

Management's Discussion and Analysis

August 6, 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 and six-month periods ended June 30, 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 June 30, 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 August 6, 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 Your 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, hometrader.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 second quarter 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 \$9.4 million or 2.2% over the second quarter of 2008 to \$421.2 million. Revenues decreased by \$12.9 million or 3 % to \$417.5 million in the same period;
- Adjusted EBITDA decreased by \$9.3 million or 4% over the second quarter of 2008 to \$226.1 million. Income from operations before depreciation and amortization and restructuring and special charges decreased by \$11.9 million or 5% to \$224.1 million in the same period; and
- Distributable cash per unit decreased by \$0.01 over the second quarter of 2008 to \$0.35.

Highlights by Segment¹

(in thousands of Canadian dollars—except unit information)

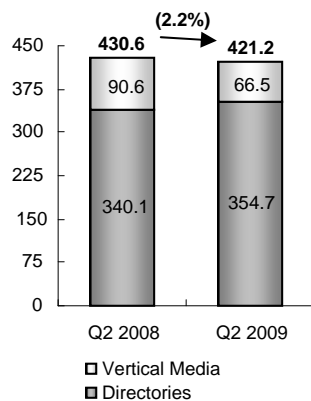
	Three-month periods ended June 30,					
	Directories		Vertical Media		Consolidated	
	2009	2008	2009	2008	2009	2008
Revenues	\$351,060	\$339,878	\$66,474	\$90,564	\$417,534	\$430,442
Income from operations before depreciation and amortization and restructuring and special charges	\$202,750	\$203,549	\$21,319	\$32,432	\$224,069	\$235,981
Basic earnings per unit					\$0.23	\$0.26
Cash flow from operating activities					\$185,487	\$181,839
Adjusted Revenues ²	\$354,747	\$340,056	\$66,474	\$90,564	\$421,221	\$430,620
Adjusted EBITDA ²	\$204,802	\$203,012	\$21,319	\$32,432	\$226,121	\$235,444
Distributable cash ³					\$181,653	\$190,942
Distributable cash per unit					\$0.35	\$0.36

¹ We closed the acquisitions of the assets of 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.

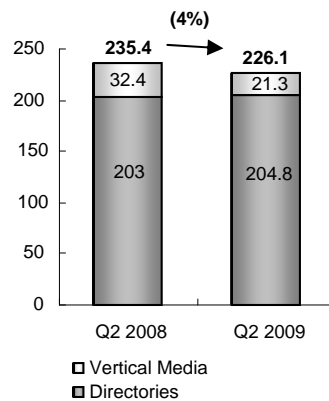
² Please refer to definitions relative to understanding our results on page 4 of this MD&A and Consolidated Results table on page 6 of this MD&A for a reconciliation of Adjusted Revenues and Adjusted EBITDA.

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

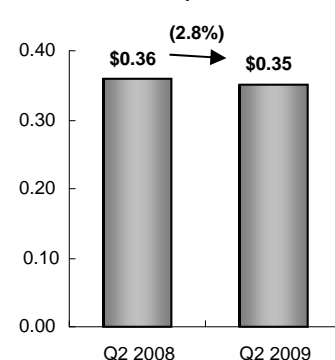
Adjusted Revenues
(in millions of dollars)



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

In our efforts to improve customer facing productivity and experience, we continued to work on our automated client information tools. The deployment of phase 4 - contract closure, is progressing as planned in our Central and Atlantic regions. We have 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 in early 2010.

Enhancement and expansion of products

Online growth continued to be strong in the second quarter driven by a consistent focus on expanding the strategy related to directory category bundles and continued innovation in online offerings for both the user and the advertiser.

From a consumer perspective we successfully launched YellowPages.ca™ mobile search applications for the iPhone™, Blackberry® and Google™ Android™ smartphones during the second quarter. These applications provide consumers with a user-friendly tool to easily search for local businesses and people from their mobile devices.

The Enhanced Directory Plus bundle (which includes Google Adwords™) and our online video product Profile Plus, both of which were launched in 2008, continue to have strong momentum and will remain a focus for the balance of the year. The Showcase bundle which was launched last year also continues to be enthusiastically received by customers. It offers a compelling value proposition by providing advertisers with visibility in both print and online, coupled with increased advertising exposure through a video, additional business information and Google Adwords™. The bundle strategy will be further expanded to include pilots, in selected markets, of Silver, Gold and Platinum Showcase bundles that will provide the option of a larger print display ad and thereby improved online ranking. All of the bundles offer multimedia coverage in print, online with yp.ca on YellowPages.ca and search engines as well as through YellowPages.ca's mobile search applications.

These product innovations translate into an improved value proposition for our advertisers and enhance our position as Canada's leading local commercial search provider.

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 Dot Com, Inc. (Dealer.com), is well underway and sales training has been completed in Ontario, Alberta, Manitoba, Saskatchewan and British Columbia. In Ontario, all TDSR (Trader Dealer Showroom) customers have been converted to the new offering as of the second quarter of 2009. Deployment began in July for Alberta and will begin in August for Manitoba, Saskatchewan and British Columbia. Dealer Smart Solutions expands the breadth of Trader's online advertising solutions and leverages the investments we have 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.

Redesign of the home page, results page and new car section of AutoTrader.ca were completed in the second quarter of 2009. Dealer inventory is now accessible via a maximum of two clicks which should improve user satisfaction and advertiser return on investment.

Consolidated Operating and Financial Results

Consolidated Results

(in thousands of Canadian dollars – except unit information)

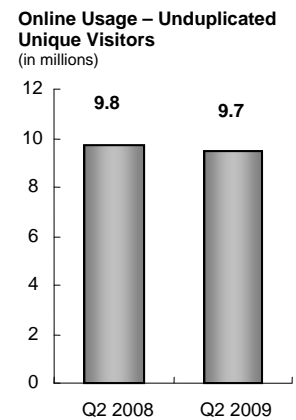
	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
Revenues	\$417,534	\$430,442	\$825,887	\$845,013
Operating costs	193,465	194,461	377,955	381,639
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	224,069	235,981	447,932	463,374
Depreciation and amortization	34,005	50,860	72,122	106,824
Restructuring and special charges	20,584	-	20,584	-
Income from operations	169,480	185,121	355,226	356,550
Financial charges, net	37,401	30,221	74,957	64,886
Earnings before dividends on Preferred shares, income taxes, share of losses from equity investees and non-controlling interest	132,079	154,900	280,269	291,664
Dividends on Preferred shares	5,687	5,687	11,375	11,375
Earnings before income taxes, share of losses from equity investees and non-controlling interest	126,392	149,213	268,894	280,289
Provision for income taxes	7,898	13,293	18,491	17,264
Share of losses from equity investees	1,589	-	1,411	-
Non-controlling interest	78	234	552	351
Net earnings	\$116,827	\$135,686	\$248,440	\$262,674
Basic earnings per unit	\$0.23	\$0.26	\$0.48	\$0.50
Diluted earnings per unit	\$0.19	\$0.24	\$0.40	\$0.46
Revenues	\$417,534	\$430,442	\$825,887	\$845,013
Elimination of purchase accounting impact	3,687	178	8,876	736
Adjusted Revenues¹	\$421,221	\$430,620	\$834,763	\$845,749
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	\$224,069	\$235,981	\$447,932	\$463,374
Elimination of purchase accounting impact	2,052	(537)	4,094	(1,327)
Adjusted EBITDA¹	\$226,121	\$235,444	\$452,026	\$462,047
Adjusted EBITDA margin	53.7%	54.7%	54.2%	54.6%
Total assets			\$9,397,527	\$9,209,699
Total long-term debt			\$2,788,330	\$2,507,831

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 2008 and 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 \$12.9 million to \$417.5 million during the second quarter of 2009 and by \$19.1 million to \$825.9 million for the six-month period ended June 30, 2009, compared with the same periods 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 \$24.1 million during the second quarter of 2009 and by \$41.7 million for the six-month period ended June 30, 2009, compared with the same periods last year. YPG USA contributed \$8 million of revenues for the second quarter of 2009, and \$15.9 million for the six-month period ended June 30, 2009. Organic online revenue growth reached 23.2% for the second quarter below our growth target of 30% due mainly to lower revenues in the Vertical Media segment. Online revenues from the Directories and Vertical Media segments combined reached \$75.2 million in the second quarter of 2009 and \$143.8 million for the six months period ended June 30, 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 9.7 million unduplicated unique visitors¹ on average during the second quarter of 2009. The continuing shift in the media and publishing industries towards more online content continues to place more pressure on our traditional print offerings especially in the Vertical Media segment.



