

## **Yellow Pages Income Fund Announces First Quarter 2004 Results and 4.5% Increase in Cash Distributions**

**Montreal (Québec), May 13, 2004** – Yellow Pages Income Fund (TSX: YLO.UN) announced its first quarter results today and an increase in cash distributions showing continuing momentum in the performance of Yellow Pages Group (YPG), the operating company, in which the Fund holds a 70.28% ownership interest.

For the three-month period ended March 31, 2004, compared to the same period last year, YPG reported a 4.5% increase in its Adjusted Revenues<sup>1</sup> to \$164.3 million and a 4.7% increase in Adjusted EBITDA<sup>1</sup> to \$95.6 million. The Company's improved performance is part of a continuing upward momentum in its operating and financial metrics and is attributed primarily to initiatives that have been implemented to increase revenues and reduce operating costs.

YPG also reported net earnings of \$68.7 million for the same period, compared to a net loss for the first quarter ended March 31, 2003 of \$18.3 million. In addition to improved operating performance, the net results reflect lower non-cash amortization of certain intangible assets and reduced financial charges resulting from a reduced level of borrowings and lower borrowing cost.

"The continuing momentum in our financial results, combined with a strong and improved capital structure, show how much we have evolved since we became a standalone company just a little over a year ago. It is a reflection of wide-spread changes being implemented to rejuvenate the company and position us for the future," stated Marc P. Tellier, President and Chief Executive Officer of YPG. "Going forward, we intend to further develop our leading directory franchise in Canada by focusing on the execution of our growth strategies."

### **Strong Financial Position**

YPG's total indebtedness was \$1.05 billion as at March 31, 2004, down considerably from \$2.1 billion a year earlier. The significant reduction in the level of borrowings was made possible through the Initial Public Offering of Yellow Pages Income Fund in August 2003 and post-IPO financing initiatives which further reduced debt while reinforcing the Company's capital structure.

### **Medium Term Note Program**

Subsequent to the end of the first quarter, YPG Holdings Inc. announced a \$1 billion Medium Term Note program to diversify funding sources and extend the average term of its indebtedness. On April 21, 2004, YPG Holdings, a wholly-owned subsidiary of YPG, issued a total of \$750 million consisting of \$450 million in five-year Notes and \$300 million in 10-year Notes. The net proceeds from this initial issuance of Notes estimated at \$742 million were used to refinance existing bank borrowings and for general corporate purposes.

This offering concludes the execution of post-IPO financing initiatives including the implementation of a commercial paper program last Fall, the follow-on equity offering in December, and more recently, the medium term note program. The issuance of medium term notes has resulted in a strong capital structure while removing potential refinancing risk generally associated with traditional bank financing.

### **Increase in Distributions**

For the first quarter ended March 31, 2004, YPG's cash available for distributions amounted to \$84.8 million or \$0.25 per unit. For the same period, the Fund declared cash distributions of \$52.2 million (\$0.2199 per unit). The Fund also announced today that it would be increasing its cash distributions from the current annualized level of \$0.88 per unit to \$0.92, representing an increase of 4.5%. This increase will begin with the June 15<sup>th</sup> distribution to unitholders of record on May 31, 2004.

"The decision to increase distributions is warranted by positive underlying trends in revenues, EBITDA and cash available for distributions. In addition, the execution of our recent financing initiatives provides a strong underpinning for distributions to unitholders. This increase brings us to a level that we consider to be sustainable and prudent," commented Christian M. Paupe, Executive Vice President and Chief Financial Officer of YPG.

The Board of Directors will periodically review cash distributions taking into account the current and prospective performance of YPG. Other factors considered include cash amounts required to service debt obligations, maintenance capital expenditures, taxes and other amounts considered to be prudent.

### **About Yellow Pages Income Fund**

Yellow Pages Income Fund is an unincorporated, open-ended, limited purpose trust established to invest in Yellow Pages Group. The Fund indirectly holds a 70.28% ownership interest in Yellow Pages Group.

### **About Yellow Pages Group**

Yellow Pages Group is Canada's largest telephone directories publisher and the official publisher of Bell Canada's directories. Yellow Pages Group publishes annually more than 200 print Yellow Pages<sup>™</sup> directories and alphabetical pages. The Company also manages Canada's most visited commercial online directories YellowPages.ca<sup>™</sup>, Canada411.ca, CanadaTollFree.ca, as well as the CanadaPlus.ca network, a leader in the local city sites market. Yellow Pages Group is one of Canada's leading media

companies. Yellow Pages directories reach approximately 70% of the Canadian population and provide one of the highest returns on investment for advertisers. Information about Yellow Pages Group can be found at [www.ypg.com](http://www.ypg.com).

### **Investor Conference Call**

Yellow Pages Group will hold an analyst call at 1:30 p.m. (EST) today to discuss the first quarter results. The call may be accessed by dialling (416) 405-8532 within the Toronto area, or 1 877 295-2825 outside of Toronto. The call will be simultaneously webcast on the Company's Web site at <http://www.ypg.com/page.php/en/1/152.html/>.

