

Management's Discussion and Analysis

May 7, 2009

This management's discussion and analysis (MD&A) is intended to help the reader understand and assess trends and significant changes in the results of operations and financial condition of Yellow Pages Income Fund and its subsidiaries for the three-month period ended March 31, 2009 and should be read in conjunction with our audited consolidated financial statements, accompanying notes and MD&A for the year ended December 31, 2008, as well as our unaudited interim consolidated financial statements and accompanying notes for the period ended March 31, 2009. Quarterly reports, the annual report and supplementary information can be found under the "financial reports" section of our corporate web site: www.ypg.com. Additional information, including our annual information form (AIF), can be found on SEDAR at www.sedar.com. In this MD&A, the words "we", "us", "our", "the Company", "the Fund" and "YPG" refer to Yellow Pages Income Fund and its subsidiaries (including Yellow Pages Group Co., Yellow Pages Group, LLC and YPG Directories, LLC (collectively YPG USA), and Trader Corporation), which are reported under the following segments:

- "Directories," which refers to our print and online directories, and our specialized guides; and
- "Vertical Media," which refers to our print and online vertical publications which are targeted to specific audiences (or verticals) based on topic or area of interest – such as automotive or real estate.

Our reporting structure reflects how we manage our business and how we classify our operations for planning and for measuring our performance. This MD&A contains assertions about the objectives, strategies, financial condition, results of operations and businesses of YPG. These statements are considered "forward-looking" because they are based on current expectations of our business, on the markets we operate in, and on various estimates and assumptions.

- These forward-looking statements describe our expectations on May 7, 2009.
- Our actual results could be materially different from our expectations 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 statements 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 or obligation to update any forward-looking statements, except as required by law, even if new information becomes available through future events or for any other reason. It is the current practice of the Company to compare performance on a periodic basis with the targets established through our ongoing business planning process.
- Risks that could cause our actual results to differ materially from our current expectations are discussed in section 7 – Risks and Uncertainties.

This MD&A is divided into the following sections:

1. Our Business, Mission, Strategy and Capability to Deliver Results
2. Results
3. Liquidity and Capital Resources
4. Distributable Cash
5. Outlook, Capital Structure and Payout Considerations
6. Critical Assumptions
7. Risks and Uncertainties
8. Controls and Procedures

1. Our Business, Mission, Strategy and Capability to Deliver Results

Our Business

Yellow Pages Group is a leading media company serving Canadians and Canadian businesses from coast to coast. We are a national leader in our two national platforms, Directories and Vertical Media, and have a presence in the United States through our YPG Directories in the Mid-Atlantic and the Southeast American markets. This section provides an overview of our business, how we strive to manage it and our ongoing priorities.

Directories

We are Canada's largest directories publisher and the exclusive owner of the Yellow Pages™, Pages Jaunes™ Walking Fingers & Design™ and Canada411™ trademarks in Canada. We have been an industry leader since we published our first directory in 1908. YPG publishes annually more than 340 different telephone directories with a total circulation of approximately 30 million copies. With more than 405,000 advertising customers, we manage one of the largest face-to-face sales forces for small and medium-sized enterprises (SMEs) in Canada. We also operate print community directories under the Community Phonebook brand name in selected Mid-Atlantic and Southeast American markets.

We are the official publisher of directories for Bell Canada (Bell), TELUS Communications Inc. (TELUS), Bell Aliant Regional Communications LP (Bell Aliant), MTS Allstream Inc. and for a number of other incumbent telephone companies that have a leading share in their respective markets.

We also operate the leading online directories in Canada including YellowPages.ca™, Canada411.ca™ as well as the CanadaPlus.ca™ group of city sites. This complementary online presence allows us to package print and online advertising products and offer them on a national basis.

Our directories are delivered into almost every household and business in our markets, and are available online and through a variety of digital options. Our content is rich and diverse which draws consumers to our directories by generating leads, calls, visits and clicks, and in turn attracts yet more advertisers.

Vertical Media

We are the Canadian leader in Vertical Media through Trader Corporation. Trader has over 160 publications and 20 web sites covering four main product verticals: automotive, real estate, employment, and generalist.

Trader is the leading new and used car destination with its AutoTrader.ca™ web site.

Trader is home to such print brands as Auto Trader™, Auto Hebdo^{MC}, The Bargain Finder™, Home Renters' Guide™, Renters News™, and Buy & Sell™. Online, Trader owns Internet destinations such as www.autotrader.ca, www.autohebdo.net, www.homebase.ca, www.visitenet.com, www.buysell.com and lesPAC.com.

Mission and Strategy

Our mission and strategy statements have not changed since the release of our MD&A for the year ended December 31, 2008. Therefore, to review our mission and strategy, please refer to the corresponding sections in the MD&A for the year ended December 31, 2008.

Capability to Deliver Results

Our capability to deliver results has not changed since the release of our MD&A for the year ended December 31, 2008. Therefore, to review our capability to deliver results, please refer to the corresponding sections in the MD&A for the year ended December 31, 2008.

2. Results

This section provides an overview of our financial performance during the first three months of 2009 compared to the same period in 2008. It is also important to note that in order to help investors better understand our performance we rely on several metrics, some of which are not measures recognized by Generally Accepted Accounting Principles (GAAP). Definitions of these metrics are provided following the charts below and are important aspects which should be considered when analyzing our performance.

Overall Performance

- Adjusted Revenues decreased by \$1.6 million or 0.4 % over the first quarter of 2008 to \$413.5 million. Revenues decreased by \$6.2 million or 1.5 % to \$408.4 million in the same period;
- Adjusted EBITDA decreased by \$0.7 million or 0.3 % over the first quarter of 2008 to \$225.9 million. Income from operations before depreciation and amortization decreased by \$3.5 million or 1.6 % to \$223.9 million in the same period; and
- Distributable cash per unit remained unchanged over the first quarter of 2008 at \$0.35.

Highlights by Segment¹

(in thousands of Canadian dollars—except unit information)

	Three-month periods ended March 31,					
	Directories		Vertical Media		Consolidated	
	2009	2008	2009	2008	2009	2008
Revenues	\$348,799	\$337,431	\$59,554	\$77,140	\$408,353	\$414,571
Income from operations before depreciation and amortization	\$207,800	\$204,176	\$16,063	\$23,217	\$223,863	\$227,393
Basic earnings per unit					\$0.26	\$0.24
Cash flow from operating activities					\$197,418	\$145,338
Adjusted Revenues ²	\$353,988	\$337,989	\$59,554	\$77,140	\$413,542	\$415,129
Adjusted EBITDA ²	\$209,842	\$203,386	\$16,063	\$23,217	\$225,905	\$226,603
Distributable cash ³					\$180,446	\$183,019
Distributable cash per unit					\$0.35	\$0.35

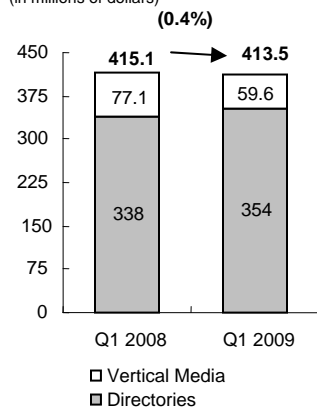
¹ We closed the acquisitions of the assets of TBayTel (ThunderBay) on February 19, 2008, Get It Pages on August 6, 2008 and the assets of YPG USA on September 5, 2008. As such, included in the 2008 and 2009 results are the results of each acquired business from the respective date of acquisition. The Trader US operations were divested on October 31, 2008 resulting in the exclusion of those results in the Vertical Media segment from that date.

² Please refer to definitions relative to understanding our results on page 5 of this MD&A and Consolidated Results table on page 8 of this MD&A for a reconciliation of Adjusted Revenues and Adjusted EBITDA.

³ Please refer to Section 4 for a reconciliation of Distributable Cash.

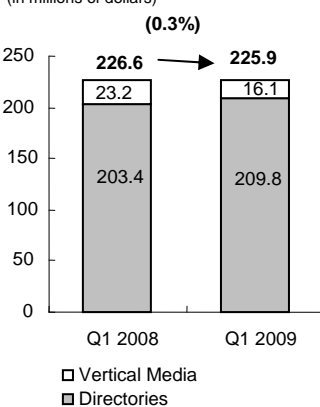
Adjusted Revenues

(in millions of dollars)



Adjusted EBITDA

(in millions of dollars)



Distributable Cash per Unit



Definitions relative to understanding our results

Adjusted Revenues

We report on our revenue, by removing the effect of purchase accounting related to the acquisitions in our Directories segment (Adjusted Revenues). Adjusted Revenues is a non-GAAP measure not likely to be comparable to similar measures used by other publicly traded companies. For a reconciliation with Canadian GAAP please refer to Consolidated Operating and Financial Results later in this section.

Adjusted Revenues reflect the level of advertising activity that is generally billed in accordance with contractual terms with our advertisers. It is recognized on a monthly basis over the estimated life of our products. In print directories, it commences with the delivery of the directory; for online, it commences with the display date of the advertisement. Amounts billed up front for directories are deferred and recognized over the period for which the corresponding directories are in circulation. Revenues are generally recognized and billed over periods not exceeding twelve months, or in the case of certain alphabetical directories, not exceeding twenty-four months.