EBITDA

EBITDA decreased by \$11.9 million to \$224.1 million during the second quarter of 2009, and by \$15.4 million to \$447.9 million for the six-month period ended June 30, 2009, compared with the same periods last year. The decrease for the period is directly attributable to lower revenues in the Vertical Media segment.

Cost of sales decreased by \$2.9 million to \$116.7 million during the second quarter of 2009 and by \$3.2 million to \$229.1 million for the six-month period ended June 30, 2009, compared with the same periods 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. The cost reduction was partly offset by the cost incurred by YPG USA which was acquired in the third quarter of 2008.

Gross profit margin was relatively stable at 72.1% for the second quarter of 2009 compared to 72.2% for the second quarter in 2008 and at 72.3% for the six-month period ended June 30, 2009 compared to 72.5% for the same period last year.

General and administrative expenses increased by \$1.9 million to \$76.8 million during the second quarter of 2009 compared with the same period last year, and remained relatively stable at \$148.9 million for the six-month period ended June 30, 2009. The increase in general and administrative expenses is mainly attributable to costs at YPG USA.

Depreciation and amortization

Depreciation and amortization decreased by \$16.9 million to \$34 million during the second quarter of 2009 compared with the same period last year, and decreased by \$34.7 million to \$72.1 million for the six-month period ended June 30, 2009. 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.

¹ Source: comScore Media Metrix Canada.

Restructuring and special charges

During the second quarter of 2009, we recorded non-recurring charges relating to an internal reorganization, workforce reduction, the termination of certain contractual obligations and other items amounting to \$20.6 million.

Financial charges and dividends on preferred shares

Financial charges increased by \$7.2 million to \$37.4 million during the second quarter of 2009 compared with the same period last year, and increased by \$10.1 million to \$75 million for the six-month period ended June 30, 2009. The increase is due to the charges related to derivative financial instruments. The effective average interest rate on our debt portfolio as of June 30, 2009 was 5.1%. Dividends on the two series of preferred shares amounted to \$5.7 million in the second quarters of 2009 and 2008 and \$11.4 million for the six-month periods ended June 30, 2009 and 2008.

Provision for income taxes

The combined effective provincial and federal tax rate was 30.6 % and 31.6% in 2009 and 2008. The Fund recorded tax expenses of 6.4% and 6.9% of the earnings for the second quarter and the six-month period ended June 30, 2009, 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.

Shares of losses from equity investees

During the second quarter we recorded our share of losses from our equity investments in the amount of \$1.6 million.

Net earnings

Net earnings decreased by \$18.9 million to reach \$116.8 million during the second quarter of 2009 and by \$14.2 million to \$248.4 million for the six-month period ended June 30, 2009, compared with the same periods last year. The decrease in revenues and the restructuring and special charges have driven the decrease in net earnings.

Analysis of Adjusted Consolidated Operating and Financial Results

Adjusted Revenues

Adjusted Revenues decreased by \$9.4 million to \$421.2 million in the second quarter of 2009 and by \$11 million to \$834.8 million for the six-month period ended June 30, 2009, compared to the same periods last year. Despite the contribution of \$11.7 million from YPG USA during the second quarter of 2009 and \$24.8 million for the six-month period ended June 30, 2009, the decline in adjusted revenues is due to lower revenues in the Vertical Media segment.

Adjusted EBITDA

Adjusted EBITDA decreased by \$9.3 million to \$226.1 million in the second quarter of 2009, and by \$10 million to \$452 million for the six-month period ended June 30, 2009, compared to the same periods last year. The decrease is largely due to lower revenues in the Vertical Media segment.

Cost of sales decreased by \$2 million to \$118.3 million in the second quarter of 2009, and by \$0.4 million to \$233.9 million for the six-month period ended June 30, 2009, compared to the same periods last year. The decrease is due to lower revenues in the Vertical Media segment as well as cost containment efforts and has been partly offset by the costs incurred by YPG USA which was acquired in the third quarter of 2008.

Gross profit margin was slightly lower at 71.9% in the second quarter of 2009 compared to 72.1% in the second quarter of 2008. Over the six-month period ended June 30, 2009, the gross profit margin decreased to 72% from 72.3% recorded during the same period last year. The decrease is mainly attributable to lower margins in our US directory publishing operations.

General and administrative expenses increased by \$1.9 million to \$76.8 million in the second quarter of 2009 compared to the same period last year and decreased by \$0.5 million to \$148.9 million for the six-month period ended June 30, 2009. The increase in general and administrative expenses is mainly attributable to costs at YPG USA.

Summary of Consolidated Quarterly Results

Quarterly Results

(in thousands of Canadian dollars – except unit information)

	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	\$417,534	\$408,353	\$425,559	\$426,141	\$430,442	\$414,571	\$412,566	\$416,507
Operating costs	193,465	184,490	194,020	188,348	194,461	187,178	190,670	188,005
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	224,069	223,863	231,539	237,793	235,981	227,393	221,896	228,502
Depreciation and amortization	34,005	38,117	45,872	33,369	50,860	55,964	66,826	64,746
Restructuring and special charges	20,584	-	36,225	-	-	-	-	-
Income from operations	169,480	185,746	149,442	204,424	185,121	171,429	155,070	163,756
Financial charges, net	37,401	37,556	42,644	34,731	30,221	34,665	33,281	34,164
Impairment of available-for-sale investment	-	-	418	4,357	-	-	-	-
Earnings before dividends on Preferred shares, income taxes, share of losses (earnings) from equity investees and non-controlling interest	132,079	148,190	106,380	165,336	154,900	136,764	121,789	129,592
Dividends on Preferred shares	5,687	5,688	5,687	5,688	5,687	5,688	5,688	5,654
Earnings before income taxes, share of losses (earnings) from equity investees and non-controlling interest	126,392	142,502	100,693	159,648	149,213	131,076	116,101	123,938
Provision for (recovery of) income taxes	7,898	10,593	21	13,379	13,293	3,971	(40,877)	1,703
Share of losses (earnings) from equity investees	1,589	(178)	-	-	-	-	-	-
Non-controlling interest	78	474	182	206	234	117	(70)	98
Net earnings	\$116,827	\$131,613	\$100,490	\$146,063	\$135,686	\$126,988	\$157,048	\$122,137
Basic earnings per unit	\$0.23	\$0.26	\$0.19	\$0.28	\$0.26	\$0.24	\$0.29	\$0.23
Diluted earnings per unit	\$0.19	\$0.21	\$0.17	\$0.25	\$0.24	\$0.22	\$0.28	\$0.22
Revenues	\$417,534	\$408,353	\$425,559	\$426,141	\$430,442	\$414,571	\$412,566	\$416,507
Elimination of purchase accounting impact	3,687	5,189	-	15	178	558	806	1,142
Adjusted Revenues	\$421,221	\$413,542	\$425,559	\$426,156	\$430,620	\$415,129	\$413,372	\$417,649
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	\$224,069	\$223,863	\$231,539	\$237,793	\$235,981	\$227,393	\$221,896	\$228,502
Elimination of purchase accounting impact	2,052	2,042	(115)	(312)	(537)	(790)	(875)	(857)
Adjusted EBITDA	\$226,121	\$225,905	\$231,424	\$237,481	\$235,444	\$226,603	\$221,021	\$227,645
Adjusted EBITDA margin	53.7%	54.6%	54.4%	55.7%	54.7%	54.6%	53.5%	54.5%

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 and second quarters 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 first and second quarters of 2009 were negatively impacted by the 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 restructuring and special charges were recorded during the fourth quarter of 2008 and the second quarter of 2009.

