

## **Yellow Pages Income Fund Reports Continued Strong Financial and Operational Performance in Q1 2008**

- Consolidated online revenues increase by 48%
- Directories margin reaches new high at 60.2%
- 2.8 million units repurchased for cancellation in April 2008

**Montreal (Québec), May 8, 2008** – Yellow Pages Income Fund (TSX: YLO.UN) reported strong first quarter 2008 results coincident with its Annual Meeting held in Montreal today. The company's financial and operational performance continued to build on solid gains in 2007 and was highlighted by growth in both EBITDA<sup>1</sup> and EBITDA margins. First quarter results were driven by operational efficiencies, organic revenue growth and additional revenue contribution from recent business acquisitions.

For the quarter ending March 31, 2008, consolidated net earnings amounted to \$127 million compared to \$121 million for the same period in 2007. Income from operations increased 7.5% to \$171.4 million versus \$159.4 million for the same quarter in the prior year.

Consolidated Adjusted Revenues<sup>1</sup> increased by 7.8% to \$415.1 million compared to the first quarter 2007, and Consolidated Adjusted EBITDA<sup>1</sup> grew by 11.7% to \$227.4 million. The company's performance continues to benefit from both organic growth and the contribution of new acquisitions notably Aliant Directory Services acquired in April, 2007.

Online revenues for Directories and Vertical Media combined reached \$53.5 million for the quarter. This represents a 47.7% organic growth over the first quarter of 2007. On an annualized basis, YPG's online revenues reached \$214 million.

“Our first quarter performance underlines the overall confidence we have in the company, its strategic positioning and in its business fundamentals,” said Marc P. Tellier, President and Chief Executive Officer of Yellow Pages Group. “We ended 2007 by confirming our expectations for sustained growth and profitability for our operations in 2008, and we continue to deliver on those expectations. We expect to generate additional efficiencies in our operations, while continuing to lead the industry in creating new revenue-generating opportunities.”

In the first quarter, YPG posted double-digit growth in distributable cash, which increased by 11.6% over the same quarter in the previous year to reach \$183 million. Distributable cash per unit grew by 12.9% to reach \$0.35 in the first quarter this year, compared to \$0.31 reported in the first quarter of 2007.

### **Directories**

For the first quarter, Adjusted Revenues in Directories reached \$338 million, an increase of 9.1% over the same period in 2007. Adjusted EBITDA increased by 11.2% to reach \$203.4 million. The Directories segment posted an Adjusted EBITDA margin of 60.2%, an increase of 100 basis points over comparable margin performance in the first quarter of 2007 and a record high for the company. This margin and underlying operating efficiencies are predicated on further productivity gains that were realized and the growing cash flow potential the company is achieving by monetizing revenues from its online platform.

On a comparable basis, Adjusted Revenues increased by 4.2% and Adjusted EBITDA was up 5.9%. In both instances these growth metrics were consistent with the company's expectations and guidance for 2008.

To further expand its directories footprint, YPG acquired the directory business of TBayTel, a leading telecommunications company serving the City of Thunder Bay and other areas of Northern Ontario. YPG has been selling and producing the TBayTel directory for the past 25 years and knows the business and the local community very well.

### **Vertical Media**

For the first quarter of 2008, Trader's revenues reached \$77.1 million, an increase of 2.5%. We expect our investment in people and systems will enable us to support national offers, the roll-out of Trader Dealer Showroom and new online product offerings – all of which are expected to generate new revenues. EBITDA increased by 16.1% to reach \$23.2 million, reflecting our realized operating efficiencies and our efforts to contain costs and increase profitability. Trader's EBITDA margin was 30.1% in the quarter compared with 26.6% for the same period in 2007.

During the quarter, in the automotive sector, we announced the addition of a new publication, *Auto Trader™ New Car*, and a complete new section devoted to new cars on Autotrader.ca™. Our goal is to become the car destination of choice for our growing audience of shoppers looking for used and new vehicles.

### **Normal Course Issuer Bid**

On March 28, 2008, YPG announced plans to repurchase up to 25 million units – or approximately five per cent of its outstanding units – through a normal course issuer bid. The company believes that the current trading price of units does not adequately reflect the strong fundamentals and future prospects of the business. This unit repurchase confirms the company's confidence in its ability to continue its trajectory of growth and profitability.

The unit repurchase will be financed through cash flow in excess of cash distributions throughout 2008 and 2009 and will be immediately accretive to distributable cash per unit. Concurrent with the ongoing momentum in the business, the repurchase will accelerate the reduction in the payout ratio during the transition period to a traditional corporate structure to be completed in late 2010. During the month of April 2008, the Fund repurchased 2.8 million units for cancellation for an amount of approximately \$31 million.

### **Investor Conference Call**

Yellow Pages Income Fund will hold an analyst and media call at 11:30 a.m. (Eastern Time) on Thursday, May 8, 2008 to discuss first quarter 2008 results. The call may be accessed by dialling (416) 641-6105 within the Toronto area, or 1 866 696-5895 outside of Toronto. The call will be simultaneously webcast on the Company's web site at <http://www.ypg.com/page.php/en/1/498.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 8 to May 16, 2008 by dialling (416) 695-5800 from within the Toronto area, or 1 800 408-3053 outside Toronto. The conference passcode is 3259895.

