Third Quarter Report
September 30, 2011
Letter to Shareholders

To our Shareholders

I am pleased to provide you with a report on the results of our operations and related dividends to Shareholders of FP Newspapers Inc. ("FPI") formerly FP Newspapers Income Fund ("the Fund") for the quarter ended September 30, 2011. FPI is the successor to the business of the Fund. Effective December 31, 2010 all of the outstanding Units of the Fund were exchanged on a one-for-one basis for common shares of FPI pursuant to a plan of arrangement (the "conversion"). FPI now owns directly the securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP") in each fiscal year that were previously owned indirectly by the Fund. Effective January 7, 2011, FPI's shares began trading on the Toronto Stock Exchange under the symbol "FP" in place of the Fund Units.

Since there was no change in control as a result of the conversion, the transaction has been accounted for as if the conversion had occurred at the beginning of the earliest comparative period presented. The interim condensed consolidated financial statements reflect the entity which owns the 49% interest in FPLP as a corporation subsequent to December 31, 2010 and an income trust prior to the conversion. All references to "Share Capital" refer to FPI's shares subsequent to December 31, 2010 and Fund Units prior to the conversion. All references to "dividends" refer to dividends paid or payable to holders of FPI shares after December 31, 2010 and to distributions paid or payable to Fund Unitholders prior to the conversion. All references to "Shareholders" refer to holders of shares subsequent to December 31, 2010 and to Fund Unitholders prior to the conversion.

FPLP owns the Winnipeg Free Press and Brandon Sun daily newspapers, and Canstar Community News ("Canstar"), which operates six weekly newspapers, a weekly entertainment newspaper and a twice-monthly newspaper aimed at age 50-plus readers. On February 28, 2011, FPLP completed the acquisition of the Steinbach printing and publishing business of Derksen Printers ("Derksen"), which operates a commercial web and sheet-fed printing business and publishes a regional paid weekly newspaper, "The Carillon".

Total revenue for FPLP for the three months ended September 30, 2011 was $26.4 million, a $0.1 million or 0.2% decrease from the same period last year. Total revenue excluding the Derksen business was $25.0 million, a decrease of $1.5 million or 5.6% compared to the third quarter in 2010. The non-renewal of the Globe and Mail contract at October 31, 2010 accounted for $0.9 million or 3.5% of the decrease and total revenue after adjusting for this was lower by $0.6 million or 2.4% versus last year. Total EBITDA(1) of FPLP for the quarter was $4.5 million, a $0.8 million or 15.7% decrease from the same quarter last year. Total EBITDA(1) of FPLP excluding the Derksen business was $4.2 million, a decrease of $1.1 million or 19.9% from the same quarter last year. FPLP had net earnings of $2.8 million in the quarter compared to $3.2 million in the same quarter last year. Excluding the Derksen business, FPLP's net earnings were $2.6 million for the third quarter of 2011.

FPI had net earnings of $1.0 million, or $0.141 per share, during the three months ended September 30, 2011, compared to net earnings of $1.5 million, or $0.219 per share, in the same quarter last year. The decrease in FPI's net earnings in the quarter is primarily due to a $0.4 million increase in deferred income tax expense described below and a $0.2 million decrease in the equity share of the earnings of FPLP.

Operations

FPLP's revenue for the three months ended September 30, 2011 was $26.4 million, a decrease of $0.1 million or 0.2% from the same three months in the prior year. Excluding revenue attributable to the Derksen operation for the quarter, revenue decreased by $1.5 million or 5.6%. The loss of the Globe and Mail printing contract made up $0.9 million of this decrease and after adjusting for this item, and the Derksen acquisition, revenues were $0.6 million or 2.4% lower in the third quarter compared to last year. Advertising revenues for the three months ended September 30, 2011, excluding the Derksen business, were $17.2 million, a 1.9% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, excluding the Derksen business, was $10.7 million, a decrease of $0.2 million or 2.2% from the same period in the prior year, primarily due to decreased spending in the automotive, financial and retail categories, partly offset by increased spending in the telecommunications category. Classified advertising revenues for the third quarter, excluding the Derksen business, decreased by $0.1 million or 3.8% compared to the same period last year, primarily due to a decrease in the automotive and employment categories, partly offset by increased revenue in the obituary category. Flyer distribution revenues for the third quarter, excluding the Derksen business, were virtually unchanged from the same period last year.

