

Yellow Pages Income Fund Reports Q2 2010 Financial Results and Issues 2011 Guidance

- Distributable cash per unit of \$0.35, in line with last year
- Continued gains in web traffic, extending online reach to 46%
- Online revenues climb to \$430 million on an annualized basis

Montreal (Quebec), August 5, 2010 — Yellow Pages Income Fund (TSX: YLO.UN) today announced its results for the second quarter of 2010. As the transformation of its Directories business builds momentum, YPG continued to expand its digital offering with new products such as Search Engine Solutions (SES). The Trader business also gained ground in its transformation, as Dealer Smart Solutions continued its successful rollout in the automotive category.

For the quarter ending June 30, 2010, consolidated net earnings were \$79.9 million compared with \$116.9 million for the same period in 2009. Income from operations was \$137.9 million compared to \$169.5 million last year. Cash flow from operating activities was \$179.4 million versus \$185.5 million in 2009.

Consolidated Adjusted Revenues were stable at \$420.4 million compared to \$421.2 million in last year's second quarter. Revenues increased by \$2.8 million or 1% from \$417.5 million in the second quarter of 2009. Consolidated Adjusted EBITDA (excluding non-recurring items¹) was \$224.8 million versus \$226.1 million in the prior year. EBITDA (income from operations before depreciation and amortization) was \$219.9 million compared to \$224.1 million during the same quarter in 2009. EBITDA on a reported basis is net of non-recurring items¹ aggregating \$4.8 million in the second quarter.

"We are pleased with the progress of our new product introduction and our ongoing business transformation," said Marc P. Tellier, President and Chief Executive Officer of Yellow Pages Group. "Our customers and sales force are welcoming our new products and solutions with great enthusiasm, which is keeping us on plan. As our market and sales coverage grow and new products gain traction, we are positioning our businesses for growth in 2011."

Combined online revenues for Directories and Vertical Media were \$107.7 million for the quarter, or \$430 million on an annualized basis. This represents 16% organic growth for the quarter. While print media continues to experience downward pressure, online sales continue to grow on the strength of new product introductions. The recent launch of new digital products should accelerate online growth in the second half of 2010.

Distributable cash was \$173.8 million or \$0.35 per unit compared to \$181.7 million or \$0.35 per unit for the same period last year.

Laying the Foundation for Sustained Growth

For the second quarter of 2010, Adjusted Revenues in Directories decreased by 4.3% to \$339.4 million, while adjusted EBITDA declined 2.8% to \$199 million. The adjusted EBITDA margin was 58.6% compared with 57.7% for the same period last year. Timely measures to control expenditures yielded strong EBITDA conversion once again, with most of these gains reinvested in new products to support long-term growth.

During the quarter, YPG finalized its acquisition of Canpages, which will sharpen the company's online competitiveness by expanding its sales force, capabilities and offerings.

YPG continues to provide consumers with interactive ways to shop for local goods and services across a number of platforms. In June, YPG was the first local commercial search provider to launch an Apple iPad application.

¹ See Non-GAAP Measures

Vertical Media Business Gains Traction

The successful launch of Dealer Smart Solutions (DSS) has been a stabilizing force on the automotive vertical, attracting approximately 3,200 dealers. The national rollout is now complete in all regions except Quebec, where it will be finalized by the end of the year. Trader also launched during the second quarter a new offer adapted to the non-passenger vehicle segment, which is showing promising results.

On July 12, 2010, YPG announced that it had acquired the shares of CanadianDriver Communications Inc., which operates CanadianDriver.com. The award-winning online magazine showcases 11,000 automotive articles and reviews by respected and independent journalists, which will enrich Trader's online offering and should attract more advertisers, particularly in the national segment.

Driven by Dealer.com, second-quarter revenues grew 21.8% to \$81 million. Excluding Dealer's contribution, organic revenue declined approximately 5% compared to a 22.4% contraction in the same period last year. Given the improving revenue trends, cyclical revenue pressures appear to be receding. As market conditions are improving, EBITDA for the second quarter was \$25.7 million including Dealer.com, a 20.8% rise over the same period in 2009. The EBITDA margin for the second quarter was 31.8% compared with 32.1% for the same period last year.

Conversion to Income Trust Approved

On May 6, 2010 at the annual and special meeting, YPG unitholders approved by a vote of 99.8% percent the plan of arrangement under the Canada Business Corporations Act, which will result in the conversion of YPG's income trust structure into a dividend paying public corporation to be named "Yellow Media Inc."

As set out in YPG's management proxy circular dated March 24, 2010, the effective date of the conversion is expected to be November 1, 2010. YPG will maintain the current level of \$0.80 annual cash distributions up to the conversion date, with shareholders receiving a monthly dividend of \$0.0667 (\$0.80 annually) per common share for the months of November and December 2010. Starting in January, 2011 Yellow Media Inc. is expected to pay a monthly dividend of \$0.0542 (\$0.65 annually) per common share.

Further Progress in Strengthening Capital Structure

During the second quarter, Yellow Media Inc. renewed its normal course issuer bid for its preferred shares, Series 1 and Series 2, for an additional year and also pursued its Medium Term Notes repurchase program.