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

Yellow Pages Income Fund indirectly holds an approximate 98% ownership interest in Yellow Pages Group and Trader Corporation. Yellow Pages Group is Canada's largest telephone directories publisher. It publishes annually more than 340 Yellow Pages™ and residential directories. The Company owns and manages Canada's most visited online directories, YellowPages.ca™ and Canada411.ca, as well as CanadaPlus.ca™, a network of seven local city sites. Trader Corporation is a Canadian leader in print and online vertical media with approximately 200 publications and 20 web sites covering four product verticals: automotive, real estate, generalist, as well as employment and other. Its main brands include Auto Trader™, Auto Hebdo™, The Bargain Finder™, Buy&Sell™, Renters News™ and Home Renters' Guide™. For more information about the Fund, visit [www.ypg.com](http://www.ypg.com).

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

*This press release contains forward-looking statements about the objectives, strategies, financial conditions, results of operations and businesses of the Fund. These statements are forward-looking as they are based on our current expectations, as at May 8, 2008, about our business and the markets we operate in, and on various estimates and assumptions. Our actual results could materially differ 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, there is no assurance that any forward-looking statements will materialize. Risks that could cause our results to differ materially from our current expectations are discussed in section 6 of our May 8, 2008 Management's Discussion and Analysis. We disclaim any intention or obligation to update any forward-looking statements, except as required by law, even if new information becomes available, as a result of future events or for any other reason.*

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Enclosure: Financial Highlights

**Financial Highlights**

(in thousands of Canadian dollars, except unit information)

<b>Yellow Pages Income Fund</b>	For the three-month periods ended March 31,	
	<b>2008</b>	2007
Revenues	<b>\$414,571</b>	\$384,241
Income from operations	<b>171,429</b>	159,413
Net earnings	<b>126,988</b>	120,951
Basic earnings per unit	<b>\$0.24</b>	\$0.23
Cash flow from operating activities	<b>\$145,338</b>	\$152,462
Adjusted Revenues <sup>1</sup>	<b>\$415,129</b>	\$385,128
Adjusted EBITDA <sup>1</sup>	<b>226,603</b>	202,948
Adjusted EBITDA margin	<b>54.6%</b>	52.7%
Distributable cash <sup>1</sup>	<b>\$183,019</b>	\$163,992
Weighted average number of units outstanding	<b>530,044,365</b>	530,480,603
Distributable cash per unit	<b>\$0.35</b>	\$0.31
Distributions declared	<b>\$149,838</b>	\$144,615
Distributions declared per unit	<b>\$0.28</b>	\$0.27

<sup>1</sup>Non-GAAP Measures

In order to provide a better understanding of the results, the Fund uses the term EBITDA (income from operations before depreciation and amortization). In addition, the terms Adjusted Revenues and Adjusted EBITDA are used to reflect revenues and EBITDA adjusted for certain items. Management believes these measures are reflective of ongoing operations. The Fund also uses the term Distributable cash and cash flow from operating activities, net of change in operating assets and liabilities, maintenance capital expenditures, amounts to service debt obligations, taxes and other items affecting cash generated from the ongoing operations of the business. 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, Adjusted EBITDA, and Distributable cash to be important measures as they allow management to assess the performance of the ongoing business. The tables below are a reconciliation of Adjusted Revenues, EBITDA, Adjusted EBITDA, and Distributable cash to the most comparable Canadian GAAP financial measures:

## Adjusted Revenues and Adjusted EBITDA

For the three-month periods ended March 31,

	2008	2007
Revenues	\$414,571	\$384,241
Elimination of purchase accounting impact	558	887
<b>Adjusted Revenues</b>	<b>\$415,129</b>	<b>\$385,128</b>
<b>Income from operations</b>	<b>\$171,429</b>	<b>\$159,413</b>
Depreciation and amortization	55,964	44,030
<b>Income from operations before depreciation and amortization</b>	<b>227,393</b>	<b>203,443</b>
Elimination of purchase accounting impact	(790)	(495)
<b>Adjusted EBITDA</b>	<b>\$226,603</b>	<b>\$202,948</b>

## Distributable Cash

For the three-month periods ended March 31,

	2008	2007
<b>Cash flow from operating activities</b>	<b>\$145,338</b>	<b>\$152,462</b>
Operating non-cash items <sup>1</sup>	(5,810)	(5,236)
Change in operating assets and liabilities <sup>2</sup>	45,982	22,437
Maintenance capital expenditures <sup>3</sup>	(5,215)	(4,911)
Other <sup>4</sup>	2,724	(760)
<b>Distributable cash</b>	<b>\$183,019</b>	<b>\$163,992</b>
Weighted average number of units outstanding	530,044,365	530,480,603
Distributable cash per unit	\$0.35	\$0.31
Distributions declared	\$149,838	\$144,615
Distributions declared per unit	\$0.28	\$0.27
Payout ratio <sup>5</sup>	80%	87%

<sup>1</sup>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.

<sup>2</sup>Change in operating assets and liabilities is excluded from the calculation as it would introduce cash flow variability and affect underlying cash flow from operating activities.

<sup>3</sup>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.

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

<sup>5</sup>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.