Circulation revenues for the third quarter, excluding the Derksen business, decreased by $0.3 million or 4.2%, due primarily to lower paid-subscription and single-copy volumes, partially offset by increased subscription rates. Commercial printing revenues for the quarter, excluding the Derksen business, decreased by $1.0 million, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Digital revenues for the third quarter increased by $0.1 million or 17.0%, primarily due to the increase in Winnipeg Free Press website banner advertising and revenues from new product offerings largely by the Winnipeg Free Press.

Operating expenses excluding depreciation and amortization for the three months ended September 30, 2011 were $21.9 million, a $0.8 million or 3.7% increase from the same quarter last year. Operating expenses excluding depreciation and amortization and the Derksen business, for the three months ended September 30, 2011, decreased $0.4 million or 2.0% compared to last year. Employee compensation costs for the third quarter, excluding the Derksen business, decreased by $0.4 million or 3.6% primarily due to fewer employees, partially offset by the 2% wage increase included in the collective agreements and severance costs. Newsprint expense for FPLP's own publications for the quarter, excluding the Derksen business, remained at the same level due to higher newsprint prices offset by lower volumes mainly from fewer circulation copies. Newsprint expense for commercial printing for the third quarter, excluding the Derksen business, decreased by $0.2 million compared to the same period in the prior year, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Delivery costs and other expenses for the third quarter, excluding the Derksen business, were largely at the same level compared to the same period in the previous year.

During the third quarter we continued to see significant increases in both our website traffic and in our new digital apps. The Winnipeg Free Press main website saw an increase of 26% and 29% in total page views and unique visitors, respectively, during the third quarter compared to last year. The Winnipeg Free Press Homes website was enhanced and re-launched early in the third quarter and has seen an increase in page views of 94% and a 60% increase in unique visitors versus the third quarter last year. The Free Press recently launched a new hockey mobile app called WFP Hockey which had 2,200 downloads within the first 10 days of launch. We also have a Winnipeg Free Press App for local content and an FP News App for national and international stories.

During the third quarter the Winnipeg Free Press completed a multi-year partnership agreement with True North Sports and Entertainment Ltd., the owners of the Winnipeg Jets. During the term of the agreement, which runs to 2018, the Winnipeg Free Press has been designated as the "Official Regional Newspaper" of the Winnipeg Jets and the MTS Centre. The partnership will help enhance the Free Press coverage of the Jets both in print and through various new digital products being developed. The Free Press produced a special commemorative edition of the newspaper, home delivered on Thanksgiving Day, to mark the return of the Jets to the NHL on October 9, 2011.

As in prior years, Free Press, Canstar and Brandon staff participated in the national "Raise-a-Reader" fundraising event where 175 people sold newspapers across various locations in Winnipeg and Brandon, raising $13,600 towards helping various literacy programs. This year's "Raise-a-Reader" event raised over $1.75 million across the country for this important cause.

The Winnipeg Free Press was honoured with an unprecedented sweep at the Canadian Farm Writers Federation annual awards. In the Daily Press Reporting category, Bill Redekop won gold for a flood-related story about ranchers hauling cattle to drier ground, Bartley Kives won silver for an account of a farmer's hopes washing away and Murray McNeill won bronze for an analytical overview that surveyed good news and bad news for farmers. Additional Free Press awards went to Lindor Reynolds and Laura Rance in the column category, and to Phil Hossack and Joe Bryksa in the photography category.

As previously disclosed in the second quarter, a pension solvency deficiency was identified on the Winnipeg defined benefit plan and under Manitoba pension laws, solvency deficiencies must be funded over a five-year period, which may be extended to ten years with the approval of plan members. FPLP received an extension to ten years of the period for funding the Winnipeg defined benefit pension solvency deficiency that was identified in the actuarial funding valuation completed at December 31, 2010. The actuarial valuation funding report was filed with the provincial regulators prior to the end of September. During the three months ended September 30, 2011, an actuarial loss and corresponding increase in the accrued pension benefit liability was recorded due to changes in underlying actuarial assumptions. FPLP was not required to recognize an additional liability associated with such minimum funding requirements in its registered defined benefit pension plan as outlined under IFRIC 14.

Canstar's weekly newspapers stepped up their commitment to hyper-local content by creating two new opportunities for citizen journalists. Writers from across the city can now submit columns to a Neighbourhood Forum column space, and the weeklies are engaging 48 people from 48 neighbourhoods across the city to be Community Correspondents. In addition, Canstar has entered into a partnership with Red River College's Creative Communications program, enabling second-year journalism students to write, report and photograph stories for the six community weekly newspapers. Uptown Magazine has increased its online-only content with a goal to increase our audience and published a 32-page fall arts guide supplement in the third week of September. Canstar will also be taking a bold step into the baby-boomer market by launching a new publication called Winnipeg Boomer during the fourth quarter to replace the existing Prime Times seniors' publication.