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, or 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 second quarter 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 product offerings to continue, but also expect cyclical revenue pressure to remain in our traditional print offerings. Given the current economic climate we reported in the first quarter that, we do not expect to meet our Revenue and EBITDA targets for the Directories segment in 2009. Please refer to Section 5 – Outlook for a more thorough discussion.

Adjusted Revenues grew organically below our 2009 target range for the second quarter of 2009 at 0.9%. Adjusted Revenues including revenues from YPG USA grew by 4.3%. The adjusted revenue growth reflects a lower than expected performance in the print category. 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. Adjusted EBITDA increased by 0.9%. Our Adjusted EBITDA grew below our 2009 target range for the second quarter of 2009. During the second quarter of 2009, the Company recorded non-recurring expenses amounting to \$4.3 million. These represent non-recurring costs associated with the current economic conditions. Excluding this non-recurring expense, Adjusted EBITDA grew by 3%. Please refer to Section 5 – Outlook for a discussion of our 2009 revised targets.

Operating and Financial Results

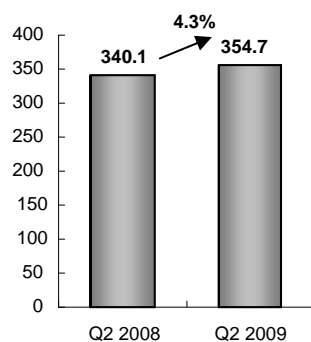
Operating Results¹

(in thousands of Canadian dollars)

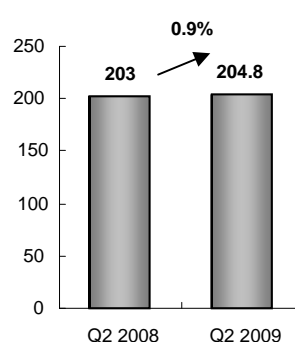
	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
Revenues	\$351,060	\$339,878	\$699,859	\$677,309
Operating costs	148,310	136,329	289,309	269,584
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	202,750	203,549	410,550	407,725
Depreciation and amortization	28,764	43,073	61,026	89,473
Restructuring and special charges	15,161	-	15,161	-
Income from operations	\$158,825	\$160,476	\$334,363	\$318,252
Revenues	\$351,060	\$339,878	\$699,859	\$677,309
Elimination of purchase accounting impact	3,687	178	8,876	736
Adjusted Revenues	\$354,747	\$340,056	\$708,735	\$678,045
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	\$202,750	\$203,549	\$410,550	\$407,725
Elimination of purchase accounting impact	2,052	(537)	4,094	(1,327)
Adjusted EBITDA	\$204,802	\$203,012	\$414,644	\$406,398

¹ See Note 18 - Segmented Information of the interim consolidated financial statements of the Company for the period ended June 30, 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 \$11.2 million to \$351.1 million during the second quarter of 2009 and by \$22.6 million to reach \$699.9 million for the six-month period ended June 30, 2009, compared with the same periods last year. Excluding the effect of purchase accounting, Adjusted Revenues increased by \$14.7 million to \$354.7 million during the second quarter of 2009, and by \$30.7 million to \$708.7 million for the six-month period ended June 30, 2009, compared with the same periods last year. Organic growth amounted to \$2.9 million or 0.9% for the second quarter of 2009, and \$5.9 million or 0.9% for the six-month period ended June 30, 2009 driven by continued growth in online revenues. As of June 30, 2009 the number of directories customers choosing to advertise both in print and online reached 61% across Canada compared to 57% for the corresponding period last year. YPG USA contributed

\$8 million of revenues and \$11.7 million of adjusted revenues for the second quarter of 2009 and \$15.9 million of revenues and \$24.8 million of adjusted revenues for the six-month period ended June 30, 2009.

EBITDA and Adjusted EBITDA

EBITDA decreased by \$0.8 million to \$202.8 million in the second quarter of 2009 and increased by \$2.8 million to reach \$410.6 million for the six-month period ended June 30, 2009, compared with the same periods last year. Excluding the effect of purchase accounting, Adjusted EBITDA increased by \$1.8 million to \$204.8 million in the second quarter of 2009 and by \$8.2 million to \$414.6 million for the six-month period ended June 30, 2009, compared with the same periods last year. The increases result mainly from our cost containment efforts in the supply chain and as a result of the creation of a center of excellence in our publishing operations.

Cost of sales amounted to \$85.6 million in the second quarter of 2009 compared with \$77.5 million for the same period last year. In the first six months of 2009, cost of sales was \$169.2 million compared to \$152.5 million for the first six months of 2008. Excluding the effect of purchase accounting, cost of sales increased in the second quarter of 2009 to \$87.2 million compared with \$78.2 million for the same period last year. In the first six months of 2009, cost of sales increased to \$173.9 million compared to \$154.5 million for the same period last year. These increases are due to our new operations in the USA which are partly offset by the results of our cost containment efforts.

Gross profit margin was lower at 75.6% in the second quarter of 2009 compared to 77.2% for the same period last year and 75.8% for the six-month period ended June 30, 2009 compared to 77.5% for the same period last year. Excluding the effect of purchase accounting, gross profit margin was 75.4% in the second quarter of 2009 compared to 77% for the same period last year and 75.5% for the six-month period ended June 30, 2009 compared to 77.2% 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 second quarter of 2009 increased by \$3.9 million to \$62.8 million and by \$3 million to \$120.1 million for the six-month period ended June 30, 2009, compared with the same periods last year. The increase reflects the costs associated with YPG USA acquired in the third quarter of 2008 and the non-recurring bad debt expense associated with the current economic climate offset by our cost containment efforts in the three and six-month periods ended June 30, 2009.

Depreciation and amortization

Depreciation and amortization decreased from \$43.1 million in the second quarter of 2008 to \$28.8 million in the second quarter of 2009. Over the first six months of 2009, when compared to the same period last year, depreciation and amortization decreased to \$61 million from \$89.5 million. The decrease in the three-month and six month periods ended June 30, 2009 compared to the same periods 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 \$10.5 million for the second quarter of 2009, down from \$11.4 million for the second quarter of 2008 and \$20.6 million for the six-month period ended June 30, 2009 compared to \$22.5 million for the same period last year.

Restructuring Initiatives

During the second quarter of 2009, we undertook additional restructuring initiatives to further improve our operational capabilities. As a result of an internal reorganization, workforce reductions and the termination of certain contractual obligations, the Fund recorded restructuring and special charges of \$15.2 million in the second quarter.

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 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 or 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 second quarter, approximately 36.5% of Vertical Media revenues were generated from online products. However, we continued to experience pressure in our traditional print offerings. Given these results and the current economic climate, we reported in the first quarter that we do not expect to meet our Revenue and EBITDA targets for the Vertical Media segment in 2009.