Adjusted Income from Operations before Depreciation and Amortization and Restructuring and Special charges (Adjusted EBITDA)

We report on our EBITDA (Income from operations before depreciation and amortization and restructuring and special charges) (Adjusted EBITDA) by removing the effect of purchase accounting related to the acquisitions in the Directories segment. Adjusted EBITDA is a key measure used by management to evaluate performance. Adjusted EBITDA is also used to make decisions relating to our cash distributions to unitholders and to measure compliance with debt covenants. We believe Adjusted EBITDA assists investors in assessing our performance on a consistent basis without regard to restructuring and special charges – which are non-recurring by nature and without regard to depreciation and amortization, which are non-cash in nature and can vary significantly depending on accounting methods or on non-operating factors such as historical cost.

As stated, EBITDA is not a calculation based on GAAP and is not considered an alternative to income from operations or net earnings in the context of measuring YPG's performance. EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. For a reconciliation with GAAP, please refer to Consolidated Operating and Financial Results later in this section. EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed on page 21 of this MD&A.

Distributable Cash

Distributable cash is a non-GAAP measure generally used by Canadian income trusts as an indicator of financial performance. It should not be seen as a measurement of liquidity or as a substitute for comparable metrics prepared in accordance with GAAP. Distributable cash is commonly used by investors, management and other stakeholders to evaluate the ongoing performance of YPG. Distributable cash may differ from similar calculations as reported by other companies and should not be considered comparable. For a reconciliation with GAAP, please refer to Section 4 – Distributable Cash of this MD&A.

Cash Distributions per Unit

We report on cash distributions per unit because it is a measure of return used by investors. Cash distributions per unit depend on our distributable cash and YPG's distribution policy. We make monthly cash distributions to unitholders of record on the last business day of each month. For a description of our cash distribution policy, please refer to Section 4 of this MD&A.

Performance Relative to Business Strategy

Organic growth

Directories

Customer First

The deployment of phase 4 - contract closure, is progressing as planned. We have commenced the roll-out and it is scheduled for completion by the end of the third quarter of 2009. We completed our revised plan following our expansion in the United States and accordingly, we are currently in the process of preparing the system to roll out contract closure in the Western region beginning early in 2010.

Enhancement and expansion of products

Canvassing the newly re-zoned Toronto directories continued throughout the first quarter of 2009 and will conclude in the second quarter. Selling efforts related to our Light directories and Eco Finder sections are well underway in the new markets that were added for 2009. We continue to believe that our investment in our print franchise will ensure our products meet consumers' and advertisers' needs of finding local information and will lead to sustained usage and advertiser return-on-investment.

Online growth continued to be strong in the quarter driven by the Enhanced Directory Plus bundle (which includes Google Adwords™) and sales of our online video product Profile Plus which were both launched in 2008. The Showcase bundle launched last year offers a compelling value proposition to advertisers by providing them visibility, both print and online, with increased advertising exposure through a video, additional business information and Google Adwords™. The Showcase bundle continues to be enthusiastically received by customers. This success has led to the development of two new multi-media bundles in the first quarter - Finder and Builder. The Finder and Builder bundles are "lighter" versions of the Showcase bundle and do not contain the online video product. The online product set was further expanded with the addition of the Print2Web product, which converts printed materials such as menus, coupons, catalogues and flyers into web pages that are associated with the Business Profile Page on yellowpages.ca while being indexable and available to search engines.

Vertical Media

Trader continues to focus on deploying its new ad taking system and new sales tools while progressing in the digitization of sales processes as planned. This deployment also includes sharing and harmonizing best practices in order to increase sales force effectiveness and operating efficiencies.

The roll-out of the new digital ad-taking system and digitization of sales processes across the country will be completed in 2009 allowing for standardization, productivity gains and ad workflow optimization.

Enhancement and expansion of products

The launch of "Dealer Smart Solutions", which results from our commercial agreement with Dealer.com, is well underway and sales training on this new offer commenced in April. The deployment of Dealer.com's technology to Trader's network of Canadian dealers will start in the second quarter of 2009. Dealer Smart Solutions expands the breadth of Trader's online advertising solutions and leverages the investments we've made in developing best in class inventory management systems (TDSR). The new offer includes enhanced inventory management, inventory syndication, dealer web site management, search engine optimization and advertising campaign marketing and tracking tools, all of which are dedicated to promoting the dealership and its inventory. Dealer Smart Solutions offers customers unequalled access to best-in-class online solutions under one fully integrated platform, allowing them to maximize their efficiency and reduce their costs.

Redesigns of the home page, results page and new car section of AutoTrader.ca are currently in development. Ultimately, dealer inventory will be accessible via a maximum of two clicks which should improve user satisfaction and advertiser return on investment. These changes are expected to be completed at the end of the second quarter of this year.

The official launch of Hometrader.ca, which features rental properties and new homes and condos, took place in early February. The current focus for the site is dedicated to growing content and traffic.

External Growth

Partnership with Dealer Dot Com, Inc.

On January 21, 2009, Trader announced a strategic agreement with Vermont-based Dealer Dot Com, Inc. (Dealer.com), a leading provider of online marketing solutions to the vehicle industry. The long-term, exclusive commercial agreement will make Dealer.com's web solutions available to Trader's customer base in Canada served under its AutoTrader™ brand. Concurrent with the agreement, Trader acquired a 20% equity interest in Dealer.com for a cash consideration US\$35 million, with the option to increase its ownership in the privately held company over time.

Dealer.com offers award-winning website design incorporating dynamic video, lead management tools, search engine marketing and optimization and web analytics. Its suite of online marketing solutions expands the breadth of Trader's online advertising offer and leverages the investments Trader has made in developing best-in-class inventory management systems such as TDSR.

Acquisition of LesPAC.

On April 30, 2009, the Fund exercised its option to acquire the remaining 50% interest in LesPAC in which the Fund already had a 50% ownership. The acquisition was financed through drawings under existing credit facilities and cash on hand.

Consolidated Operating and Financial Results

Consolidated Results

(in thousands of Canadian dollars – except unit information)

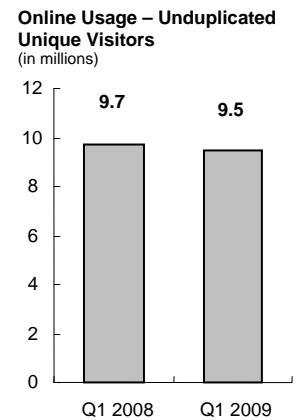
	Three-month periods ended March 31,	
	2009	2008
Revenues	\$408,353	\$414,571
Operating costs	184,490	187,178
Income from operations before depreciation and amortization (EBITDA)	223,863	227,393
Depreciation and amortization	38,117	55,964
Income from operations	185,746	171,429
Financial charges, net	37,556	34,665
Earnings before dividends on Preferred shares, income taxes, share of earnings from equity investee and non-controlling interest	148,190	136,764
Dividends on Preferred shares	5,688	5,688
Earnings before income taxes, share of earnings from equity investee and non-controlling interest	142,502	131,076
Provision for income taxes	10,593	3,971
Share of earnings from equity investee	(178)	-
Non-controlling interest	474	117
Net earnings	\$131,613	\$126,988
Basic earnings per unit	\$0.26	\$0.24
Diluted earnings per unit	\$0.21	\$0.22
Revenues	\$408,353	\$414,571
Elimination of purchase accounting impact	5,189	558
Adjusted Revenues¹	\$413,542	\$415,129
Income from operations before depreciation and amortization (EBITDA)	\$223,863	\$227,393
Elimination of purchase accounting impact	2,042	(790)
Adjusted EBITDA¹	\$225,905	\$226,603
Adjusted EBITDA margin	54.6%	54.6%
Total assets	\$9,391,552	\$9,237,894
Total long-term debt	\$2,743,353	\$2,474,510

¹ Adjusted Revenues and Adjusted EBITDA – The acquisitions in the Directories segment were accounted for using the purchase method of accounting which resulted in the elimination of deferred revenues and deferred publication costs related to those directories published prior to each acquisition. These deferred revenues along with related deferred publication costs would have been recognized in 2007 through 2009, had the acquisitions not occurred. As a result, reported revenues and expenses 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.

Analysis of Consolidated Operating and Financial Results

Revenues

Revenues decreased by \$6.2 million to \$408.4 million during the first quarter of 2009 compared with the same period last year. The continued economic slowdown in Canada has impacted our revenues, especially in the Vertical Media segment. As such our revenues in Vertical Media decreased by \$17.6 million during the first quarter of 2009 compared with the same period last year. YPG USA contributed \$7.9 million of revenues for the first quarter of 2009. Organic online revenue growth for the first quarter reached 29.2% in line with our growth target of 30%. Online revenues from the Directories and Vertical Media segments combined reached \$68.6 million in the first quarter of 2009. Online growth is driven by strong adoption of our online products in both of our segments. Our network of web sites in Directories and Vertical Media attracted 9.5 million unduplicated unique visitors¹ on average during the first quarter of 2009. The continuing shift in the media and publishing industries towards more online content has placed more pressure on our traditional print offerings.



EBITDA

EBITDA decreased by \$3.5 million to \$223.9 million during the first quarter of 2009 compared with the same period last year. The decrease for the period is directly attributable to lower revenues in the Vertical Media segment.

Cost of sales decreased by \$0.3 million to \$112.4 million during the first quarter of 2009 compared with the same period last year. Direct costs decreased as a result of the decline in revenues in the Vertical Media segment while indirect costs were impacted by cost containment initiatives.