In Brandon, Eric Lawson assumed the Publisher's position, taking over from Ewan Pow, who had been the Publisher at the Brandon Sun since 2004. Prior to coming to the Brandon Sun, Mr. Lawson was Publisher and Regional General Manager with Brunswick News Inc., responsible for the Moncton Times & Transcript. Mr. Lawson and the Brandon management team are completing an in-depth review of all aspects of the Brandon operation, looking for ways to improve efficiency and operating results.

In Steinbach, work continues on the upgrade of our production equipment to accommodate the printing of the free daily Metro for the Winnipeg market. The majority of the $1.1 million investment was sourced from the used equipment market. The Carillon, our Steinbach weekly paper, continues to see year-over-year advertising revenue growth from the re-energized staff under the leadership of our new Publisher, Glenn Buffie. Our website TheCarillon.com is becoming more relevant to residents of the Eastman region of Manitoba as we invest time and effort into regular daily posting of breaking content. Derksen Printers was recently presented the Welcome Wagon award in recognition of 40 years of continuous sponsorship as Welcome Wagon's longest serving business partner in south-east Manitoba.

Dividends

Distributable cash attributable to FPI(2) for the three months ended September 30, 2011 was $0.8 million or $0.113 per share, compared to $1.6 million or $0.235 per share for the same period last year. For the trailing twelve months ended September 30, 2011, FPLP generated distributable cash attributable to FPI(2) of $0.716 per share, and FPI declared dividends of $0.630 per share, resulting in a payout ratio of 88.0%.

FPI declared dividends to Shareholders of $0.150 per share for the quarter, compared to $0.180 per share in the same quarter last year. Since FPI is a taxable corporation, dividends declared to shareholders who hold their shares in non-registered accounts are taxed at lower personal marginal tax rates than were distributions paid under the previous income trust structure, which were taxable at the highest personal marginal tax rates as ordinary income.

Outlook

The third quarter saw advertising revenues excluding the Derksen business fall by 1.9% after increasing 2.9% during the second quarter, leaving the year-to-date advertising revenue levels, excluding the Derksen business, lower by 0.5% compared to the prior year. Classified revenue declines continue to be the main contributor to these overall advertising revenue declines, but the level of decline decreased during each of the first three quarters of this year. While we saw slightly improved advertising revenues in October versus the prior year, this trend has not continued early into November. Given the difficulty forecasting advertising revenues together with the uncertainty in the general economy, we are not able to provide revenue guidance for the fourth quarter. Since newsprint prices are now at last year's levels and expected to remain there for the balance of the fourth quarter, the Globe and Mail printing contract was over at the end of the third quarter last year and that we will have additional revenues and profits from the Derksen publishing and printing business, we are anticipating overall increases in both revenues and net earnings in the fourth quarter versus the prior year.

We are pleased to announce that effective October 31, 2011 Michelle Pereira has assumed the position of Publisher of the Canstar Community News Division. Prior to joining Canstar, Ms. Pereira was Advertising Director for a major retailer and also held sales and management positions with radio stations.

Ronald N. Stern
Chairman
November 9, 2011

Management's Discussion and Analysis

Overview

Management's discussion and analysis, prepared as at November 9, 2011, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three months ended September 30, 2011. This review is based on financial information contained in the unaudited interim condensed consolidated financial statements and accompanying notes ("interim financial statements") for the three and nine months ended September 30, 2011.

The interim financial statements, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim financial statements do not include all the information and disclosures required for annual financial statements and, therefore, the following information should be read in conjunction with the most recent audited consolidated financial statements and accompanying notes and management's discussion and analysis for the year ended December 31, 2010 prepared in accordance with Canadian generally accepted accounting principles ("GAAP") in the Company's 2010 Annual Report and with FPI's interim unaudited condensed consolidated financial statements and accompanying notes for each of the first, second and third quarters of 2011.

This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risks and uncertainties set out below under the heading "Caution Regarding Forward-Looking Statements". The reader is cautioned not to place undue reliance on forward-looking statements.

Further information relating to FPI is available under its profile at www.sedar.com.

Formation and Legal Entities

FPI, which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). The Fund was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an initial public offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP").