For the second quarter, revenues were lower by 22.4%, excluding US operations sold in October 2008, publications that were discontinued, and ad centers that were closed in late 2008. The adverse economic conditions which have prevailed throughout the second quarter impacted our ability to generate revenue growth consistent with our objectives. In our largest vertical, automotive, representing two-thirds of Trader revenues, reduced spending on vehicle advertising reflected the economic environment which impacted vehicle sales as potential buyers limited their spending. In the real estate vertical, representing approximately 19% of revenues, advertising continues to be impacted by the reduced activity in the new homes and condos market which is down in all regions across Canada. Despite significant cost savings from our cost containment initiatives. EBITDA decreased by 34.3%, below our target range for the second quarter, as a result of the accelerated revenue shortfall. Please refer to Section 5 – Outlook for a discussion of our 2009 revised targets.

Operating and Financial Results

Operating Results¹

(in thousands of Canadian dollars)

	Three-month periods ended		Six-month periods ended	
	2009	June 30, 2008	2009	June 30, 2008
Revenues	\$66,474	\$90,564	\$126,028	\$167,704
Operating costs	45,155	58,132	88,646	112,055
Income from operations before depreciation and amortization and restructuring and special charges (EBITDA)	21,319	32,432	37,382	55,649
Depreciation and amortization	5,241	7,787	11,096	17,351
Restructuring and special charges	5,423	-	5,423	-
Income from operations	\$10,655	\$24,645	\$20,863	\$38,298

¹ See Note 18 – Segmented Information of the interim consolidated financial statements of the Company for the period ended June 30, 2009.

Analysis of Operating and Financial Results

Revenues

Revenues from our Vertical Media segment amounted to \$66.5 million in the three-month period ended June 30, 2009 compared to \$90.6 million for the same period last year representing a 26.6% decrease. Revenues for the six-month period ended June 30, 2009 amounted to \$126 million compared to \$167.7 million for the same period last year, representing a decline of 24.9%. Excluding the impact of the U.S. operations sold in October 2008, the revenue decline for the quarter ended June 30, 2009, is attributable to lower revenues across all product verticals and all regions.

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 first half of 2009 which should position us for a future economic recovery.

EBITDA

EBITDA decreased by \$11.1 million to \$21.3 million for the second quarter of 2009 and decreased by \$18.3 million to \$37.4 million for the six-month period ended June 30, 2009, compared to the same periods last year due to lower revenues.

Cost of sales decreased to \$31.1 million for the second quarter of 2009 compared to \$42.1 million for the same period last year. For the six-month period ended June 30, 2009, cost of sales was \$59.9 million compared to \$79.8 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 with respect to our call center operations as well as optimization of circulation and distribution capabilities for our print publications.

Gross profit margin remained relatively stable at 53.2% for the second quarter of 2009 compared to 53.5% for the same period last year and unchanged at 52.4% for the six-month period ended June 30, 2009 compared the same period last year.

General and administrative expenses amounted to \$14 million in the second quarter of 2009 compared to \$16 million for the same period last year. For the six-month period ended June 30, 2009, general and administrative expenses were \$28.7 million compared to \$32.2 million for the same period last year. The reduction is a reflection of our cost containment initiatives.

Depreciation and amortization

Depreciation and amortization amounted to \$5.2 million in the second quarter of 2009 compared to \$7.8 million for the same period last year and \$11.1 million for the six-month period ended June 30, 2009 compared to \$17.4 million for the same period last year. Excluding the effect of purchase accounting, depreciation and amortization was \$4.9 million for the second quarter of 2009 compared to \$4.6 million for the same period last year, and \$10.5 million for the first six months of 2009 compared to \$7.5 million for the same period last year due to higher amortization of software.

Restructuring initiatives

During the second quarter of 2009, we continued to make progress in positioning Trader for future growth and profitability by planning and executing initiatives to optimize our call centres and the circulation and distribution for our print publications. As a result, the Fund recorded restructuring and other special charges of \$5.4 million during the quarter.

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.

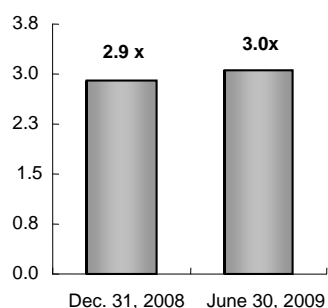
Financial Position

Capital Structure

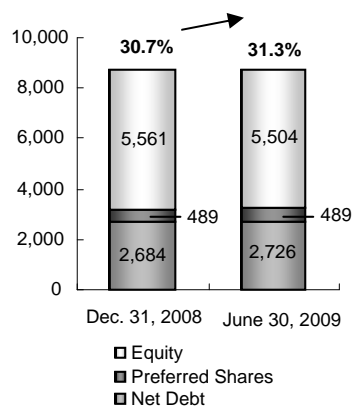
(in thousands of Canadian dollars)

	As at June 30, 2009	As at December 31, 2008
Cash and cash equivalents	\$63,743	\$25,054
Medium Term Notes	1,855,766	2,051,370
Exchangeable Debentures	288,070	285,470
Credit facilities	250,000	358,700
Commercial paper	388,000	-
Obligations under capital leases	8,272	13,786
Long-term debt, including current portion	\$2,790,108	\$2,709,326
Net debt (net of cash and cash equivalents)	\$2,726,365	\$2,684,272
Preferred shares	489,499	489,072
Net debt and Preferred shares (net of cash and cash equivalents)	3,215,864	3,173,344
Unitholders' equity	5,503,769	5,561,492
Total capitalization including Preferred shares	\$8,719,633	\$8,734,836
Net debt to total capitalization	31.3%	30.7%
Net debt and Preferred shares to total capitalization	36.9%	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 June 30, 2009, YPG had approximately \$2.7 billion of debt net of cash and cash equivalents, or \$3.2 billion including preferred shares which was higher than the net debt position as at December 31, 2008. The increase in net debt and preferred shares during the quarter results from capital deployed for investments, the purchase of restricted units under the long-term incentive plan, offset by positive operating free cash flow (net of distributions). The net debt to Latest Twelve Month Adjusted EBITDA¹ ratio as of June 30, 2009 was 3.0 times, compared to 2.9 times as of December 31, 2008. The net debt and preferred shares to Latest Twelve Month Adjusted EBITDA¹ ratio was at 3.5 times as of June 30, 2009. The net debt to total capitalization was at 31.3% compared to 30.7% as of December 31, 2008, while the net debt and preferred shares to total capitalization stood at 36.9% as of June 30, 2009 compared to 36.3% as of December 31, 2008.

Credit Facilities and Commercial Paper Program

As at August 6, 2009, YPG has in place two senior unsecured credit facilities (the Credit Facilities) totalling \$800 million 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 \$100 million private placement from an institutional investor (the Private Facility) maturing July 23, 2014.

Currently, 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 a 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. 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 did not request an extension of the revolving period on the new revolving facility. Therefore, on May 7, 2009, this facility automatically converted to a 2-year non revolving term loan maturing in May 2011 (the New Credit Facility). From that date, repayments on the New Credit Facility will automatically reduce the limit of the facility. On June 25, 2009 and July 22, 2009, the New Credit Facility drawings were repaid in full using a portion of the proceeds from the issuance of Medium Term Notes Series 7, 8 and 9. Please refer to the Medium Term Notes Program section. The New Credit Facility has now been cancelled.

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. During the second quarter of 2009, the Company continued to take 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 June 30, 2009, there was \$388 million of commercial paper outstanding (no amount was outstanding at December 31, 2008). As of June 30, 2009, there was no amount drawn under the Principal Revolving Facility, compared to \$358.7 million drawn as at December 31, 2008.

On July 24, the Company drew \$100 million on the Private Facility. This term facility will be used for general corporate purposes and matures on July 23, 2014.

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").

All 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 June 30, 2009.

