A loan facility and all of the borrowings under the Company's $450 million, unsecured Term B loan facility were repaid on a permanent basis.

Cash and cash equivalents at March 31, 2004 totaled $39.9 million compared with $45.5 million at December 31, 2003. On April 14, 2004 YPG paid distributions declared in March 2004 totaling $25.2 million.

Commitments

No material changes occurred in relation with contractual obligations during the three-month period ended March 31, 2004.

Distributable cash

Distributable cash is a non-GAAP measure generally used by Canadian open-ended trusts as an indicator of financial performance and it should not be seen as a measure of liquidity or a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash may differ from similar calculations as reported by other similar entities and accordingly may not be comparable to distributable cash as reported by such entities.

We believe that distributable cash calculated from Adjusted EBITDA is the most appropriate measure to help readers evaluate the performance of YPG on an ongoing basis considering the comparability of that measure from period to period.

Distributable cash (unaudited) *(in thousands of Canadian dollars)*		
	Three-month period ended March 31, 2004	**Three-month period ended March 31, 2003**
Adjusted EBITDA	$95,606	$91,273
Less:		
Maintenance capital expenditures	1,181	2,459
Interest	9,476	45,864
Other	134	161
Cash available for distributions	$84,815	$42,789
Cash available for distributions per unit	$0.25	N/A

RELATED PARTY TRANSACTIONS

For the three-month periods ended March 31, 2004 and March 31, 2003, we incurred consulting and monitoring fees of $0.3 million with Kohlberg Kravis Roberts & Co ("KKR") and placement fees of $0.1 million with Ontario Teachers' Pension Plan Board ("Teachers'"), respectively. YPG has agreed to pay such fees with an annual increase of 3%, related to consulting, monitoring and placement fees. These fees are payable from year to year unless termination of payments is approved by mutual consent.

CHANGE IN ACCOUNTING POLICIES

The consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual consolidated financial statements with the exception of the following:

Stock-based compensation plan

Effective January 1, 2004, we adopted the amendment to CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments". The amendment, issued in November 2003, requires the expensing of all stock-based compensation awards for fiscal years beginning on or after January 1, 2004 using the fair value method. We have chosen to adopt the amendment using the retroactive without restatement transitional alternative as permitted by the standard.

Impairment of long-lived assets

Effective January 1, 2004, we adopted Section 3063 of the CICA Handbook, "Impairment of long-lived assets". An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and disposition. The impairment loss is calculated by deducting the fair value of the asset from its carrying value. The adoption of this standard did not have any impact on the financial statements.

RISKS AND UNCERTAINTIES

For a detailed discussion on risks and uncertainties, readers should review the risk factors section of the Annual Information Form of the Fund incorporated by reference.

OUTLOOK

A number of initiatives were developed and implemented since the Acquisition to strengthen our business model and to improve returns to unitholders. Many of the supply-chain, marketing, sales, workforce reduction and consolidation initiatives implemented during the course of 2003 are expected to fully accrue to the income statement in 2004. We therefore expect to maintain our momentum in revenue and EBITDA growth going forward and remain comfortable in our ability to sustain the current level of EBITDA margins and free cash flow generation.

Revenue growth remains a key priority in 2004. We will continue to adjust our market coverage and pricing strategies while further focusing on the training, productivity and efficiency of our sales force. We expect to achieve this partly through process improvements and new technology, but will also continue to strategically invest in our franchise and our brand equity through product promotion and advertising. We believe that this is fundamental to the successful execution of our business plan.

This strong differentiation of YPG in the marketplace positions us to maintain our leading market share position and the strong end-consumer usage of our directories. We will continue to extend our product and service offerings through premium products and our neighbourhood directories, and believe that premium products and other product line extensions offer an opportunity for us to grow our business organically. Regarding online properties, our goal is to further increase traffic through the recent upgrading of our search engines while offering print-Internet bundles that seamlessly integrate the print and online media. As a result of our organic growth strategy, we anticipate Adjusted revenues to grow by approximately 3% in 2004.

We are achieving significant cost savings through supply chain, cost containment and other initiatives. Further reductions in our cost base are being realized through workforce reduction and business process re-engineering. In late 2003, we began the introduction of Six Sigma, a rigorous methodology that should ensure the long-term sustainability of our new initiatives. The significant changes being undertaken at YPG have resulted in a strong improvement in our operating and financial metrics since the Acquisition. In 2004, we anticipate that EBITDA on a comparable basis, adjusted to eliminate the purchase accounting impact and for transition and non-recurring expenses, should grow between 3% and 5% as we substantially realize benefits from these projects.

Cash Distributions to Unitholders

The cash available for distribution amounted to $84.8 million or $0.25 per unit for the first quarter ended March 31, 2004. Following the initial public offering of the Fund, the initial annualized monthly distributions to unitholders amounted to $0.825 per unit. Distributions per unit were increased by 6.7% beginning with the November 2003 distribution. For the first quarter ended March 31, 2004, the cash available for distribution reflected maintenance capital spending of $1.2 million and first quarter cash interest expense of $9.5 million. Beginning with June 2004, cash distribution to unitholders of record at May 31, 2004 will increase to $0.92 annually.

Our distribution policy takes into account the current and prospective performance of YPG, including cash amounts to service debt obligations, maintenance capital expenditures, taxes and other factors considered to be prudent. We remain comfortable in our ability to grow distributions by approximately 4% annually.

Forward-looking statements

This MD&A contains forward-looking statements about YPG's objectives, strategies, financial condition, results of operations and businesses. These statements are "forward-looking" as they are based on our current expectations about our business and the markets we operate in, and on various estimates and assumptions.

- Forward-looking statements in this MD&A describe our expectations on May 13, 2004.

- Our actual results could be materially different from what we expect if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. As a result, we cannot guarantee that any forward-looking statement will materialize.
- Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on our business.
- We disclaim any intention and assume no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.
- Risks that could cause our actual results to materially differ from our current expectations are discussed under risks and uncertainties which refer the reader to the risk factors section of the Fund's Annual Information Form.