On December 31, 2010, the Fund completed its conversion from an income trust to a corporate structure pursuant to a plan of arrangement. Under the plan of arrangement, Unitholders of the Fund received, for each Unit of the Fund held, one common share of the resulting public corporation, FPI. The common shares of FPI commenced trading on the Toronto Stock Exchange on January 7, 2011 under the symbol "FP". Concurrently, the Fund's Units were delisted. Immediately following the closing of the arrangement, FPCN Holdings Trust and the Fund were wound up and dissolved. FPI has acquired all of the assets and assumed all of the liabilities of those entities. FPI owns securities entitling it to 49% of the distributable cash of FPLP.

Since there was no change in control as a result of the conversion, the transaction has been accounted for as if the conversion had occurred at the beginning of the earliest comparative period presented. These interim financial statements reflect the entity which owns the 49% interest in FPLP as a corporation subsequent to December 31, 2010 and an income trust prior to the conversion. All references to "Share Capital" refer to FPI's Common Shares subsequent to December 31, 2010 and Fund Units prior to the conversion. All references to "dividends" refer to dividends paid or payable to holders of FPI Common Shares after December 31, 2010 and to distributions paid or payable to Fund Unitholders prior to the conversion. All references to "Shareholders" refer to holders of Common Shares subsequent to December 31, 2010 and to Fund Unitholders prior to the conversion.

FPLP is a limited partnership formed on August 9, 1999. Effective November 29, 2001, FPLP acquired the business assets and assumed certain liabilities of the Winnipeg Free Press and the Brandon Sun. On July 13, 2004, FPLP acquired the business assets and liabilities of Canstar Community News ("Canstar"). On February 28, 2011, FPLP acquired the business assets and assumed certain liabilities of a commercial printing and publishing business operating under the name Derksen Printers based in Steinbach, Manitoba.

FP Newspapers Inc.

FPI is dependent on the operations of FPLP, its sole investment. FPI's net earnings were $1.0 million and $3.7 million for the three and nine months ended September 30, 2011, compared to net earnings of $1.5 million and $5.7 million for the same periods last year. The decrease in net earnings for the three months ended September 30, 2011 is primarily due to a deferred income tax expense of $0.3 million in 2011 compared to a deferred income tax recovery of $0.1 million in 2010, as explained in the taxation section of this report, and a decrease in net earnings of FPLP, as discussed in the FPLP section of this report. The decrease in net earnings for the nine months ended September 30, 2011 is primarily due to deferred income tax expense of $1.3 million in 2011 compared to a deferred income tax recovery of $0.7 million in 2010, as explained in the taxation section of this report. Other comprehensive income for the three months ended September 30, 2011 was a loss of $1.8 million compared to a loss of $0.2 from the same quarter last year. Other comprehensive income for the nine months ended September 30, 2011 was a loss of $1.8 million compared to a loss of $0.5 million in the prior year. The losses in other comprehensive income for the three and nine month periods result from FPI's equity share of FPLP's recognition of actuarial gains and losses related to the pension plan, as explained in the FPLP section of this report.

FPI declared dividends to Shareholders of $1.0 million or $0.150 per share and $3.1 million or $0.450 per share for the three and nine months ended September 30, 2011, compared to $1.2 million or $0.180 per share and $3.7 million or $0.540 per share for the same periods last year. Cash provided by operating activities of FPI was $1.1 million and $3.5 million for the three and nine months ended September 30, 2011, compared to $1.1 million and $3.2 million for the same periods last year. The increase in cash provided by operating activities for the nine months is a result of an increase in cash received from FPLP due to FPI's final interest payment on the subordinated notes received on December 31, 2009, the date these notes were redeemed, when this interest would have been received in the first quarter of 2010 if the notes had not been redeemed.

As at November 9, 2011, FPI had 6,902,592 shares outstanding.

Working Capital Position of FPI

The working capital deficiency at September 30, 2011 is due to the fact that FPLP's distributions are payable by the end of the month following the respective month; accordingly, FPLP's distribution for September is not accrued as a liability on FPLP's September balance sheet nor recorded as a receivable on FPI's September balance sheet. FPI received FPLP's September 2011 distribution before the end of October 2011 and used a portion of this distribution to pay its dividend to Shareholders for September, which was paid on October 31, 2011.