Medium Term Note Program

YPG Holdings Inc. had a total of \$1.9 billion of notes outstanding under its Medium Term Note program as of June 30, 2009 with varying maturity dates between 2011 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.

On June 25, 2009, YPG Holdings Inc. issued Medium Term Notes Series 7 for gross proceeds of \$260 million maturing on February 2, 2015. These notes bear interest at 7.30% and were issued at par. Of the net proceeds \$200 million was used to reduce indebtedness under the New Credit Facility while the balance was used to reduce commercial paper indebtedness as well as for general corporate purposes. As at June 30, 2009, indebtedness under the New Credit Facility stood at \$250 million.

On July 3, 2009, YPG Holdings issued Medium Term Notes Series 8 for gross proceeds of \$90 million maturing on December 3, 2013. These notes bear interest at 6.85% and were issued at par. Of the net proceeds \$50 million was applied against the New Credit Facility whereas the remainder was used to repay commercial paper indebtedness, and for general corporate purposes.

On July 10, 2009, YPG Holdings Inc. re-opened Medium Term Notes Series 8 for an additional amount of \$35 million. Concurrently, Medium Term Notes Series 9 were issued for gross proceeds of \$130 million maturing on July 10, 2013. The re-opening of Series 8 was done under the same terms and conditions, whereas the Series 9 notes, offered exclusively to retail investors, bear interest at 6.50% and were issued at par. The entire net proceeds of the July 10, 2009 issuances were used to repay the indebtedness under the New Credit Facility.

Medium Term Notes Series 7, 8 and 9 were issued under our Short Form Base Shelf Prospectus dated June 20, 2008. This prospectus has a life of 25 months and a remaining balance of \$485 million. The recent long-term debt issuances are consistent with our past financing practices, our objective being to refinance drawings under the New Credit Facility with longer term funded debt or through the issuance of other capital market securities.

Following the issuance of Medium Term Notes Series 7, 8 and 9, the Company is subject to remain under a maximum ratio of Funded Debt to Latest Twelve Month Adjusted EBITDA¹ of 4.25 times upon the incurrence of additional debt. The Company will be subject to this incurrence test as long as any of Medium Term Notes Series 7, 8 or 9 remain outstanding.

Following the issuance of Medium Term Notes Series 7, 8 and 9, the Company's credit ratings for the Medium Term Notes program remained unchanged at BBB (high) with a stable trend from DBRS Limited, and BBB- with a stable outlook from Standard & Poor's Rating Service.

During the second quarter of 2009, the Company also repurchased for cancellation \$2.5 million face value of Medium Term Notes Series 2, maturing in 2014 with a coupon of 5.71%.

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").

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.

On June 9, 2009, the Fund received approval from the Toronto Stock Exchange on its notice of intention to make a normal course issuer bid for its first preferred shares through the facilities of the Toronto Stock Exchange from June 11, 2009 to June 10, 2010, in accordance with applicable regulations of the Toronto Stock Exchange. Under its normal course issuer bid, the Fund intends to purchase for cancellation up to 1,200,000 and 800,000 of its outstanding Preferred Shares Series 1 and 2, respectively. These figures represent 10% of the public float of each series of preferred shares outstanding on June 9, 2009. Since June 11, 2009, 8,800 Preferred Shares Series 1 and 12,600 Preferred Shares Series 2 were repurchased at average prices of \$22.47 and \$17.43, respectively. The total cost of repurchasing preferred shares in the second quarter of 2009 amounted to \$0.4 million, including brokerage fees.

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 June 30, 2009, YPG maintained two credit facilities totalling \$950 million, providing sufficient liquidity to fund its operations.

Following the debt issuances in June and July 2009, the remaining balance of \$250 million of the New Credit Facility was repaid and cancelled.

On July 24, the Company drew \$100 million on the Private Facility. This term facility will be used for general corporate purposes and matures on July 23, 2014.

As a result of these financing activities, the Company currently maintains \$800 million of credit facilities. On June 30, 2009, cash and cash equivalents amounted to \$63.7 million. In addition to cash and cash equivalents, YPG Holdings Inc. may issue additional notes amounting to \$112 million under its commercial paper program and access another \$200 million under its Principal Revolving Facility. Alternatively, if additional notes are not issued under the commercial paper program, YPG Holdings may access the full \$312 million available under its Principal Revolving Facility.

Unit data

As at August 6, 2009 outstanding unit data was as follows:

Outstanding Unit Data		
	As at June 30 and August 6, 2009	As at December 31, 2008
Units outstanding	518,035,546	518,301,059
Options outstanding	393,125	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 August 6, 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. Under normal course issuer bid program in effect since June 11, 2009, Preferred Shares Series 1 and 2 were purchased for cancellation in June 2009. As at June 30, 2009, there were 11,991,200 Preferred Shares Series 1 and 7,987,400 Preferred Shares Series 2 outstanding.

On April 1, 2009, the normal course issuer bid for the Units of the Fund expired and was not extended.

Contractual Obligations and Other Commitments

Contractual obligations

(in thousands of Canadian dollars)

	Payments due for the periods ending December 31				
	Total	6 months	1 – 3 years	4 – 5 years	After 5 years
Long-term debt ^{1,2}	\$2,795,500	\$-	\$1,088,000	\$297,500	\$1,410,000
Obligations under capital leases	8,272	999	5,494	1,767	12
Preferred shares ²	499,465	-	299,780	-	199,685
Operating leases	180,680	12,803	67,082	39,835	60,960
Purchase obligations	16,423	10,117	3,181	250	2,875
Total contractual obligations	\$3,500,340	\$23,919	\$1,463,537	\$339,352	\$1,673,532

¹ Including Exchangeable Debentures

² Principal amount

Obligations under capital leases

We enter into capital lease agreements for office equipment and software. As of June 30, 2009, minimum payments under these capital leases up to 2015 totalled \$8.3 million.

Operating leases

We rent our premises and equipment under various operating leases. As of June 30, 2009, minimum payments under these operating leases up to 2019 totalled \$180.7 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 June 30, 2009, we have an obligation to purchase services for \$16.4 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)

	Three-month periods ended		Six-month periods ended	
	2009	June 30, 2008	2009	June 30, 2008
Cash flow from operating activities				
Cash flow from operations	\$162,728	\$198,614	\$344,490	\$389,934
Change in operating assets and liabilities	22,759	(16,775)	38,415	(62,757)
	\$185,487	\$181,839	\$382,905	\$327,177
Cash flow used in investing activities				
Acquisition of equity investments	\$(2,800)	\$-	\$(47,698)	\$-
Business acquisition, net of cash acquired and bank indebtedness assumed	(25,189)	-	(25,189)	(17,250)
Acquisition of fixed assets	(12,313)	(11,787)	(24,802)	(23,915)
Acquisition of intangibles	(246)	(100)	(246)	(100)
Proceeds from lease inducements	-	40	33	40
	\$(40,548)	\$(11,847)	\$(97,902)	\$(41,225)
Cash flow used in financing activities				
Issuance of long-term debt	\$562,000	\$49,600	\$699,300	\$104,655
Repayment of long-term debt	(510,836)	(17,322)	(611,880)	(17,322)
Distributions to Unitholders	(134,150)	(148,989)	(284,683)	(298,807)
Repurchase of Units	-	(54,115)	(13,382)	(54,115)
Other	(31,036)	1,327	(35,310)	(19,988)
	\$(114,022)	\$(169,499)	\$(245,955)	\$(285,577)