Gross profit margin was slightly lower at 72.5 % for the first quarter of 2009 compared to 72.8% for the first quarter in 2008.

General and administrative expenses decreased by \$2.4 million to \$72.1 million during the first quarter of 2009 compared with the same period last year. The decrease in general and administrative expenses is mainly attributable to lower costs in the Vertical Media segment following our cost containment initiatives. Cost containment initiatives in the Directories segment were offset by costs at YPG USA which was acquired in the third quarter of 2008.

Depreciation and amortization

Depreciation and amortization decreased by \$17.8 million to \$38.1 million during the first quarter of 2009 compared with the same period last year. The decrease relates to lower amortization of certain intangible assets related to the acquisitions of Trader and Aliant which have been fully amortized, offset by the amortization related to the acquisition of YPG USA.

Financial charges and dividends on preferred shares

Financial charges increased by \$2.9 million to \$37.6 million during the first quarter of 2009 compared with the same period last year. The variance is due to the combination of an increased level of debt to finance acquisitions and to repurchase units under the normal course issuer bid (NCIB) program offset by lower short-term rates compared to 2008 and charges related to derivative financial instruments. The effective average interest rate on our debt portfolio as of March 31, 2009 was 4.8%. Dividends on the two series of preferred shares amounted to \$5.7 million in the first quarters of 2009 and 2008.

¹ Source: comScore Media Metrix Canada.

Provision for income taxes

The combined statutory provincial and federal tax rate was 30% and 31.6% for the first quarters of 2009 and 2008 respectively. The Fund recorded tax expenses of 7.5% and 3% of earnings for the three-month periods ended March 31, 2009 and 2008, respectively. The Fund's subsidiary, YPG LP, is a limited partnership, and as such, is not subject to income taxes whereas YPG LP's subsidiaries are subject to income tax. The difference between the statutory and the effective tax rates is primarily due to inter-company revenues which are not currently taxable when received by YPG LP.

The enactment of the Budget Implementation Act 2007 (Bill C-52) on June 22, 2007 which contained legislation implementing proposed changes to the manner in which publicly-traded income trusts such as the Fund and the distributions from such entities will be taxed effective in the 2011 taxation year has no impact on YPG's current earnings. The operating activities are being carried on in corporate entities and as such, future income taxes are being calculated on all underlying operating assets and liabilities.

Net earnings

Net earnings increased by \$4.6 million to reach \$131.6 million during the first quarter of 2009. The increase is mainly attributable to lower depreciation and amortization expense offset by a higher provision of income taxes.

Analysis of Adjusted Consolidated Operating and Financial Results

Adjusted Revenues

Adjusted Revenues decreased by \$1.6 million to \$413.5 million in the first quarter of 2009 compared to the same period last year due to lower revenues in the Vertical Media segment despite the contribution of \$13.1 million from YPG USA.

Adjusted EBITDA

Adjusted EBITDA decreased by \$0.7 million to \$225.9 million in the first quarter of 2009 compared to the same period last year. The decrease is largely due to lower revenues especially in the Vertical Media segment.

Cost of sales increased by \$1.5 million to \$115.6 million in the first quarter of 2009 compared to the same period last year. The increase is due to costs associated with YPG USA acquired in the third quarter of 2008.

Gross profit margin was slightly lower at 72.1% in the first quarter of 2009 compared to 72.5% in the first quarter of 2008. The decrease is mainly attributable to lower margins in our US directory publishing operations.

General and administrative expenses decreased by \$2.4 million to \$72.1 million in the first quarter of 2009 compared to the same period last year. The decrease in general and administrative expenses is mainly attributable to lower costs in the Vertical Media segment following the implementation of our cost containment initiatives. Cost containment initiatives in the Directories segment were offset by costs at YPG USA which was acquired in the third quarter of 2008.

Summary of Consolidated Quarterly Results

Quarterly Results

(in thousands of Canadian dollars – except unit information)

	2009				2008			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	\$408,353	\$425,559	\$426,141	\$430,442	\$414,571	\$412,566	\$416,507	\$411,110
Operating costs	184,490	194,020	188,348	194,461	187,178	190,670	188,005	190,791
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	223,863	231,539	237,793	235,981	227,393	221,896	228,502	220,319
Depreciation and amortization	38,117	45,872	33,369	50,860	55,964	66,826	64,746	49,982
Restructuring and special charges	-	36,225	-	-	-	-	-	-
Income from operations	185,746	149,442	204,424	185,121	171,429	155,070	163,756	170,337
Financial charges, net	37,556	42,644	34,731	30,221	34,665	33,281	34,164	34,828
Impairment of available-for-sale investment	-	418	4,357	-	-	-	-	-
Earnings before dividends on Preferred shares, income taxes, share of earnings from equity investee and non-controlling interest	148,190	106,380	165,336	154,900	136,764	121,789	129,592	135,509
Dividends on Preferred shares	5,688	5,687	5,688	5,687	5,688	5,688	5,654	3,776
Earnings before income taxes, share of earnings from equity investee and non-controlling interest	142,502	100,693	159,648	149,213	131,076	116,101	123,938	131,733
Provision for (recovery of) income taxes	10,593	21	13,379	13,293	3,971	(40,877)	1,703	3,600
Share of earnings from equity investee	(178)	-	-	-	-	-	-	-
Non-controlling interest	474	182	206	234	117	(70)	98	560
Net earnings	\$131,613	\$100,490	\$146,063	\$135,686	\$126,988	\$157,048	\$122,137	\$127,573
Basic earnings per unit	\$0.26	\$0.19	\$0.28	\$0.26	\$0.24	\$0.29	\$0.23	\$0.24
Diluted earnings per unit	\$0.21	\$0.17	\$0.25	\$0.24	\$0.22	\$0.28	\$0.22	\$0.23
Revenues	\$408,353	\$425,559	\$426,141	\$430,442	\$414,571	\$412,566	\$416,507	\$411,110
Elimination of purchase accounting impact	5,189	-	15	178	558	806	1,142	1,691
Adjusted Revenues	\$413,542	\$425,559	\$426,156	\$430,620	\$415,129	\$413,372	\$417,649	\$412,801
Income from operations before depreciation and amortization, and restructuring and special charges (EBITDA)	\$223,863	\$231,539	\$237,793	\$235,981	\$227,393	\$221,896	\$228,502	\$220,319
Elimination of purchase accounting impact	2,042	(115)	(312)	(537)	(790)	(875)	(857)	(886)
Adjusted EBITDA	\$225,905	\$231,424	\$237,481	\$235,444	\$226,603	\$221,021	\$227,645	\$219,433
Adjusted EBITDA margin	54.6%	54.4%	55.7%	54.7%	54.6%	53.5%	54.5%	53.2%

Adjusted Revenues throughout 2007 and 2008 reflect sustained organic growth in our Directories segment quarter over quarter. In addition, Adjusted Revenues were favourably impacted by the acquisitions of Vertical Guides LP on October 31, 2007 and YPG USA on September 5, 2008. For the fourth quarters of 2007 and 2008, revenues in Vertical Media were lower than their respective third quarters due to the seasonality of certain Vertical Media

publications. In addition, revenues and Adjusted Revenues for the third and fourth quarters of 2008 were lower than the second quarter of 2008 due to lower revenues in the Vertical Media segment being negatively impacted by adverse economic conditions. Revenues for the first quarter of 2009 reflect continuing pressure on revenues resulting from the economic downturn facing our industry especially in our Vertical Media segment.

In 2007 and 2008, the improvement in Adjusted EBITDA margins highlights the synergies realized through the integration of acquired businesses and our cost containment initiatives. The decrease in the fourth quarter of 2007 and 2008 is attributable to the seasonality of certain Vertical Media publications. Furthermore the results for the fourth quarter of 2008 and the first quarter of 2009 were negatively impacted by the protracted economic downturn affecting our business.

Net earnings were affected by purchase accounting and are not comparable quarter over quarter. In addition, an adjustment to reflect the enactment of lower future income taxes was made during the fourth quarter of 2007 and a restructuring and special charge was recorded during the fourth quarter of 2008.

Segmented Information – Directories

Key Performance Indicators

Each year, we set targets to advance our goals and drive results. Our targets were established in August 2008 based on our economic and business outlooks for 2009 at that time. We did not expect the Canadian macroeconomic conditions to deteriorate and persist nor their impact to be as significant. We considered competitive activity in some of our localized markets and our ability to respond to changing market conditions while offering our advertisers new products and services that are intended to position the directory category both print and online. We also considered third party expectations regarding Canadian advertising trends as well as expected migration from print to online advertising solutions for advertisers taking into account changing consumer trends affecting local commercial search.

During the first three months of 2009, we have continued to observe a more cautious behaviour from advertisers due to the adverse economic conditions they are experiencing. In this environment, we expect revenue growth from our online revenue to continue, but also expect revenue pressures to remain in our traditional print offerings. Given the current economic climate, we do not expect to meet our Revenue and EBITDA targets for the Directories segment. Please refer to Section 5 – Outlook for a more thorough discussion.