Distributable Cash Attributable to FPI [(2)]

Cash available for distribution attributable to FPI was $0.8 million or $0.113 per share and $2.9 million or $0.416 per share for the three and nine months ended September 30, 2011, compared to $1.6 million or $0.235 per share and $5.8 million or $0.839 per share for the same periods last year. The decrease in cash available for distribution attributable to FPI in the third quarter is primarily due to lower EBITDA[(1)] of FPLP and the establishment of the reserve for future income taxes since FPI is a taxable corporation (see "Taxation" below).

FPI monitors the cumulative cash available for distribution attributable to FPI[(2)] as a factor in determining whether to make an adjustment to the level of monthly dividends. FPI believes it was prudent to pay out cumulatively less than 100% of cash available for distribution attributable to FPI [(2)].

From commencement of the Fund on May 28, 2002 until September 30, 2011, cumulative distributable cash attributable to FPI[(2)] totalled $11.984 per share. During that period FPI declared cash dividends to Shareholders of $10.673 per share, resulting in a cumulative-from-inception payout ratio of 89.1%. Because FPI made an allowance for maintenance capital spending of FPLP in an amount estimated to be sufficient to maintain the productive capacity of the business when calculating distributable cash attributable to FPI[(2)], and because cumulative dividends declared were less than the cumulative distributable cash attributable to FPI[(2)], FPI believes there is no economic "return of capital".

Taxation

FPI's fiscal year-end is December 30. None of the taxable income of FPLP (whose year-end is December 31) will be allocated to FPI prior to its December 30, 2011 year-end. As a result, FPI will have no current taxes in the year ended December 30, 2011. FPLP's taxable income for the year ended December 31, 2011 will be allocated to FPI in its year ended December 30, 2012. The increase in FPI's deferred income tax liability on September 30, 2011 is primarily due to this deferral of taxable income. The June 6, 2011 federal budget included new measures to curtail income deferral by corporations using partnerships with different year-end dates, and these measures have now been substantively enacted and apply to FPI's current period. FPI is required to accrue the portion of FPLP's income earned in the stub-period between the end of the partnership's fiscal period and the end of FPI's taxation year. The measures include transitional relief by allowing stub-period income for the first affected fiscal period to be recognized over a five-year period. FPI is required to include the following percentage of its share of FPLP's December 31, 2011 taxable income allocation in its determination of current taxes payable:

FPI's year-end	Allocation of December 31, 2011 FPLP taxable income
December 30, 2012	15%
December 30, 2013	20%
December 30, 2014	20%
December 30, 2015	20%
December 30, 2016	25%

FP Canadian Newspapers Limited Partnership
Results of Operations

FPLP's revenue for the three months ended September 30, 2011 was $26.4 million, a decrease of $0.1 million or 0.2% from the same three months in the prior year. Excluding revenue attributable to the Derksen operation for the quarter, revenue decreased by $1.5 million or 5.6%. The loss of the Globe and Mail printing contract made up $0.9 million of this decrease and after adjusting for this item, and the Derksen acquisition, revenues were $0.6 million or 2.4% lower in the third quarter compared to last year. Advertising revenues for the three months ended September 30, 2011, excluding the Derksen business, were $17.2 million, a 1.9% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, excluding the Derksen business, was $10.7 million, a decrease of $0.2 million or 2.2% from the same period in the prior year, primarily due to decreased spending in the automotive, financial and retail categories, partly offset by increased spending in the telecommunications category. Classified advertising revenues for the third quarter, excluding the Derksen business, decreased by $0.1 million or 3.8% compared to the same period last year, primarily due to a decrease in the automotive and employment categories, partly offset by increased revenue in the obituary category. Flyer distribution revenues for the third quarter, excluding the Derksen business, were virtually unchanged from the same period last year.

Circulation revenues for the third quarter, excluding the Derksen business, decreased by $0.3 million or 4.2%, due primarily to lower paid-subscription and single-copy volumes, partially offset by increased subscription rates. Commercial printing revenues for the quarter, excluding the Derksen business, decreased by $1.0 million, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Digital revenues for the third quarter increased by $0.1 million or 17.0%, primarily due to the increase in Winnipeg Free Press website banner advertising and revenues from new product offerings, largely by the Winnipeg Free Press.