Cash flow from operating activities

Cash flow from operating activities increased from \$181.8 million in the second quarter of 2008 to \$185.5 million in the second quarter of 2009, and to \$382.9 million in the six-month period ended June 30, 2009 from \$327.2 million in the same period last year. Cash flow from operations decreased by \$35.9 million and \$45.4 million for the three-month and six-month periods ended June 30, 2009, respectively. The decrease reflects lower Adjusted EBITDA contribution generated through our operations as a result of lower revenues and the restructuring and special charge. The increase in operating assets and liabilities for the second quarter of 2009 was \$39.5 million when compared to the same period last year and \$101.2 million for the six-month period ended June 30, 2009 compared to same period last year. These changes are mainly due to 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 second quarter of 2009 from \$11.8 million in 2008 to \$40.5 million in 2009, and to \$97.9 million in the six-month period ended June 30, 2009 from \$41.2 million in the same period last year. During the first quarter of 2009, the Fund made an investment in Dealer.com representing a total cash outflow of \$44.9 million. During the second quarter of 2009, the Fund exercised its option to acquire the remaining 50% interest in LesPAC in which the Fund already had a 50% ownership representing a total cash outflow of \$25.2 million. Acquisition of fixed assets also increased during the second quarter of 2009 from \$11.8 million in 2008 to \$12.3 million, and to \$24.8 million in the six-month period ended June 30, 2009 from \$23.9 million in the same period last year 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 June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
Transition capital	\$2,254	\$-	\$4,499	\$-
Maintenance	4,256	5,313	7,219	10,528
New initiatives	5,855	5,277	10,408	9,461
Leasehold improvements, net of lease inducements	613	748	711	1,081
Total	\$12,978	\$11,338	\$22,837	\$21,070
Adjustment to reflect expenditures on a cash basis	(665)	409	1,932	2,805
Acquisition of fixed assets, net of lease inducements	\$12,313	\$11,747	\$24,769	\$23,875

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 \$5.3 million in the second quarter of 2008 to \$4.3 million in the second quarter of 2009, and to \$7.2 million for the six-month period ended June 30, 2009 compared with \$10.5 million for the same period last year. The lower investments reflect reduced spending mainly in the Vertical Media segment.

Capital spending for new initiatives increased to \$5.9 million for the second quarter of 2009 compared with \$5.3 million for the second quarter of 2008 and to \$10.4 million for the six-month period ended June 30, 2009 compared with \$9.5 million for the same period last year. The increase is due to the launch of new product initiatives such as My Virtual Paper and Dealer Smart Solutions.

There were no meaningful leasehold improvement projects during the quarter.

Total capital expenditures for the second quarter of 2009 amounted to \$13 million and were in line with expectations.

Cash flow used in financing activities

The lower level of cash distributions per unit compared to the same quarter last year, combined with a reduced number of units outstanding, resulted in a decrease in distributions to unitholders from \$149 million in the second quarter of 2008 to \$134.2 million in the second quarter of 2009, and from \$298.8 million in the first six months of 2008 to \$284.7 million in the first six months of 2009.

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, the Fund 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. The interest rate swaps are comprised of two tranches: a first tranche of \$50 million which increased to \$100 million on May 3, 2009, and a second tranche of \$100 million which increased to \$200 million on May 3, 2009.

On June 1, 2009, the Fund discontinued hedge accounting on the first tranche and on June 19, 2009, the Fund discontinued hedge accounting on the second tranche. The Fund continues to hold the swaps as it continues to have the floating rate exposure under its commercial paper program. Please refer to Note 7 of the Financial Statements for further details.

In February 2009, the Fund entered into additional 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 June 30, 2009, these interest rate swaps met the criteria for hedge accounting. On July 22, 2009, the interest rate swaps were unwound concurrently with the repayment of the New Credit Facility for an amount of \$0.3 million.

Taking into consideration the debt instruments outstanding, the preferred shares, the cash and the above-mentioned derivative instruments, our fixed-to-floating ratio was 98% fixed rate as at June 30, 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 \$3.5 million and the carrying value of embedded derivatives was an asset of \$1.9 million on June 30, 2009. The carrying value is calculated as is customary in the industry using discounted cash flows with quarter-end market rates. For the second quarter of 2009, we reported an unrealized loss of \$0.9 million (2008 – \$5 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 June 30,		Six-month periods ended June 30,	
	2009	2008	2009	2008
Cash flow from operating activities	\$185,487	\$181,839	\$382,905	\$327,177
Operating non-cash items ¹	(2,159)	(5,079)	(3,421)	(10,889)
Change in operating assets and liabilities ²	(22,759)	16,775	(38,415)	62,757
Maintenance capital expenditures ³	(4,256)	(5,313)	(7,219)	(10,528)
Restructuring and special charges ⁴	20,584	-	20,584	-
Other ⁵	4,756	2,720	7,665	5,444
Distributable cash	\$181,653	\$190,942	\$362,099	\$373,961
Weighted average number of units outstanding	512,153,331	526,113,061	512,991,928	528,078,713
Distributable cash per unit ⁶	\$0.35	\$0.36	\$0.70	\$0.71
Distributions declared	\$118,195	\$148,538	\$268,527	\$298,376
Distributions declared per unit	\$0.23	\$0.28	\$0.52	\$0.57
Payout ratio ⁷	66%	78%	74%	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 Restructuring and special charges are excluded from the calculation as they do not reflect the ongoing operations of the business.

⁵ Includes amounts related to non-controlling interest in LesPAC, investments subject to significant influence, tax related amounts and other amounts that do not reflect the ongoing operations of the business.

⁶ Please refer to Section 2 – Highlights by Segment for the calculation of Basic earnings per unit.

⁷ 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 June 30, 2009	Six-month period ended June 30, 2009	Previously completed fiscal years	
			2008	2007
Cash flow from operating activities	\$185,487	\$382,905	\$692,356	\$695,540
Net earnings	\$116,827	\$248,440	\$509,227	\$527,709
Actual cash distributions declared	\$(118,195)	\$(268,527)	\$(599,930)	\$(581,986)
Excess of cash flows from operating activities over cash distributions declared	\$67,292	\$114,378	\$92,426	\$113,554
Shortfall of net earnings over cash distributions declared	\$(1,368)	\$(20,087)	\$(90,703)	\$(54,277)
Impact of purchase accounting on net earnings	\$18,514	\$40,980	\$122,981	\$166,592
Excess of net earnings over cash distributions declared excluding impact of purchase accounting	\$17,146	\$20,893	\$32,278	\$112,315

Distributions declared exceeded net earnings by \$1.4 million for the three-month period ended June 30, 2009 and \$20.1 million for the six-month period ended June 30, 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 \$17.1 million and \$20.9 million for the three-month and six-month periods ended June 30, 2009, respectively.

Cash distributions declared were lower than distributable cash resulting in a payout ratio of 66% for the three-month period ended June 30, 2009, and 74% for the six-month period ended June 30, 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 \$190.9 million in the second quarter of 2008 to \$181.7 million in the second quarter of 2009 and from \$374 million in the six-month period ended June 30, 2008 to \$362.1 million for the same period this year. The decrease is mainly due to lower EBITDA for the second quarter of 2009.

Distributable cash per unit decreased from \$0.36 in the second quarter of 2008 to \$0.35 for the second quarter of 2009. For the six months of 2009, it was \$0.70 compared to \$0.71 for the same period last year. This decrease represents a retraction of 2.8% for the second quarter of 2009 and 1.4% for the six-month period ended June 30, 2009.

The Fund's cumulative distributable cash since its Initial Public Offering ("IPO") in August of 2003 to June 30, 2009 is approximately \$3.3 billion, or \$7.04 per unit. Total distributions declared during the same period reached approximately \$2.8 billion, or \$6.00 per unit representing a cumulative payout ratio of 85%.

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 7.5 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 \$1.9 billion of our total long-term debt portfolio as of June 30, 2009, do not provide for any contractual limitations on the distribution of cash.