Adjusted Revenues grew organically below our 2009 target range for the first quarter of 2009 at 0.9% Adjusted Revenues grew by 4.7% including revenues from YPG USA. Adjusted EBITDA increased by 3.2%. Our Adjusted EBITDA grew below our 2009 target range for the first quarter of 2009. The adjusted revenue growth reflects a lower than expected performance in the print category, which was partially offset by continued strong online revenue performance. Our objective of providing our customers with high quality leads through compelling print and online bundles continues to support increased online penetration of the print advertiser base and to drive strong internet revenue growth. While directory revenues benefit from some level of diversification across multiple headings and regional geographies, a slowing of the economy and what we believe to be a generalized reduction in advertising spending mitigated revenue growth and impacted EBITDA.

Operating and Financial Results

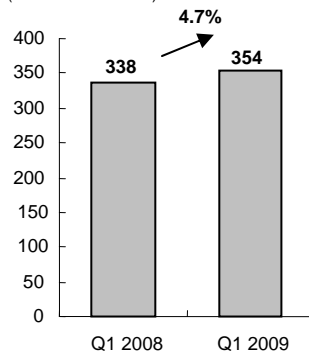
Operating Results¹

(in thousands of Canadian dollars)

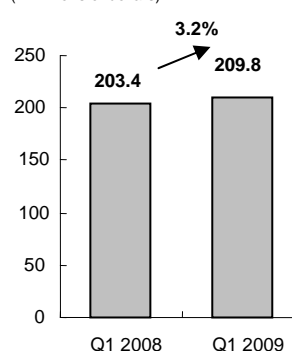
	Three-month periods ended	
	March 31,	
	2009	2008
Revenues	\$348,799	\$337,431
Operating costs	140,999	133,255
Income from operations before depreciation and amortization (EBITDA)	207,800	204,176
Depreciation and amortization	32,262	46,400
Income from operations	\$175,538	\$157,776
Revenues	\$348,799	\$337,431
Elimination of purchase accounting impact	5,189	558
Adjusted Revenues	\$353,988	\$337,989
Income from operations before depreciation and amortization (EBITDA)	\$207,800	\$204,176
Elimination of purchase accounting impact	2,042	(790)
Adjusted EBITDA	\$209,842	\$203,386

¹ See Note 16 - Segmented Information of the interim consolidated financial statements of the Company for the period ended March 31, 2009.

Adjusted Revenues
(in millions of dollars)



Adjusted EBITDA
(in millions of dollars)



Analysis of Operating and Financial Results

Revenues and Adjusted Revenues

Revenues increased by \$11.4 million to \$348.8 million during the first quarter of 2009 compared with the same period last year. Excluding the effect of purchase accounting, Adjusted Revenues increased by \$16 million to \$354 million during the first quarter of 2009 compared with the same period last year. Organic growth amounted to \$2.9 million or 0.9% for the first quarter of 2009 driven by strong growth in online revenues. As of March 31, 2009 the number of directories customers choosing to advertise both in print and online reached 60% across Canada compared to 56% for the corresponding period last year. YPG USA contributed \$7.9 million of revenues and \$13.1 million of adjusted revenues for the first quarter of 2009.

EBITDA and Adjusted EBITDA

EBITDA increased by \$3.6 million to \$207.8 million in the first quarter of 2009 compared with the same period last year. Excluding the effect of purchase accounting, Adjusted EBITDA increased by \$6.5 million to \$209.8 million in the first quarter of 2009, compared with the same period last year. The increases result mainly from our cost containment efforts.

Cost of sales amounted to \$83.6 million in the first quarter of 2009 compared with \$75 million for the same period last year. Excluding the effect of purchase accounting, cost of sales increased in the first quarter of 2009 to \$86.7 million compared with \$76.3 million for the same period last year due to our operations in the USA.

Gross profit margin was lower at 76 % in the first quarter of 2009 compared to 77.8 % for the same period last year. Excluding the effect of purchase accounting, gross profit margin was 75.5 % in the first quarter of 2009 compared to 77.4 % for the same period last year. The lower margins are attributable to the impact of the publishing operations of YPG USA where margins are significantly lower than in Canada.

General and administrative expenses in the first quarter of 2009 decreased by \$0.9 million to \$57.4 million compared with the same period last year due to cost containment initiatives.

Depreciation and amortization

Depreciation and amortization decreased from \$46.4 million in the first quarter of 2008 to \$32.3 million in the first quarter of 2009. The decrease in the first quarter compared to the same period last year is due to the lower amortization of intangible assets of Aliant and MTS which were respectively acquired in 2007 and 2006, offset by the amortization related to the acquisition of YPG USA. Excluding the effect of purchase accounting, depreciation and amortization was \$10.1 million for the first quarter of 2009, down from \$11.1 million for the first quarter of 2008.

Segmented Information – Vertical Media

Key Performance Indicators

Each year, we set targets to advance our goals and drive results similarly to the Directories segment. The targets below were established in August 2008 based on our economic and business outlooks for 2009 at that time. We did not expect the Canadian macroeconomic conditions to deteriorate and persist nor their impact to be as significant. We considered third party expectations regarding Canadian advertising trends as well as expected migration from print to online advertising solutions for advertisers. In the first quarter, approximately 35% of Vertical Media revenues were generated from online products. However, we continued to experience pressures in our traditional print offerings. Given these results and the current economic climate we do not expect to meet our Revenue and EBITDA targets for the Vertical Media segment.

For the first quarter, revenues were lower by 18.4% excluding US operations sold in October 2008 and publications that were discontinued and ad centers that were closed in late 2008. The adverse economic conditions which have prevailed throughout the first quarter impacted our ability to generate revenue growth consistent with our objectives. In our largest vertical, representing almost two-thirds of Trader revenues, reduced spending on vehicle advertising reflected slower economic growth that impacted vehicle sales as potential buyers limited their spending. In the real estate vertical, representing 17% of revenues, declining vacancy rates for rental properties across Canada directly impact our rental print advertising revenues. Activity in the resale market generally has slowed and advertisers are delaying spending on advertising. EBITDA decreased by 30.8%. The growth in EBITDA was below our target range for the first quarter as a result of the accelerated revenue shortfall offset by cost savings from our cost containment initiatives. Please refer to Section 5 – Outlook for a more thorough discussion.

Operating and Financial Results

Operating Results¹

(in thousands of Canadian dollars)

	Three-month periods ended	
	March 31,	
	2009	2008
Revenues	\$59,554	\$77,140
Operating costs	43,491	53,923
Income from operations before depreciation and amortization (EBITDA)	16,063	23,217
Depreciation and amortization	5,855	9,564
Income from operations	\$10,208	\$13,653

¹ See Note 16 – Segmented Information of the interim consolidated financial statements of the Company for the period ended March 31, 2009.

Analysis of Operating and Financial Results

Revenues

Revenues from our Vertical Media segment amounted to \$59.6 million in the three-month period ended March 31, 2009 compared to \$77.1 million for the same period last year representing a 22.8% decrease. Excluding the U.S. operations in 2008, the revenue decline for the quarter ended March 31, 2009, is attributable to lower revenue across all product verticals.

Given that the majority of Trader revenues reside in the Vehicle and Real Estate verticals and that these sectors continue to experience significant downward pressure, advertising expenditures have also been correspondingly reduced. Consequently, as a result of the revenue performance, EBITDA contracted in the quarter. Significant cost containment efforts were executed in the latter part of 2008 and in the quarter which should position us for a future economic recovery.

EBITDA

EBITDA decreased by \$7.2 million to \$16.1 million for the first quarter of 2009 compared to the same period last year.

Cost of sales decreased to \$28.8 million for the first quarter of 2009 compared to \$37.7 million for the same period last year. These results directly relate to the decline in revenues and are a reflection of our cost containment efforts.

Gross profit margin was 51.6% for the first quarter of 2009 compared to 51.1% for the same period last year. The improvement is due principally to lower selling and manufacturing costs during the first quarter when compared to the same period last year.

General and administrative expenses amounted to \$14.7 million in the first quarter of 2009 compared to \$16.2 million for the same period last year. The reduction is a reflection of our cost containment initiatives in 2008.

Depreciation and amortization

Depreciation and amortization amounted to \$5.9 million in the first quarter of 2009 compared to \$9.6 million for the same period last year. Excluding the effect of purchase accounting, depreciation and amortization was \$5.6 million for the first quarter of 2009 compared to \$2.9 million for the same period last year. The increase is due to the amortization of software and leasehold improvements capitalized in 2008.

3. Liquidity and Capital Resources

This section examines the Company's capital structure, including the sources of liquidity and the various financial instruments of its debt and preferred share portfolio.

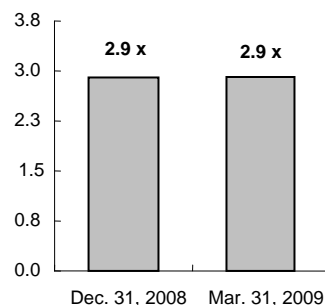
Financial Position

Capital Structure

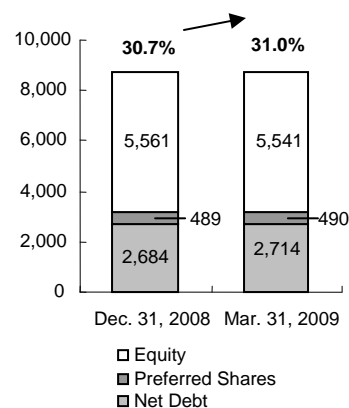
(in thousands of Canadian dollars)

	As at March 31, 2009	As at December 31, 2008
Cash and cash equivalents	\$33,321	\$25,054
Medium Term Notes	2,051,334	2,051,370
Exchangeable Debentures	286,762	285,470
Revolving credit facilities	240,000	358,700
Commercial paper	156,000	-
Obligations under capital leases	12,915	13,786
Long-term debt, including current portion	\$2,747,011	\$2,709,326
Net debt (net of cash and cash equivalents)	\$2,713,690	\$2,684,272
Preferred shares	489,544	489,072
Net debt and Preferred shares (net of cash and cash equivalents)	3,203,234	3,173,344
Unitholders' equity	5,540,546	5,561,492
Total capitalization including Preferred shares	\$8,743,780	\$8,734,836
Net debt to total capitalization	31%	30.7%
Net debt and Preferred shares to total capitalization	36.6%	36.3%

Net Debt to Latest Twelve Month Adjusted EBITDA¹
Ratio



Capital Structure
(in millions of dollars)



¹ Latest twelve month Income from operations before depreciation and amortization and restructuring and special charges removing the effect of purchase accounting related to the acquisitions in the Directories segment ("Latest Twelve Month Adjusted EBITDA").