The conference call will be archived in the Investor Center of the site at [www.ypg.com](http://www.ypg.com). A playback of the call can also be accessed from May 13 to May 20 by dialling (416) 695-5800 from within the Toronto area, or 1 800 408-3053 outside Toronto. The seven-digit access code is 3032592.

### **Caution Concerning Forward-Looking Statements**

Certain statements in this news release may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from those expressed in the forward-looking statements. Neither the Fund nor YPG assume responsibility for the accuracy and completeness of the forward-looking statements and do not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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Enclosure: Financial Highlights

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### 1. Non-GAAP Measures

In order to provide a better understanding of the results, YPG uses the term EBITDA (earnings before interest, taxes, depreciation and amortization). Management defines EBITDA as revenues less operating costs which represents income/(loss) from operations before depreciation and amortization. YPG also uses the terms Adjusted Revenues and Adjusted EBITDA (revenues and EBITDA adjusted for certain items, which management believes are reflective of ongoing operations). These terms do not have any standardized meaning prescribed by Canadian GAAP and may not be comparable to similar measures presented by other issuers. Management believes EBITDA, Adjusted Revenues and Adjusted EBITDA to be important measures as they allow management to assess the operating performance of the ongoing business. The table below is a reconciliation of Adjusted Revenues, EBITDA and Adjusted EBITDA to the most comparable Canadian GAAP financial measures:

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	Q1 2004	Q1 2003
<b>Revenues</b>	<b>\$164,323</b>	<b>\$146,295</b>
Elimination of purchase accounting impact	-	10,907
<b>Adjusted revenues</b>	<b>\$164,323</b>	<b>\$157,202</b>

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	Q1 2004	Q1 2003
<b>Income (loss) from operations</b>	<b>\$86,427</b>	<b>\$(15,469)</b>
Depreciation and amortization	11,589	118,519
<b>EBITDA</b>	<b>\$98,016</b>	<b>\$103,050</b>
Elimination of purchase accounting impact	2,973	(13,353)
Transition expenses	563	1,576
<b>Adjusted EBITDA</b>	<b>\$95,606</b>	<b>\$91,273</b>

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# Financial Highlights

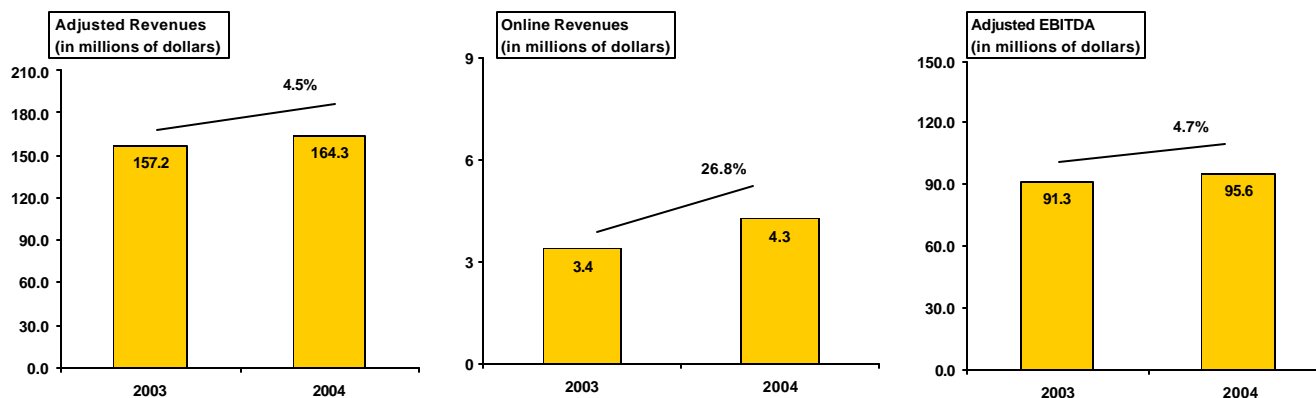
(in thousands of Canadian dollars, except unit information)

	For the three-month period ended March 31, 2004
<b>Yellow Pages Income Fund</b> <sup>1</sup>	

Net earnings	\$9,471
Net earnings per unit	0.040
Distributions declared	52,198
Distributions paid and payable per unit	0.2199
Units outstanding (basic)	241,216,813

	For the three-month period ended March 31, 2004	2003
<b>YPG LP</b>		

Revenues	\$164,323	\$146,295
Income (loss) from operations	86,427	(15,469)
Adjusted revenues <sup>2</sup>	164,323	157,202
Adjusted EBITDA <sup>2</sup>	95,606	91,273
<i>Adjusted EBITDA margin</i>	58.2%	58.1%
Cash available for distributions	84,815	42,789
Distributions paid <sup>3</sup>	75,470	-
Units outstanding (basic)	343,216,713	-



<sup>1</sup> The Fund was created on August 1, 2003 and as such the financial information is disclosed without comparative figures

<sup>2</sup> EBITDA is defined as revenues less operating costs which represents loss from operations before depreciation and amortization. YPG also uses the terms Adjusted Revenues and Adjusted EBITDA (revenues and EBITDA adjusted for certain items which management believes are reflective of ongoing operations).

<sup>3</sup> This amount represents distributions paid by YPG LP for the three-month period ended March 31, 2004.