Distributions declared per unit

Distributions declared per unit decreased from \$0.57 in the first six-month period of 2008 to \$0.52 for the same period in 2009 as a result of the decrease in distributions per unit on an annualized basis in May 2009.

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 considered to be prudent.

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

On May 7, 2009, Yellow Pages Income Fund announced a reduction in cash distributions per unit to unitholders from \$1.17 to \$0.80 annually. This translates to a monthly cash distribution of \$0.0667 per unit. The decision to reduce the level of the payout will provide to the Company additional financial flexibility and strengthen its capital structure while still offering an attractive source of income for our investors. In the context of difficult credit market conditions, YPG has been proactive by adopting a prudent approach to managing its liquidity and capital resources.

5. Outlook

The development and execution of our corporate strategy and operating plans continue to be guided by our vision of "Connecting Buyers and Sellers". Each year, we establish targets to advance our goals and drive results through the execution of initiatives to maximize revenue growth and cash flow generation. We are confident that this consistent approach to the marketplace will enable us to generate sustainable long-term growth in revenues and positive operating leverage in Directories and Vertical Media.

Full year targets are usually established and communicated to investors concurrent with the release of our second quarter results. These targets have been established and are periodically reviewed through our ongoing business planning process. Some of the information which follows is considered "forward looking" because it is based on current expectations of our business, on the markets we operate in, and on various estimates and assumptions. Please refer to our cautionary note on page 1 for more information. For the fiscal year ending December 31, 2010, we are providing guidance on key performance indicators such as growth in Revenues, EBITDA and Distributable Cash per unit. 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 our 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 and May 2009 that this year would be challenging, we did not expect these difficult conditions to be so broad, nor their impact to be as significant. We continue to experience very challenging economic and market conditions. In developing an updated operating framework for the balance of this year and going into 2010, our planning assumption is that there will be no sustained economic recovery before early 2010. We considered, among other things, Canadian macroeconomic conditions, Canadian GDP, advertiser trends and historical usage trends. We also considered the impact of new product initiatives such as the Showcase suite of bundles and Dealer Smart Solutions.

Directories – Key Performance Indicators

Year-over-Year Performance – Directories

	Revised 2009 Target	Six-month period ended June 30, 2009	2010 Target
Adjusted Revenues	Stable at approx. \$1,400 million	\$709 million	\$1,385 to \$1,415 million
Adjusted EBITDA	\$825 to \$830 million	\$415 million	\$830 to 840 million

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 position our revenue base 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 EBITDA conversion.

The financial performance for the six-month period ended June 30, 2009 reflects operating cost savings and other benefits being realized from our national platform in directories. We continue to develop and are executing business process improvement initiatives which should result in continuing strong EBITDA performance.

The principal growth drivers for 2010 consist of maintaining our focus on customer acquisition, introducing more integrated bundles for the directory category and continuing to innovate from an online perspective. For the 2010 selling cycle, we also expect to expand the existing product offerings for online advertisers.

For fiscal year 2010 in our Directories segment, guidance for Adjusted Revenues is \$1,385 to \$1,415 million representing organic growth of -1% to 1%. Our guidance for Adjusted EBITDA is \$830 to \$840 million.

Vertical Media – Key Performance Indicators

Year-over-Year Performance – Vertical Media

	Revised 2009 Target	Six-month period ended June 30, 2009	2010 Target
Revenues	\$255 to \$265 million	\$126 million	\$275 to \$295 million
EBITDA	\$75 to \$80 million	\$37 million	\$80 to \$90 million

In our Vertical Media segment, visibility is more limited due to the weekly frequency of most of our publications somewhat compensated by online organic growth. During the period from the fourth quarter 2008 to the second quarter 2009, Trader management has dedicated significant time and resources to cost containment and the completion of restructuring initiatives. These restructuring initiatives included further consolidation of our supply chain, business process re-engineering through the digitization of front- and back-office functions, the discontinuance of underperforming publications as well as the closure of ad production centres. This was followed more recently by the planning and execution of additional initiatives to optimize our call centres as well as the circulation and distribution capabilities for our print publications.

We are in the process of diversifying our revenue sources through the introduction of integrated solutions for our customers. Through our relationship with Dealer.com, we have developed and are now deploying cost-effective solutions for automotive dealers under the Dealer Smart Solutions brand. This approach to the marketplace provides our customers with media placement and syndication, lead tracking and analytics, data capture, inventory management and website design, development and optimization capabilities. The introduction of Dealer Smart Solutions has extended Trader's historical focus on media placement to more integrated service and media solutions. Dealer Smart Solutions is also expected to support the transition to a more stable and predictable revenue model while achieving improved advertiser retention.

In our Vertical Media segment for fiscal year 2010, based on the above-mentioned factors, our guidance for Revenues is \$275 to \$295 million and \$80 to \$90 million for EBITDA.

Consolidated – Key Performance Indicators

Online Revenues

As we expand our offers of multimedia products, we expect online advertising to represent a growing share of our media mix with advertisers both in Directories and in Vertical Media. Recent online growth reflects our successful efforts to increase the proportion of our directory customers choosing to advertise online with us as well. As at June 30, 2009, online penetration in Directories had reached approximately 61% across Canada. Our initial approach to online penetration in the marketplace was to offer traditional print and online bundles to our advertisers. More recently, we have begun to extend our online product offering which is expected to further bolster our online reach and revenue generation as we further monetize our online platform.

The execution of a successful online roadmap begins by enhancing the consumer's experience. We are adopting a new approach to presenting our rich content to consumers. We have improved the user interface for online searches to provide a home page that is clearer and more intuitive. The results page is also being redesigned to show geo-relevant results while the business profile for advertisers is being revamped for better search engine optimization. These changes are expected to improve the online search experience for consumers while translating into an improved value proposition for advertisers through an evolving and expanding product line.

We expect annualized online revenues for Directories and Vertical Media combined to grow by approximately 20% in 2010. Our objective remains to grow the online proportion of Directories revenues from 14.7% currently to a target of approximately 20% as we exit 2010. Online revenues already represent 37.5% of Vertical Media revenues.

Year-over-Year Performance – Consolidated

	Revised 2009 Target	Six-month period ended June 30, 2009	2010 Target
Online organic growth	approx. 30%	26%	approx. 20%
Distributable Cash per unit	Stable	Stable	1% to 3%

Distributable Cash per unit

We have also taken decisive measures to position YPG through these difficult times. In 2009, we remain confident in our ability to achieve a level of Distributable Cash per unit that is comparable to last year. For 2010, growth of 1% to 3% 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 platforms. We may also augment cost containment through the identification and execution of additional initiatives to further integrate back- and front-office capabilities. Please refer to Section 7 – Risks and Uncertainties.

After careful consideration and analysis, and in order to position YPG through this current difficult economic cycle and to improve our financial risk profile, we made the decision to reduce 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 to unitholders, we anticipate retaining an incremental \$300 million of pre-tax earnings from now to the end of 2010, which will be mostly applied to paying down debt and improving our credit protection measures.

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.

Goodwill Impairment Testing

During the second quarter, the Fund determined that the deterioration of the economic environment in the vehicle and real estate industries and its continuing negative impact on our Vertical Media segment revenues was an indicator that the goodwill related to the Vertical Media segment should be tested for potential impairment.

The goodwill impairment test involves a two-step methodology. The Fund has initiated step one of the valuation process to determine whether goodwill is impaired. While the analysis is not yet finalized, indications are that fair value might be below the carrying value of approximately \$1 billion thus potentially requiring the performance of the second step of the analysis. Results of step two will determine the amount of impairment charge that may potentially be recorded. At the time of issuing these financial statements, the Fund has not been able to reasonably estimate the amount of potential impairment loss, and thus has not recorded an amount in its financial statements for this quarter. The impairment testing will be completed during the third quarter with any potential impairment loss recorded in net earnings for that period.