FPLP's revenue in the nine months ended September 30, 2011 was $81.3 million, a decrease of $0.5 million or 0.6% from the same period in the prior year. Excluding revenue attributable to the Derksen operation, revenue decreased by $3.8 million or 4.6%. The loss of the Globe and Mail printing contract made up $2.8 million of this decrease and after adjusting for this item and the Derksen acquisition, revenues were $1.0 million or 1.2% lower in the nine months ending September 30, 2011 compared to the same period last year. Advertising revenues for the nine months ended September 30, 2011, excluding the Derksen business, were $54.6 million, a $0.3 million or 0.5% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, excluding the Derksen business, was $34.9 million, an increase of $0.1 million or 0.4% from the same period in the prior year, primarily due to increased spending in the telecommunications and automotive categories, partially offset by decreased spending in the retail and travel categories. Classified advertising revenues for the nine months, excluding the Derksen business, decreased by $0.7 million or 7.5% compared to the same period last year, primarily due to a decrease in the automotive and employment categories. Flyer distribution revenues for the nine months, excluding the Derksen business, increased by $0.3 million or 2.8% compared to the same period last year, primarily due to increased volumes and rates.

Circulation revenues for the nine months, excluding the Derksen business, decreased by $1.1 million or 5.1%, due primarily to lower paid-subscription and single-copy volumes, partially offset by higher subscription rates implemented on February 28, 2011 at the Winnipeg Free Press. A portion of the subscription reduction was due to the elimination of some rate discount programs and the elimination of the Brandon Sun Sunday edition at the end of the second quarter.

Commercial printing revenues for the nine months, excluding the Derksen business, decreased by $3.1 million, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Digital revenues for the nine months increased by $0.5 million or 36.7%, primarily due to the increase in Winnipeg Free Press website banner advertising and revenues from new product offerings, largely by the Winnipeg Free Press.

Operating expenses excluding depreciation and amortization for the three months ended September 30, 2011 were $21.9 million, a $0.8 million or 3.7% increase from the same quarter last year. Operating expenses excluding depreciation and amortization and the Derksen business, for the three months ended September 30, 2011, decreased $0.4 million or 2.0% compared to last year. Employee compensation costs for the third quarter, excluding the Derksen business, decreased by $0.4 million or 3.6% primarily due to fewer employees, partially offset by the 2% wage increase included in the collective agreements and severance costs. Newsprint expense for FPLP's own publications for the quarter, excluding the Derksen business, remained at the same level due to higher newsprint prices offset by lower volumes mainly from fewer circulation copies. Newsprint expense for commercial printing for the third quarter, excluding the Derksen business, decreased by $0.2 million compared to the same period in the prior year, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Delivery costs and other expenses for the third quarter, excluding the Derksen business, were largely at the same level compared to the same period in the previous year.

Operating expenses excluding depreciation and amortization and restructuring charges for the nine months ended September 30, 2011 were $65.3 million, a $1.5 million or 2.3% increase from the same period last year. Operating expenses excluding depreciation and amortization, restructuring charges and the Derksen business, for the nine months ended September 30, 2011, decreased $1.2 million or 1.9% compared to last year. Employee compensation costs for the nine months, excluding the Derksen business and restructuring charges, decreased by $0.7 million or 2.4%, primarily due to fewer employees, partially offset by the 2% wage increase included in the collective agreements and severance costs. In the second quarter, twelve employees were laid-off between the Winnipeg and Brandon operations and a restructuring charge for severance costs of $0.3 million was incurred. Newsprint expense for FPLP's own publications for the nine months, excluding the Derksen business, increased by $.04 million or 6.4%, primarily due to higher newsprint prices partially offset by lower volumes mainly from fewer circulation copies. Newsprint expense for commercial printing for the nine months, excluding the Derksen business, decreased $0.6 million compared to the same period in the prior year, primarily due to the October 1, 2010 non-renewal of the Globe and Mail printing contract. Delivery costs for the nine months, excluding the Derksen business, increased by $0.1 million or 1.0%, primarily due to extra costs resulting from higher flyer volumes. Other expenses for the nine months, excluding the Derksen business, decreased by $0.4 million or 3.0% when compared to the same period in the prior year, primarily due to a reduction in an accrual relating to a labour matter and decreased marketing costs.

EBITDA(1) for the three and nine months ended September 30, 2011 was $4.5 million and $15.8 million compared to $5.4 million and $18.0 million for the same periods last year, a decrease of 15.7% and 12.2% respectively. EBITDA(1) margin for the three and nine months ending September 30, 2011 was 17.1% and 19.4% compared to 20.2% and 22.0% in the same periods last year. Excluding the Derksen business, EBITDA(1) for the three and nine months ended September 30, 2011 was $4.3 million and $15.2 million. The reductions in EBITDA(1) were due to the factors described above.