On June 23, 2010, \$141.6 million of Mandatory Exchangeable Promissory Notes of Yellow Media Inc. were issued to fund part of the purchase price of Canpages. The Notes bear interest at a fixed initial rate of 5%, subject to step up provisions over time. Starting in the first quarter of 2011, the Notes will be exchangeable into common shares of Yellow Media Inc.

On July 8, 2010, Yellow Media Inc. issued \$200 million of 6.25% convertible unsecured subordinated debentures. Net proceeds resulting from the offering were used to fund the redemption of the outstanding Exchangeable Debentures, and to repay indebtedness under the credit facilities and commercial paper program.

On August 2, 2010, Yellow Media Inc. completed the redemption of the remaining balance of Exchangeable Debentures, with none outstanding as of August 5, 2010.

Outlook for 2011

YPG's vision of being Canada's leading performance media and marketing solutions company drives its strategy and execution. To realize its vision, the Company brings together local consumers and businesses via its digital and print properties, and sets targets for maximizing revenue growth and cash flow generation.

Based on the latest economic statistics, the Company believes there is widespread uncertainty in the anticipated economic recovery. This is dampening confidence among Small and Medium Sized Enterprises (SMEs) — YPG's principal customers — to invest in their businesses. YPG believes its growing portfolio of Directories products and continued rollout of Dealer Smart Solutions in the Trader business should grow the Company's share of advertising budgets.

In Directories, 2011 guidance includes the results from the recently completed acquisition of Canpages. The Directories business will continue to protect and grow its revenue base by introducing more digital products and solutions to compensate for pressures on print media. Ongoing efforts are expected to generate strong EBITDA conversion and cash flow generation to fund these products. This growing digital portfolio, which includes search engine and website solutions and the recently acquired Canpages, should accelerate the business's online migration. The focus for 2011 is to acquire more customers while maintaining the current customer base, continue to innovate online, and launch comprehensive performance marketing solutions.

In Vertical Media, 2011 guidance includes the full consolidation of Dealer.com. Dealer Smart Solutions (DSS), launched in the third quarter of 2009, has produced a more stable and predictable revenue base in the automotive segment. Trader expects to capitalize on new revenue opportunities in 2011 through package upgrades, along with product and service extensions such as video and Search Engine Marketing. The launch of DSS adapted to non-passenger vehicle dealers and the real estate vertical should provide new revenue opportunities and accelerate Trader's transition to a more digital offer.

For fiscal 2011, guidance for Consolidated Adjusted Revenues is \$1,675 to \$1,700 million. Guidance for Consolidated Adjusted EBITDA is \$905 to \$915 million.

The growing appetite for digital media and solutions among consumers and advertisers is the key growth engine for the foreseeable future. Recognizing that user experience drives all else, the Company re-launched earlier this year its flagship web properties to make them richer and more intuitive. YPG also introduced Search Engine Solutions, which are expected to extend the Company's online reach and revenue generation. Combined annualized online revenues for Directories and Vertical Media are expected to grow by approximately 25% in 2011.

We are targeting cash earnings per share of \$0.95 to \$1.00 for 2011, premised on a disciplined and focused execution of our business plan and the successful launch of new products and solutions for both Directories and Vertical Media platforms.

Outlook - Key Performance Indicators

2010 Progress Year-to-date and 2011 Objectives

	<u>Revised 2010 Target</u>	<u>Six months ended June 30, 2010</u>	<u>2011 Target</u>
Consolidated Metrics			
Adjusted Revenues	approx. \$1,650 million	\$828.5 million	\$1,675 to \$1,700 million
Adjusted EBITDA	approx. \$895 million	\$444.5 million	\$905 to \$915 million
Online Revenue Growth	approx. 20%	18%	approx. 25%
Distributable Cash per unit	\$1.40 to \$1.43	\$0.69	—
Cash Earnings per Share	—	—	\$0.95 to \$1.00

Investor Conference Call

Yellow Media Inc. will hold an analyst and media call at 1:00 pm (Eastern Time) on August 5, 2010 to discuss the second quarter 2010 results. The call may be accessed by dialing (416) 340-8061 within the Toronto area, or 1 866 225-0198 outside of Toronto. The call will be simultaneously webcast on the Company's web site at <http://www.ypg.com/en/investors/financial-reports/2010/quarterly-reports/second-quarter>. The conference call will be archived in the Investor Center of the site at www.ypg.com. A playback of the call can also be accessed from August 5 to August 13, 2010 by dialing (416) 695-5800 from within the Toronto area, or 1 800 408-3053 outside Toronto. The conference passcode is 2327338.

About Yellow Media Inc.