As at March 31, 2009, YPG had approximately \$2.7 billion of debt net of cash and cash equivalents, or \$3.2 billion including preferred shares, essentially in line with the position at December 31, 2008. The slight increase in net debt and preferred shares during the quarter results from capital deployed for the Dealer.com investment combined with cash outflow for the repurchase of units under the Normal course issuer bid (NCIB) program offset by positive operating free cash flow (net of distributions). The net debt to Latest Twelve Month Adjusted EBITDA¹ ratio as of March 31, 2009 was 2.9 times, unchanged compared to December 31, 2008. The net debt and preferred shares to Latest Twelve Month Adjusted EBITDA¹ ratio was at 3.4 times as of March 31, 2009. The net debt to total capitalization was at 31% compared to 30.7% as of December 31, 2008, and the net debt and preferred shares to total capitalization stood at 36.6% as of March 31, 2009 compared to 36.3% as of December 31, 2008.

Revolving Credit Facilities and Commercial Paper Program

YPG currently has in place two senior unsecured revolving credit facilities totalling \$1.15 billion consisting of:

- A \$700 million unsecured revolving credit facility, which is composed of two tranches (the Principal Revolving Facility):
 - a \$500 million 364-day revolving tranche with a 2-year term-out option now maturing in May 2012; and
 - a \$200 million 5-year revolving tranche maturing in May 2012;
- A \$450 million 364-day unsecured revolving credit facility with a 2-year term-out option maturing in May 2011 (the New Revolving Facility).

In March 2009, the Company extended the maturity of the first tranche of the Principal Facility from May 2011 to May 2012. The total amount of the Principal Revolving Facility can be used as back-up for our commercial paper program and for general corporate purposes. The 364-day tranche can be extended annually, subject to the lender's consent. If not extended, any amount drawn may be converted, at our option, into a 2-year non-revolving term loan.

On May 8, 2008, the Company increased its sources of liquidity by entering into the New Credit Facility which, at that time, provided a \$250 million senior unsecured revolving credit facility. On December 19, 2008, the size of the New Credit Facility was increased to \$450 million. This facility has a 364-day revolving tranche with a 2-year term-out option that matures in May 2011. The New Revolving Facility can be used for general corporate purposes. No amount was drawn under the New Revolving Facility as of March 31, 2009.

On April 21, 2009, the Company used the full amount of the New Revolving Facility to repay its then maturing \$450 million Series 1 Medium Term Notes. The Company does not intend to request an extension of the revolving period on the New Revolving Facility. Therefore, in May 2009, this facility will automatically convert to a 2-year non revolving term loan maturing in May 2011.

YPG Holdings Inc., a subsidiary of YPG, maintains a commercial paper program with an authorized limit of \$500 million. The Principal Revolving Facility serves as a back-up facility for the program. Since February 2009, the Company took advantage of improved conditions in the Canadian money markets to issue commercial paper to replace drawings under its Principal Revolving Facility and to fund its short term liquidity requirements. As at March 31, 2009, there was \$156 million of commercial paper outstanding (no amount was outstanding at December 31, 2008). As of March 31, 2009, an amount of \$240 million was also drawn under the Principal Revolving Facility, down from \$358.7 million at December 31, 2008.

Both credit facilities are subject to customary terms and conditions including limits on pledging assets without the consent of lenders. These facilities are also subject to the maintenance of a maximum ratio of funded debt to Latest Twelve Month Adjusted EBITDA¹ of 4.25 times and a minimum ratio of Latest Twelve Month Adjusted EBITDA¹ to cash interest expense on total debt of 3.5 times.

YPG was in compliance with all of its debt covenants as at March 31, 2009.

¹ Latest twelve month Income from operations before depreciation and amortization and restructuring and special charges removing the effect of purchase accounting related to the acquisitions in the Directories segment ("Latest Twelve Month Adjusted EBITDA").

Medium Term Note Program

YPG Holdings Inc. had a total of \$2.1 billion of notes outstanding under its Medium Term Note program as of March 31, 2009 with varying maturity dates between 2009 and 2036. The medium term notes Series 1 in the amount of \$450 million matured in April 2009 and were repaid using proceeds from the New Revolving Facility as described above. The next maturity of medium term notes is the Series 6 notes in the amount of \$150 million maturing in February 2011.

Exchangeable Unsecured Subordinated Debentures

YPG Holdings Inc. has a total of \$300 million of Exchangeable Unsecured Subordinated Debentures outstanding (the Exchangeable Debentures). The Exchangeable Debentures have a maturity date of August 1, 2011 and are exchangeable at any time, at the option of the holder, for units of the Fund at an exchange price of \$20.00 per unit. The Exchangeable Debentures are redeemable at par at the option of YPG Holdings Inc. after August 1, 2009, subject to certain restrictions. The Exchangeable Debentures also provide YPG Holdings Inc. with the option to repay the principal and interest in units of the Fund. An amount of approximately \$13 million, representing the value of the exchange option, has been classified as a component of Unitholders' equity on the balance sheet.

Cumulative Redeemable Preferred Shares

YPG Holdings Inc. has two series of cumulative redeemable first preferred shares outstanding. On March 6, 2007, 12,000,000 cumulative redeemable preferred shares, Series 1 (Preferred Shares Series 1) were issued for gross proceeds of \$300 million. A dividend of \$1.0625 per share per annum is payable quarterly on the Preferred Shares Series 1, yielding 4.25% per annum. The Preferred Shares Series 1 are redeemable by the issuer at par for cash on or after March 31, 2012, or by the issuance of units of the Fund between March 31, 2012 and December 31, 2012. The Preferred Shares Series 1 are also retractable for cash at the holder's option on or after December 31, 2012 at a price equal to \$25.00 per share plus any accrued and unpaid dividends in arrears.

On June 8, 2007, 8,000,000 cumulative redeemable preferred shares, Series 2 (the Preferred Shares Series 2) were issued for gross proceeds of \$200 million. A dividend of \$1.25 per share per annum is payable quarterly, yielding 5.0% per annum. The Preferred Shares Series 2 are redeemable by the issuer at a decreasing premium for cash on or after June 30, 2012, or by the issuance of units of the Fund between June 30, 2012 and June 30, 2017. The Preferred Shares Series 2 are also retractable for cash at the holder's option on or after June 30, 2017 at a price equal to \$25.00 per share plus any accrued and unpaid dividends in arrears.

Liquidity

As part of its capital structure guidelines, YPG remains committed to maintaining adequate liquidity at all times. To this end, YPG has access to committed bank lines, and has been proactive in increasing its liquidity and capital resources. As at March 31, 2009 YPG maintained two credit facilities totalling \$1.15 billion, providing sufficient liquidity to fund its operations.

On March 31, 2009, cash and cash equivalents amounted to \$33.3 million. In addition to cash and cash equivalents, YPG Holdings Inc. may issue additional notes amounting to \$344 million under its commercial paper program and access another \$410 million under its revolving credit facilities. Alternatively, if additional notes are not issued under the commercial paper program, YPG Holdings may access the full \$754 million available under its Revolving Credit Facilities. Please refer to the Medium Term Note Program section above for details of the repayment made in April 2009.

YPG continues to monitor conditions in the fixed income market. Under our June 2008 Short Form Base Shelf Prospectus we may issue up to \$1.0 billion of new debt securities. Consistent with our past financing practices, our objectives would be to extend the term of our debt and to diversify our sources of funding. Over time, we intend to refinance drawings under the credit facilities with longer term funded debt or through the issuance of other capital market securities.

Unit data

As at May 7, 2009 outstanding unit data was as follows:

Outstanding Unit Data		
	As at May 7, 2009	As at December 31, 2008
Units outstanding	518,033,759	518,301,059
Options outstanding	394,912	394,912

The units are voting and participate equally in the income, losses and capital distributions of the Fund. In February 2006, 19,000,000 Exchangeable Units of YPG LP (exchangeable for units of the Fund) were issued as a partial consideration for the acquisition of Trader Media Corp. (TMC), one of two companies from which we have built our Vertical Media business. As at December 31, 2008, 8,185,000 Exchangeable Units of YPG LP had been exchanged for an equal number of Units of the Fund. On March 30, 2009 and on April 9, 2009, 1,000,000 and 1,100,000 Exchangeable Units of YPG LP were exchanged for an equal number of Units of the Fund, respectively. As a result, at May 7, 2009, 8,715,000 Exchangeable Units of YPG LP remain outstanding. The units underlying the outstanding Exchangeable Units of YPG LP are included in the outstanding unit data.