Depreciation and amortization for the three and nine months ended September 30, 2011 decreased by $0.5 million and $1.6 million compared to the same periods in the prior year, primarily due to accelerated depreciation recorded in the prior year for the Brandon production equipment, which was taken out of service effective October 1, 2010, partially offset by increased depreciation from the Derksen business assets acquired in February 2011.

Finance costs for the three months ended September 30, 2011 increased by less than $0.1 million compared to the previous year, primarily due to interest expense on the new finance leases. Finance costs decreased slightly for the nine months ended September 30, 2011 compared to the previous year, due primarily to lower interest costs on the variable-rate term loan versus the fixed 5.2% rate on the notes payable, together with lower principal amounts owing, partially offset by interest payments on the new finance leases.

FPLP's net earnings were $2.8 million and $10.7 million for the three and nine months ended September 30, 2011, compared to $3.2 million and $11.0 million for the same period last year.

Under IFRS, comprehensive income includes actuarial gains and losses. These gains or losses are primarily related to changes in actuarial discount rate assumptions and differences between actuarial estimates of return on pension plan assets versus actual returns. In the three and nine months ended September 30, 2011, an increase in the defined benefit obligation resulted from an actuarial discount rate decrease and a lower actual return on the plan's investments compared to the actuarial return assumptions.

Newspaper publishing is, to a certain extent, a seasonal business, with a higher proportion of revenues and net earnings occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA(1) and net earnings of FPLP by quarter for 2011, 2010 and 2009 were as follows:

	2011	2010	2009
	(IFRS)	(IFRS)	(Canadian GAAP)
		In thousands	
Revenue			
Quarter 1	$ 24,997	$ 26,370	$ 26,838
Quarter 2	29,926	28,946	29,691
Quarter 3	26,404	26,470	26,554
Quarter 4		28,246	30,780
		$ 110,032	$ 113,863
EBITDA(1)			
Quarter 1	$ 4,384	$ 5,529 (**)	$ 3,170
Quarter 2	6,861	7,068 (**)	6,581
Quarter 3	4,514	5,356 (**)	4,660
Quarter 4		6,598	7,987 (*)
		$ 24,551	$ 22,398
Net earnings (loss)			
Quarter 1	$2,733	$ 3,018 (***)	$ (496) (****)
Quarter 2	5,154	4,878 (***)	2,838
Quarter 3	2,798	3,152 (***)	1,122
Quarter 4		4,925 (***)	3,653 (*)
		$ 15,973	$ 7,117

(*) EBITDA(1) and net earnings in the fourth quarter of 2009 were impacted by restructuring charges of $0.8 million relating to severance costs largely for employee reductions planned from the 2010 consolidation of production in Winnipeg.

(**) EBITDA(1) in the first three quarters of 2010 were higher than the previous year even though year-over-year revenues were lower in each period as a result of various cost reduction initiatives implemented in response to the economic slowdown, which resulted in reduced advertising revenues.

(***) Net earnings were higher in each quarter of 2010 compared to 2009 primarily due to the settlement of the subordinated notes held by FPI at the end of the fourth quarter of 2009 resulting in lower financing costs and the implementation of the cost reduction initiatives referred to under (**) above.

(****) The lower net earnings in the first quarter of 2009 are primarily the result of reduced advertising revenues resulting from the economic slowdown and a restructuring charge of $0.6 million relating to employee severance costs.

The distribution policy of FPLP is to make distributions in approximately equal monthly amounts based on expected operating results for each fiscal year. Distribution levels are reviewed regularly by management and the Board of Directors of the managing general partner and are subject to change based on a number of factors including the overall operating results and capital requirements of the business.

Working Capital Position of FPLP

FPLP's total working capital at September 30, 2011 was $6.7 million, compared to $5.4 million at September 30, 2010. The change in working capital is primarily due to a decrease in accounts payable and accrued liabilities related to timing of the payment of trade payables and accrued payroll, partly offset by a reduction in prepaid expenses and other assets.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents, excluding the restricted cash, at September 30, 2011 was $9.4 million compared to $8.7 million at September 30, 2010. Cash and cash equivalents may be used to pay future distributions (including future income taxes payable by the partners), to reduce debt, to fund future capital expenditures, or for other general purposes.