Yellow Media Inc., a subsidiary of Yellow Pages Income Fund, owns Yellow Pages Group and Trader Corporation. Yellow Pages Group (YPG) is Canada's leading performance media and marketing company. The Company brings local consumers and businesses together through its network of print, digital and mobile properties. YPG enables consumers to make smarter decisions, helping people find what they need wherever and whenever. YPG partners with businesses to build successful marketing and lead generation programs, helping them grow their business. Trader Corporation (Trader) is a leader in print and digital vertical media and offers a broad set of services such as inventory management, web solutions, optimization of media spend, and lead generation campaigns. Trader caters to the automotive, real estate and generalist verticals. Yellow Media Inc. owns and operates some of Canada's leading properties and publications such as Yellow Pages™ directories, YellowPages.ca™, Canada411.ca™, Auto Trader™(.ca), Home Trader™(.ca), and LesPAC.com. For more information about the Fund, visit 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 August 5, 2010, 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 7 of our August 5, 2010 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.

- 30 -

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Enclosure: Financial Highlights

Financial Highlights

(in thousands of Canadian dollars, except unit information)

Yellow Pages Income Fund	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Revenues	\$420,382	\$417,534	\$828,513	\$825,887
Income from operations	137,936	169,480	304,738	355,226
Net earnings ²	79,906	116,905	201,663	248,992
Basic earnings per unit	\$0.16	\$0.23	\$0.39	\$0.48
Cash flow from operating activities	\$179,393	\$185,487	\$322,932	\$382,905
Adjusted Revenues ¹	\$420,382	\$421,221	\$828,513	\$834,763
Adjusted EBITDA ¹	224,760	226,121	444,541	452,026
Adjusted EBITDA margin	53.5%	53.7%	53.7%	54.2%
Distributable cash ¹	\$173,803	\$181,653	\$345,077	\$362,099
Weighted average number of units outstanding	503,465,369	512,153,331	504,105,534	512,991,928
Distributable cash per unit	\$0.35	\$0.35	\$0.69	\$0.70
Distributions declared	\$100,653	\$118,195	\$201,686	\$268,527
Distributions declared per unit	\$0.20	\$0.23	\$0.40	\$0.52

Non-GAAP Measures¹

In order to provide a better understanding of the results, the Fund uses the term EBITDA (income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges). In addition, the terms Adjusted Revenues and Adjusted EBITDA are used to reflect revenues and EBITDA adjusted for certain non-recurring items including conversion and rebranding costs as well as purchase accounting. Management believes these measures are reflective of ongoing operations. The Fund also uses the term Distributable cash (cash flow from operating activities, net of change in operating assets and liabilities, maintenance capital expenditures, acquisition-related costs, restructuring and special charges, 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.

Non-controlling interests²

Non-controlling interests are no longer recorded as a deduction in calculating net earnings and total comprehensive income. Instead, net earnings and each component of other comprehensive income are attributed to the owners of the Fund and to the non-controlling interests. The presentation requirements for non-controlling interests were applied retrospectively to 2009.

Adjusted Revenues and Adjusted EBITDA

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Revenues	\$420,382	\$417,534	\$828,513	\$825,887
Elimination of purchase accounting impact	-	3,687	-	8,876
Adjusted Revenues	\$420,382	\$421,221	\$828,513	\$834,763
Income from operations	\$137,936	\$169,480	\$304,738	\$355,226
Depreciation and amortization	53,095	34,005	98,808	72,122
Acquisition-related costs	19,934	-	23,549	-
Restructuring and special charges	8,977	20,584	8,977	20,584
Income from operations before depreciation and amortization, acquisition-related costs and restructuring and special charges	219,942	224,069	436,072	447,932
Elimination of purchase accounting impact	(3,132)	2,052	(3,132)	4,094
Conversion and rebranding costs	7,950	-	11,601	-
Adjusted EBITDA	\$224,760	\$226,121	\$444,541	\$452,026

Distributable Cash

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2010	2009	2010	2009
Cash flow from operating activities	\$179,393	\$185,487	\$322,932	\$382,905
Operating non-cash items ¹	1,316	(2,159)	(2,278)	(3,421)
Change in operating assets and liabilities ²	(39,034)	(22,759)	(10,868)	(38,415)
Maintenance capital expenditures ³	(3,539)	(4,256)	(7,150)	(7,219)
Acquisition-related costs ⁴	19,934	-	23,549	-
Restructuring and special charges ⁵	8,977	20,584	8,977	20,584
Other ⁶	6,756	4,756	9,915	7,665
Distributable cash	\$173,803	\$181,653	\$345,077	\$362,099
Weighted average number of units outstanding	503,465,369	512,153,331	504,105,534	512,991,928
Distributable cash per unit	\$0.35	\$0.35	\$0.69	\$0.70
Distributions declared	\$100,653	\$118,195	\$201,686	\$268,527
Distributions declared per unit	\$0.20	\$0.23	\$0.40	\$0.52
Payout ratio ⁷	57%	66%	58%	74%

¹Represents 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.

²Changes 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.

³Maintenance 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.

⁴Acquisition-related costs are excluded from the calculation as they do not reflect the ongoing operations of the business. Prior to the Fund's early adoption of Section 1582, *Business Combinations* on January 1, 2010, these expenses would have been included in the purchase price of such acquisitions.

⁵Restructuring and special charges are excluded from the calculation as they do not reflect the ongoing operations of the business.

⁶Includes amounts related to non-controlling interest in Dealer.com and LesPAC, tax related amounts and other amounts that do not reflect the ongoing operations of the business.

⁷The 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.