No options were granted following the inception of the Fund.

YPG Holdings Inc. also has a total of \$300 million of Exchangeable Debentures which are exchangeable at any time, at the option of the holder into units of the Fund at an exchange price of \$20.00 per unit.

YPG Holdings Inc. has also issued 12,000,000 Preferred Shares Series 1 for gross proceeds of \$300 million and 8,000,000 Preferred Shares Series 2 for gross proceeds of \$200 million. Both series of preferred shares are redeemable by the issuer under certain conditions through the issuance of units of the Fund.

Normal course issuer bid

On March 28, 2008, the Fund received approval from the Toronto Stock Exchange on its notice of intention to make a normal course issuer bid for its units through the facilities of the Toronto Stock Exchange from April 2, 2008 to April 1, 2009, in accordance with applicable rules of the Toronto Stock Exchange. Under the normal course issuer bid, the Fund could purchase for cancellation up to 25 million units, representing approximately 5% of its units outstanding.

During the first quarter of 2009, the Fund repurchased for cancellation 267,300 units at an average price of \$7.20 per unit for an amount of \$1.9 million including brokerage fees. Some of the units repurchased during the last three days of December 2008 were settled in January 2009. Therefore the amount paid by the Fund during the quarter totalled \$13.4 million. Since the inception of the NCIB, the Fund repurchased a total of 15,737,500 units at an average price of \$8.61 per unit for a total cost of \$135.5 million including brokerage fees.

Contractual Obligations and Other Commitments

Contractual obligations

(in thousands of Canadian dollars)

	Payments due for the periods ending December 31				
	Total	9 months	1 – 3 years	4 – 5 years	After 5 years
Long-term debt ^{1,2}	\$2,746,000	\$450,000	\$846,000	\$300,000	\$1,150,000
Obligations under capital leases	12,915	2,798	8,318	1,786	13
Preferred shares ²	500,000	-	300,000	-	200,000
Operating leases	176,602	19,256	63,631	37,278	56,437
Purchase obligations	22,468	16,162	3,181	250	2,875
Total contractual obligations	\$3,457,985	\$488,216	\$1,221,130	\$339,314	\$1,409,325

¹ Including Exchangeable Debentures

² Principal amount

Obligations under capital leases

We enter into capital lease agreements for office equipment and software. As of March 31, 2009, minimum payments under these capital leases up to 2015 totalled \$12.9 million.

Operating leases

We rent our premises and equipment under various operating leases. As of March 31, 2009, minimum payments under these operating leases up to 2019 totalled \$176.6 million.

Purchase obligations

We use the services of outside suppliers to distribute our directories and have entered into long-term agreements with a number of these suppliers. These agreements expire between 2009 and 2038. As at March 31, 2009, we have an obligation to purchase services for \$22.5 million over the next five years and thereafter. Cash from operations will be used to meet these purchase obligations.

Sources and Uses of Cash

Consistent with other directories and media companies active in vertical media, the Company has minimal capital spending requirements combined with low operating costs.

Sources and Uses of Cash

(in thousands of Canadian dollars)

	For the three-month periods ended March 31,	
	2009	2008
Cash flow from operating activities		
Cash flow from operations	\$181,762	\$191,320
Change in operating assets and liabilities	15,656	(45,982)
	\$197,418	\$145,338
Cash flow used in investing activities		
Acquisition of equity investment	\$(44,898)	\$-
Business acquisitions, net of cash acquired and bank indebtedness assumed	-	(17,250)
Acquisition of fixed assets	(12,489)	(12,128)
Proceeds from lease inducements	33	-
	\$(57,354)	\$(29,378)
Cash flow used in financing activities		
Issuance of long-term debt	\$137,300	\$55,055
Repayment of long-term debt	(101,044)	-
Distributions to Unitholders	(150,533)	(149,818)
Repurchase of Units	(13,382)	-
Other	(4,274)	(21,315)
	\$(131,933)	\$(116,078)

Cash flow from operating activities

Cash flow from operating activities increased from \$145.3 million in the first quarter of 2008 to \$197.4 million in the first quarter of 2009. The decrease in cash flow from operations of \$9.6 million for the first quarter of 2009 reflects lower Adjusted EBITDA contribution generated through our operations as a result of lower revenues. The increase in operating assets and liabilities for the first quarter of 2009 was \$61.6 million when compared to the same period last year. These changes are mainly due the timing of the payment of certain accounts payable and accrued liabilities as reflected on our balance sheet.

The Company generates sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations. Please refer to Distributable Cash in Section 4 to understand the impact of new tax proposals from the Federal Minister of Finance on cash flow from operating activities.

Cash flow used in investing activities

Cash used in investing activities increased during the first quarter of 2009 from \$29.4 million in 2008 to \$57.4 million in 2009. During the first quarter of 2009, we made an investment in Dealer.com representing a total cash outflow of \$44.9 million. Acquisition of fixed assets also increased from \$12.1 million in 2008 to \$12.5 million in 2009 as described below. In 2008, we acquired the directory assets of TbayTel for \$17.3 million.

Acquisition of Fixed Assets, Net of Lease Inducements

(in thousands of Canadian dollars)

	Three month periods ended March 31,	
	2009	2008
Transition capital	\$2,245	\$-
Maintenance	2,963	5,215
New initiatives	4,553	4,184
Leasehold improvements, net of lease inducements	98	333
Total	\$9,859	\$9,732
Adjustment to reflect expenditures on a cash basis	2,597	2,396
Acquisition of fixed assets, net of lease inducements	\$12,456	\$12,128

Transition Capital – Amounts in 2009 relate to the acquisition of YPG USA. No such expenses were incurred in 2008. We expect to deploy Transition Capital related to the YPG USA acquisition up to mid-2010 of approximately \$10 million.

Maintenance capital expenditures decreased from \$5.2 million in the first quarter of 2008 to \$3 million in the first quarter of 2009. The lower investments are associated with delays in some platforms as we evaluate the impact on our infrastructure following the acquisition of YPG USA.

Capital spending for new initiatives remained relatively stable at \$4.6 million in the first quarter of 2009 compared with \$4.2 million for the first quarter of 2008.

There were no meaningful leasehold improvement projects during the quarter.

Total capital expenditures for the first quarter of 2009 amounted to \$9.9 million and were in line with expectations.

Cash flow used in financing activities

The higher level of cash distributions per unit compared to the same quarter last year, was partially offset by a reduced number of units outstanding, resulting in an increase in distributions to unitholders from \$149.8 million in the first quarter of 2008 to \$150.5 million in the first quarter of 2009. During the first quarter of 2009, the Fund purchased for cancellation 267,300 units for a total cost of \$1.9 million including brokerage fees. Some of the units repurchased during the last three days of the month of December 2008 were settled only in January 2009. The amount paid by the Fund in the first quarter totalled \$13.4 million.

Off-Balance Sheet Arrangements

(See Notes 21 and 26 of the Consolidated Financial Statements of the Company for the year ended December 31, 2008).

Financial and Other Instruments

(See Note 24 of the Consolidated Financial Statements of the Company for the year ended December 31, 2008).

The Company's financial instruments consist of cash and short-term investments, accounts receivable, other investments, accounts payable, distributions payable, short-term and long-term debt, exchangeable debentures, preferred shares and interest rate derivatives.

Derivative Instruments

We use various derivative financial instruments to manage our exposure to interest rate risks on debt financing. YPG does not hold or use any derivative instruments for speculative trading purposes. We formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In October 2008, we also entered into floating to fixed interest rate swaps to fix the rate on our floating rate exposure to the Canadian Banker's acceptance rate. The Fund will pay a fixed rate of interest of 2.25% and receive a floating rate corresponding to the Banker's acceptance rate on an amount of \$150 million between November 3, 2008 and May 3, 2009, increasing to \$300 million from May 3, 2009 to January 5, 2010.

In February 2009, the Fund also entered into floating to fixed interest rate swaps to fix the rate on its floating rate exposure to the Canadian Banker's acceptance rate. The Fund will pay a fixed rate of interest of between 0.73% and 0.74% and receive a floating rate corresponding to the Banker's acceptance rate on an amount of \$200 million between April 21, 2009 and December 21, 2009.

As at March 31, 2009, these interest rate swaps met the criteria for hedge accounting.

Taking into consideration the debt instruments outstanding, the preferred shares, the cash and the above-mentioned derivative instruments, our fixed-to-floating ratio was 93% fixed rate as at March 31, 2009. While the counterparties of these agreements expose YPG to credit losses in the event of non-performance, we believe that the possibility of incurring such losses is remote. This is due to the creditworthiness of all counterparties, all of whom are highly-rated Canadian chartered banks.

The Preferred Shares Series 1 and 2 contain options for redemption. These options meet the definition of an embedded derivative. They are recorded at their fair value on the consolidated balance sheet with changes in fair value recognized in earnings.

The carrying value of outstanding interest rate derivatives was a liability of \$4.5 million and the carrying value of embedded derivatives was an asset of \$3.1 million on March 31, 2009. The carrying value is calculated as is customary in the industry using discounted cash flows with quarter-end market rates. For the first quarter of 2009, we reported an unrealized loss of \$1.4 million (2008 – \$0.1 million gain) on derivatives, excluding the loss on derivatives designated as cash flow hedges in prior periods transferred to earnings in the period.