A goodwill impairment charge would be an accounting adjustment only and would not affect our ongoing operations; it would be a non-cash write-down having no impact on liquidity, cash flows from operating activities, bank credit agreements, bond indentures or future operations.

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).

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. Accordingly, the Fund will issue its last financial statements prepared in accordance with Canadian GAAP in 2010. Starting from the first quarter of 2011, The Fund's financial statements will be prepared in accordance with IFRS in effect in 2011, with 2010 comparative figures and January 1, 2010 ("date of transition") opening balance sheet restated to conform to IFRS.

Financial reporting under IFRS differs from Canadian GAAP in a number of respects, some of which are significant. IFRS on the date of adoption also is expected to differ from current IFRS due to new IFRS standards and pronouncements that are expected to be issued before the changeover date.

The Fund has established a changeover plan in order to transition its financial statement reporting, presentation and disclosure under IFRS to meet the January 1, 2011 deadline. An implementation team, which is led by finance management, has been created and third party advisors have been engaged to plan for and achieve a smooth transition to IFRS.

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:

Phase 1: 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. Phase 1 includes:

- Performing a detailed analysis of our actual accounting policies and practices with all relevant IFRS standards and applicable interpretations
- Identifying the different options available to the Fund at the date of transition as well as the ongoing IFRS policies choices that could be applied to prepare subsequent IFRS financial statements
- Classifying the differences identified by work streams along with the creation of work teams to analyze and resolve the differences. Work teams are composed of members of our implementation team and include internal stakeholders and IT resources that are trained of their respective subjects

Phase 2: Impact Analysis and Design Phase

In this phase, each area identified from the scoping and diagnostic phase will be addressed. Phase 2 includes:

- Make accounting policy choices, including those under IFRS 1 choices
- Determine the changes required to existing accounting policies
- Determine the changes or additions required to information technology and data systems, internal controls over financial reporting and disclosure controls.
- Develop draft IFRS financial statements

Phase 3: Implementation and Review Phase

In this last phase, we will implement changes in accounting policies and practices to the different business processes, information systems and internal controls. These changes will be adequately tested before the changeover date to ensure all significant differences have been successfully resolved by the first quarter of 2011.

Current status of our IFRS changeover plan

We have completed the scoping and diagnostic phase of our changeover plan and we are now in the impact analysis and design phase. We have identified a number of differences and policy alternatives between Canadian GAAP and IFRS that will modify our financial statements. During this process, we noted that several of our current accounting policies are consistent with currently applicable IFRS requirements.

Our Phase 2 work has commenced. The efforts and resources allocated to the resolution of each difference are tributary to the scale of the potential impact that the difference can have on our financial statements. Accounting policy choices are currently being analyzed by Management and Members of the Audit Committee and should be concluded upon by the end of 2009. Issues that need to be resolved before the transition date are being taken care of by work teams specially created for this purpose. The project progress is carefully monitored by the implementation team, who ensures adequate resources are available to meet the different milestones of our plan.

Despite the above, the current International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) projects are likely to significantly modify some of the actual IFRS requirements and could ultimately change our preliminary analysis and modify some of our accounting choices. As such, we carefully monitor the work of the IASB on several different projects including: Financial instruments, Revenue Recognition, Leases, Income Taxes, Liabilities, Fair value Measurement and Post-employment benefits including pension.

At this time, the impact on our future financial position and results of operations is not reasonably determinable or estimable; however, such impact may be material.

The following table summarizes the status of our changeover plan based on the recommendations published in October 2008 by the Canadian Performance Reporting Board with regards to the Pre-2011 communications about IFRS conversion.

	Key Activity	Milestones / Deadlines	Status
Financial statement presentation	<ul style="list-style-type: none"> Identify differences between IFRS and Canadian GAAP applicable to the Fund Evaluate and select ongoing IFRS policies Evaluate and select IFRS 1 choices Prepare financial statements format Quantify the effects of changeover to IFRS 	<p>Senior management sign off and audit committee review for all items to be completed by the end of 2009.</p> <p>Subsequent changes to IFRS will be analyzed and reviewed on a quarterly basis</p>	<p>Completed the identification of IFRS differences</p> <p>Evaluation and selection of accounting policy alternatives is underway</p> <p>Preparation of draft financial statements is underway</p>
Financial reporting expertise	<ul style="list-style-type: none"> Provide three levels of training to operating division and head office accounting staff, senior executives and board of directors, including the audit committee. Level 1 is a general awareness IFRS training. Level 2 is a detailed training on relevant topics. Level 3 training is intended to communicate IFRS impacts and solutions proposed. 	<p>Level 1 to be completed by the end of the second quarter of 2009</p> <p>Level 2 to be completed by the end of 2009</p> <p>Level 3 to be completed by the end of 2010</p>	<p>Level 1 training is completed</p> <p>Level 2 training is significantly completed</p> <p>Level 3 training should start in the fourth quarter of 2009</p>
IT systems	<ul style="list-style-type: none"> Identify and address IFRS differences that require changes to financial systems Evaluate and select methods to address need for parallel processing of 2010 general ledgers and for planning and monitoring purposes 	<p>Required financial systems changes and set up of parallel processing to be completed by the end of 2009</p>	<p>Identification of IFRS differences with system impacts is underway and should be completed by the end of the third quarter of 2009</p> <p>Parallel processing alternatives identified and under review</p>
<u>Business activities:</u> Financial covenants	<ul style="list-style-type: none"> Identify impact on financial covenants and business practices Complete any required renegotiations/changes 	<p>Complete required covenants changes, if necessary, by the third quarter of 2010</p>	<p>Process to analyze the contractual implications of IFRS on financing relationships and other arrangements will start in the first quarter of 2010</p>
<u>Business activities:</u> Compensation arrangements	<ul style="list-style-type: none"> Identify impact on compensation arrangements Make any required changes 	<p>Complete required compensation arrangement changes, if any, by the third quarter of 2010</p>	<p>Process of identifying internal measures of performance affected by GAAP/IFRS differences will start in the first quarter of 2010</p>
<u>Business activities:</u> Capital adequacy	<ul style="list-style-type: none"> Identify impact on capital adequacy Make any required changes 	<p>Complete capital plan, if necessary, by the third quarter of 2010</p>	<p>Process of identifying issues will start in the first quarter of 2010</p>
<u>Business activities:</u> Customer and supplier contracts	<ul style="list-style-type: none"> Evaluate impact on customer and supplier agreements Make any required changes 	<p>Complete review of customer / supplier contracts by the end of the first quarter of 2010</p>	<p>Process of identifying issues will start in the fourth quarter of 2009</p>
<u>Control activities:</u> Internal control over financial reporting (ICOFR)	<ul style="list-style-type: none"> Assess required changes to existing internal control processes and procedures Design and implement internal controls with respect to one-time changeover adjustments and ongoing changes 	<p>Assessment of required changes to be completed by the end of 2009</p> <p>Revision to actual internal controls and modifications planned for the second quarter of 2010</p>	<p>Assessment of required changes is underway</p> <p>Revision of actual controls will start in 2010</p>
<u>Control activities:</u> Disclosure controls and procedures (DC&P)	<ul style="list-style-type: none"> For changes to accounting policies and practices identified, assess the DC&P design and effectiveness implications 	<p>See ICOFR deadlines above</p> <p>Analysis of impact on key performance indicators to be completed by the end of 2009 by Investors relations special team</p>	<p>MD&A disclosures have begun</p> <p>Investors relations special team created</p>

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 June 30, 2009 that would materially affect or are reasonably likely to materially affect its internal control over financial reporting.