4. Distributable Cash

The Fund's primary source of cash for distributions is cash flow from operating activities. A reconciliation between cash flow from operating activities and distributable cash is provided below:

Distributable Cash

(in thousands of Canadian dollars)

	Three-month periods ended March 31,	
	2009	2008
Cash flow from operating activities	\$197,418	\$145,338
Operating non-cash items ¹	(1,262)	(5,810)
Change in operating assets and liabilities ²	(15,656)	45,982
Maintenance capital expenditures ³	(2,963)	(5,215)
Other ⁴	2,909	2,724
Distributable cash	\$180,446	\$183,019
Weighted average number of units outstanding	513,839,842	530,044,365
Distributable cash per unit ⁵	\$0.35	\$0.35
Distributions declared	\$150,332	\$149,838
Distributions declared per unit	\$0.29	\$0.28
Payout ratio ⁶	83%	80%

¹ Represents operating items with no impact on current cash flow such as pension expense and employee-related expenses through restricted unit awards. The likelihood of those elements materializing into outflows on a long term basis is such that management believes it should be included in the calculation in order to reflect the cash generated from the ongoing operations.

² Changes in operating assets and liabilities are not considered a source or use of distributable cash. As a result, it is excluded from the calculation as it would introduce cash flow variability and affect underlying cash flow available for distributions.

Various working capital items, including but not limited to the timing of receivables collected and payment of payables and accruals, can have a significant impact on the determination of free cash flow available for distribution. Accordingly, management excludes the impact of changes in non-cash working capital items to remove the resulting variability of including such amounts in the determination of free cash flow available for distribution. Realized changes in working capital and working capital acquired by way of acquisition are typically funded from excess free cash flow available for distribution or the Fund's cash on hand and available credit facilities.

³ Maintenance capital expenditures refer to capital expenditures that are necessary to sustain current productive capacity. Management believes that maintenance capital expenditures should be funded by cash flow from operating activities. Capital spending for new initiatives are expected to improve future distributable cash and as such are not deducted from cash flow from operating activities. Transition capital is provided for as part of the financing plan of specific business acquisitions and is therefore not funded from distributable cash.

⁴ Includes non-controlling interest related to the LesPAC partnership formed in April 2007, tax related amounts and other amounts that do not reflect the ongoing operations of the business.

⁵ Please refer to Section 2 – Highlights by Segment for the calculation of Basic earnings per unit.

⁶ The level of distributions paid is reviewed periodically to take into account the current and prospective performance of the business and other items considered to be prudent. See the section Distribution Policy.

Distributable Cash

(in thousands of Canadian dollars)

	Three-month period ended		Previously completed fiscal years	
	March 31, 2009	2008	2007	2006
Cash flow from operating activities	\$197,418	\$692,356	\$695,540	\$601,363
Net earnings	\$131,613	\$509,227	\$527,709	\$431,933
Actual cash distributions declared	\$(150,332)	\$(599,930)	\$(581,986)	\$(527,879)
Excess of cash flows from operating activities over cash distributions declared	\$47,086	\$92,426	\$113,554	\$73,484
Shortfall of net earnings over cash distributions declared	\$(18,719)	\$(90,703)	\$(54,277)	\$(95,946)
Impact of purchase accounting on net earnings	\$22,466	\$122,981	\$166,592	\$125,564
Excess of net earnings over cash distributions declared excluding impact of purchase accounting	\$3,747	\$32,278	\$112,315	\$29,618

Distributions declared exceeded net earnings by \$18.7 million for the three-month period ended March 31, 2009. The Fund does not use net earnings as a basis to calculate distributions. Net earnings in accordance with GAAP include expenses which do not affect cash such as amortization of non-compete agreements, customer contracts and customer relationships and software. As a result of our acquisitions over the past several years, our net earnings have been affected by purchase accounting, resulting in an increased amount of amortization related to the acquired intangibles. The costs of these intangible assets are included in the purchase price but there are no future cash outflows associated with maintaining these intangible assets. If we exclude the impact of purchase accounting, net earnings exceeded distributions declared by \$3.7 million for the three-month period ended March 31, 2009.

Cash distributions declared were lower than distributable cash resulting in a payout ratio of 83% for the three-month period ended March 31, 2009. The level of distributions declared is reviewed periodically to take into account the current and prospective performance of the business and other items considered to be prudent.

Distributable cash

Distributable cash decreased from \$183 million in the first quarter of 2008 to \$180.4 million in the first quarter of 2009. The decrease is mainly due to lower EBITDA for the first quarter of 2009 and slightly higher interest expense.

Distributable cash per unit remained at \$0.35 in the first quarters of 2008 and 2009.

The Fund's cumulative distributable cash since its Initial Public Offering ("IPO") in August of 2003 to March 31, 2009 is approximately \$3.1 billion, or \$6.69 per unit. Total distributions declared during the same period reached approximately \$2.7 billion, or \$5.77 per unit representing a cumulative payout ratio of 86%.

In calculating the Fund's distributable cash, we take into consideration our debt management and our productive capacity maintenance strategies.

Our long-term debt management strategy is to refinance our funded debt at maturity. Our funded debt portfolio currently has an average term of approximately 7 years. We are reasonably assured that we will be able to refinance these obligations given our previously demonstrated access to capital markets, our commitment to investment grade credit ratings, and adequate liquidity under our existing credit facilities.

We maintain the value of our asset base over time through constant investment in our productive capacity. Such investment, referred to as maintenance capital expenditures, are funded from operational cash flows and deducted from our distributable cash calculation.

Our debt obligations do not restrict our ability to pay distributions as long as we are in compliance with our credit agreements. Our revolving credit facilities do not provide specific limitations on distributions as long as we maintain our investment grade ratings. The agreements also provide for distributions paid for any given 12-month period not to exceed the total distributable cash plus a provision of \$100 million in the event that the Fund becomes non-investment grade, providing us with significant flexibility.

Furthermore, our Medium Term Note program and our Exchangeable Unsecured Subordinated Debentures, which represent \$2.3 billion of our total long-term debt portfolio as of March 31, 2009, do not provide for any contractual limitations on the distribution of cash.

Distributions declared per unit

Distributions declared per unit increased from \$0.28 in the first quarter of 2008 to \$0.29 in the first quarter of 2009 as a result of the increase in distributions per unit on an annualized basis in September 2008.

Impact of changes to the Canadian Income Tax treatment of income trusts on distributable cash and distributions declared per unit

On October 31, 2006, the Federal Minister of Finance announced that income other than taxable dividends earned by existing publicly-traded income trusts (or other flow-through entities) such as the Fund, would be taxed beginning in 2011 (October 31, 2006 Announcement). To effect this, the Minister introduced Bill C-52 which received Royal Assent on June 22, 2007. The Bill contained what has become known as the "SIFT Rules" to bring these tax changes into force.

During the four-year interim period, income trusts will be subject to growth guidelines issued by the Federal Department of Finance (the Normal Growth Guidelines). Growth will be measured by the amount of equity issued by the Fund, to benefit from the deferred application of the new tax regime to 2011. Please refer to Section 7 – Risks and Uncertainties: Income Tax Matters of our MD&A for the year ended December 31, 2008 for more details on the SIFT Rules.

Following the October 31, 2006 Announcement, we reiterated periodically that these measures would not affect our business model or operating plans.

Distribution policy

Following the October 31, 2006 Announcement, we indicated that we would continue to monitor closely the Fund's payout ratio over the 2007-2010 period. In the periodic review of distributions, we will continue to take into account the current and prospective performance of our business, amounts to service debt obligations, maintenance capital expenditures, taxes and other items considered to be prudent.

5. Outlook, Capital Structure and Payout Considerations

Outlook

The development and execution of our corporate strategy and operating plans continue to be guided by our objectives of achieving sustainable organic growth and positive operating leverage. Each year, we establish targets to advance our goals and to drive results through the execution of initiatives to maximize revenue growth and cash flow generation. These full year targets are established and communicated to investors concurrent with the release of our second quarter results. We expect to do the same in August of this year, communicating to investors our full year targets for 2010 and will likely provide at the same time a revised outlook for the current year as we should have more visibility on our key performance indicators at that time.

We expect to continue to measure our progress against annual targets on a quarterly basis. Consistent with our historical practice, we do not intend however to provide quarterly guidance for key performance metrics. Our preference remains to review on a periodic basis through the MD&A our progress in reaching our stated objectives for the full year taking into account changes in the economic environment, local operating and economic conditions, direct and indirect competition for our products and other relevant factors.

Our objectives for the fiscal year ending December 31, 2009 were established in August 2008 based on our economic and business outlooks at that time. While we acknowledged in February 2009 that this year would be challenging given continued capital market dislocation and economic turmoil, we did not expect these difficult conditions to be so broad, nor their impact to be as significant. We are experiencing very challenging economic and market conditions and cannot predict how difficult and for how long these conditions will continue. In developing an updated operating framework for the balance of this year and going into 2010, our assumption is that there will be no meaningful economic recovery.

In our Directories segment, we continue to benefit from high visibility associated with the recurring, predictable and resilient nature of our revenue sources through a diversified customer base. Our goal is to protect our revenue base in directories through this cycle by introducing new products that should largely compensate for revenue pressures in the more traditional print domain. The nature of the directory business model, the relatively low level of ongoing capital spending and strong cost containment should enable us to achieve a high level of free cash flow conversion.

In our Vertical Media segment, visibility is much more limited. The shorter cycle for most of our publications leads to greater uncertainty in predicting revenues. This is somewhat compensated by sustained online organic growth. We are in the process of diversifying our revenue sources through the introduction of integrated solutions for our customers. Please refer to Section 2 – Results for a discussion of how current economic and market conditions are affecting the performance of each of our segments.

In spite of the difficult current economic and market conditions, we intend to pursue our investment in market coverage and new product introduction in order to build stronger businesses. We have taken decisive measures to contain costs in both of our segments in order to protect YPG through these difficult times and remain confident in our ability to achieve positive growth for this year in distributable cash per unit albeit at a lower rate of growth than our initial expectations. Growth in distributable cash per unit is premised on strong organic execution, the successful introduction of new products both print and online and the completion of restructuring initiatives that should improve returns in both of our operating segments. We may also augment cost containment through the identification and execution of restructuring initiatives. Please refer to Section 7 – Risks and Uncertainties.

Liquidity and Capital Resources

YPG remains committed to maintaining sufficient liquidity and capital resources at all times. Since May 2008, we have proactively adopted a prudent approach to managing our liquidity and capital resources and as a result have bolstered our liquidity. During the quarter we extended the first tranche of our Principal Revolving Facility which provides back-up for the issuance of short-term promissory notes under our \$500 million commercial paper program. We have also resumed the issuance of money market securities and used the New Revolving Facility to repay \$450 million of Medium Term Notes that matured in April 2009.

Following the completion of these financing initiatives, we anticipate that cash from operating activities combined with availability under our credit facilities will be sufficient to meet our working capital and capital spending requirements in the normal course of business.

Path to Conversion from an Income Trust to a Corporation

Since the October 31, 2006 announcement concerning the taxation of income trusts in 2011, we have consistently indicated that we would monitor YPG's distribution policy and payout ratio to ensure that we are positioned for an orderly and successful transition from a trust to a corporation following the transition period. We now expect to convert from an income trust to a traditional corporation on or about January 1, 2011.

Cash Distributions to Unitholders

We believe that our top priority for capital allocation at the present time must be safety that mitigates liquidity risk through the establishment of strong liquidity and capital resources. In addition, as we look to conversion to a corporation, we believe it is necessary to adopt a more conservative financial policy resulting in lower financial leverage.

After careful consideration and analysis, and in order to protect YPG through this current difficult economic cycle and with an objective of improving our financial risk profile, we made the decision to reduce annualized cash distributions per unit from \$1.17 to \$0.80 per unit payable June 15 to unitholders of record May 29, 2009.

Our decision was based on our objective of securing additional financial flexibility. As a result of a lower payout, we anticipate retaining an incremental \$300 million of pre-tax earnings from now to the end of 2010. We believe that higher retained earnings represent at this time a prudent and cost effective source of additional unitholders' equity. We expect free cash flow generation in excess of cash distributions will be principally applied to paying down debt and meeting other contractual obligations as they mature.

Capital Structure Guidelines

We maintain our commitment to investment grade corporate credit ratings. In addition to a well-established and solid business risk profile which should remain unchanged, we are also aiming to improve our financial risk profile. We expect to achieve stronger credit protection measures going forward through sustained cash flow generation and de-leveraging of our balance sheet. The ongoing low level of capital expenditures combined with limited opportunities for external growth should enable us to markedly improve credit protection measures over time. The lower payout ratio for the June 2009 through December 2010 as an income trust as well as a lower payout ratio as a corporation should augment YPG's financial flexibility while achieving a meaningful reduction in financial leverage.

Preliminary Dividend Policy for YPG

It has become apparent to us in recent months that investors are looking for guidance regarding our expected level of dividends upon conversion in 2011. The articulation of a preliminary dividend policy at this time is intended to provide clarity to investors as we look to the final stage of this transition period from an income trust to a corporation. After careful consideration, we have established a preliminary dividend policy for YPG, targeting a payout of 60% to 70% of cash earnings per share. We believe this expected level of payout should provide sufficient financial flexibility to YPG as it converts to a corporate structure while growing returns to shareholders.

Adopting Prudent Measures to Accommodate Liability Maturities

In developing the preliminary dividend policy for YPG starting in 2011 as well as payout considerations for the period while we remain an income trust, we have considered the refinancing of debt and preferred share maturities through access to funding at a reasonable cost. Given the uncertain credit markets and our objective of accessing funding at a reasonable cost, we have adopted a self-funding strategy for the repayment of liability maturities through 2012. We will continue to monitor the capital markets to potentially refinance drawings under the New Revolving Facility through the issuance of debt and other securities under our base shelf prospectus filed in June 2008.

In developing this self-funding strategy, we have assumed little to no recovery in economic and market conditions, and expect to generate between now and the end of 2012 more than \$1.3 billion of pre-tax free cash flow. We define this pre-tax free cash flow as cash flow from operating activities in excess of cash distributions and future common share dividends. We believe that by the end of 2012, this excess cash flow generation should position YPG to self-fund maturing obligations of \$750 million, comprising \$150 million of medium-term notes maturing in February 2011, \$300 million of exchangeable debentures maturing in August 2011 and \$300 million of preferred shares redemption in December 2012 and expect sufficient liquidity from operations to fund cash income taxes as they become due and payable.

6. Critical Assumptions

Our critical accounting estimates have not changed since the release of our MD&A for the year ended December 31, 2008. Please refer to the corresponding sections in the MD&A for the year ended December 31, 2008.

Change in Accounting Policies

a) Section 3064, *Goodwill and intangible assets*, replacing Section 3062, *Goodwill and other intangible assets* and Section 3450, *Research and development costs*. This Section, effective January 1, 2009, establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including intangible assets developed internally. The provisions of this Section were adopted retrospectively. The adoption of this Section did not have a significant impact on the consolidated financial statements of the Fund or on the carrying value of the goodwill, deferred publication costs, internally developed software and other intangible assets.

b) Emerging Issues Committee ("EIC") EIC 173, *Credit risk and the fair value of financial assets and financial liabilities*. This Abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities including derivative instruments. This Abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact to the Fund's financial statements.

Effect of New Accounting Standards Not Yet Implemented

a) International Financial Reporting Standards (IFRS).

On February 13, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of GAAP for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

The Fund has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created that is led by finance management, and will include representatives from various areas of the organization as necessary to plan for and achieve a smooth transition to IFRS. Third party advisors have also been engaged to provide training to our staff.

The implementation project consists of three primary phases, which in certain cases will be in process concurrently as IFRS is applied to specific areas from start to finish:

- Scoping and diagnostic phase — This phase involves performing a detailed diagnostic comparing Canadian GAAP to IFRS and identifying key areas that may be impacted by the transition to IFRS.
- Impact analysis and design phase — In this phase, each area identified from the scoping and diagnostic phase will be addressed. This phase will determine changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Fund is also assessing the impact of the conversion on our business activities including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls.
- Implementation and review phase — This phase will include execution of changes to information systems and business processes, completing formal authorization processes to approve recommended accounting policy changes and training programs across the Fund's finance and other departments, as necessary. The ultimate objective being able to provide IFRS compliant financial information.

The Fund completed the scoping and diagnostic phase in the fourth quarter of 2008, and is now in the impact analysis and design phase. The Fund's analysis of IFRS in comparison to Canadian GAAP has identified a number of differences. At this time, the impact on our future financial position and results of operations is not reasonably determinable or estimable.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Fund is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Fund's circumstances.

b) Section 1582, *Business Combinations*. This new Section will be applicable to business combinations for which the acquisition date is on or after the Fund's interim and fiscal year beginning January 1, 2011. Early adoption is permitted. This Section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

c) Section 1601 *Consolidated financial statements*. This new Section will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This Section establishes standards for the preparation of consolidated financial statements. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

d) Section 1602, *Non-Controlling interests*. This new Section will be applicable to financial statements relating to the Fund's interim and fiscal year beginning on or after January 1, 2011. Early adoption is permitted. This Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Fund has not yet determined the impact of the adoption of this new Section on the consolidated financial statements.

7. Risks and Uncertainties

The following section examines the major risks and uncertainties that could materially affect YPG's future business results and explains how these risks are managed.

Understanding and managing risks are important parts of YPG's strategic planning process. The Board requires that our senior management identify and properly manage the principal risks related to our business operations. To understand and manage risks at YPG, our Board and senior management analyze risks in three major categories:

1. Strategic risks – which are primarily external to the business;
2. Financial risks – generally related to matters addressed in the Financial Risk Management Policy and in the Pension Statement of Investment Policy and Procedures; and,
3. Operational risks – related principally to risks under the control of management across key functional areas of the organization.

YPG has put in place certain guidelines in order to manage the risks to which it may be exposed. Please refer to the MD&A for the year ended December 31, 2008 for a complete description of these risk factors. Despite these guidelines, the Company cannot provide assurances that any such efforts will be successful. Our risks and uncertainties have not changed since the release of our MD&A for the year ended December 31, 2008. For more information, please refer to the corresponding section in our MD&A for the year ended December 31, 2008.

8. Controls and Procedures

Management including the President and Chief Executive Officer and the Executive Vice President – Corporate Services and Chief Financial Officer have determined that there were no changes to the internal control over financial reporting during the quarter ended March 31, 2009 that would materially affect or are reasonably likely to materially affect its internal control over financial reporting.