During the three and nine month periods ended September 30, 2011, operating activities provided $4.0 million and $13.8 million, $0.2 million and $4.2 million were used for investing activities and $0.7 million and $6.7 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures, required principal repayments under FPLP's HSBC credit facility (see Note 6 to the 2010 Annual Consolidated Financial Statements of FPLP) and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

Cash Flow from Operating Activities

During the three and nine months ended September 30, 2011, cash generated from operating activities was $4.0 million and $13.8 million compared to $4.3 million and $16.3 million for the same periods last year. The net earnings for the three and nine months ended September 30, 2011 were $2.8 million and $10.7 million compared to $3.2 million and $11.0 million for the same periods in the prior year. The main factors contributing to the change in net earnings are outlined in the FPLP section of this report. The change in the amortization of property, plant and equipment and intangible assets in the three and nine months ended September 30, 2011 was a decrease of $0.5 million and $1.6 million from the same periods last year as a result of accelerated amortization in 2010 on certain Brandon production equipment resulting from the consolidation of Brandon production at our Winnipeg production site, partially offset by increased depreciation expense relating to the Derksen acquired assets. The excess of pension contributions over expense represents the payment for nine months of funding for the Winnipeg defined benefit pension solvency deficiency. The net change in non-cash working capital for the three and nine months ended September 30, 2011 was an increase of $0.6 million and $0.3 million compared to a decrease of $0.5 million and increase of $0.2 million for the same periods last year, primarily the result of the timing of receipts from customers and payments to suppliers.

Investing Activities

Capital purchases totalled $0.2 million and $1.0 million for the three and nine months ended September 30, 2011, compared to $0.1 million and $0.4 million for the same periods in the prior year. For the three months ended September 30, 2011, capital spending consisted primarily of an investment in fleet vehicles and hardware upgrades. Capital spending during the nine months consisted of leasehold improvements and equipment for the consolidation of distribution depots and above-ground fuel tanks in Winnipeg, additional press equipment and technology hardware upgrades.

On February 28, 2011, FPLP acquired all of the assets and assumed specified liabilities of a publishing and printing business operated under the name Derksen Printers for cash consideration of $3.5 million. The business has been in operation in Steinbach, Manitoba since 1936. The business publishes The Carillon weekly paid subscription newspaper in addition to a commercial web and sheet-fed printing operation.

In the first quarter of 2010, as part of the HSBC credit agreement, FPLP made a $5.0 million cash deposit into a separate HSBC guarantee account, classified as restricted cash on the balance sheet.

Financing Activities

Distributions to partners of FPLP for the three and nine months ended September 30, 2011 totalled $2.4 million and $7.9 million, of which $1.2 million and $3.8 million was paid to FPI as holder of Class A limited partner units. This is compared to $2.7 million and $8.0 million in the same periods last year, of which $1.3 million and $3.6 million was paid to FPI as holder of Class A limited partner units. The distributions to partners were determined in accordance with the limited partnership agreement that governs FPLP (the "LP Agreement").

The principal repayments of the HSBC term loan for the three and nine months ended September 30, 2011 totalled $1.3 million and $3.8 million, compared to $1.3 million and $3.3 million principal repayment plus $0.3 million in financing costs associated with the HSBC loan agreement for the same period of 2010. The increase in the principal repayment in the nine-month period of 2011 is a result of nine full months of repayments compared to only eight in 2010.

Contractual Obligations

To date in 2011, FPLP entered into three finance lease agreements to finance equipment purchases, one during each quarter. During the third quarter a mortgage financing agreement was completed for the Steinbach real estate assets and FPLP entered into a long-term sponsorship agreement which requires annual payments of $0.3 million.

Other than as discussed above, there have been no significant changes to contractual obligations since December 31, 2010.

Reserves Related to Distributable Cash Attributable to FPI[(2)]

Under the terms of the LP Agreement, the managing general partner of FPLP is required to determine reserves which are necessary or desirable to withhold from any distributions to partners, including among other things for capital expenditures and operating expenses. A summary of the reserves for the three and nine months ended September 30, 2011 and 2010 is as follows:

Reserve for future maintenance capital	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands		*In thousands*	
Reserve at beginning of period	$ 1,219	$ 1,500	$ 1,500	$ 1,500
Increase in reserve	-	-	-	-
Decrease in reserve	-	-	(281)	-
Reserve at end of period	$ 1,219	$ 1,500	$ 1,219	$ 1,500

Increases in the reserve for maintenance capital are shown as a deduction in determining distributable cash[(2)] of FPLP. Decreases in the reserve for maintenance capital are shown as an increase in determining distributable cash[(2)].

The use of a reserve for maintenance capital in calculating distributable cash attributable to FPI[(2)] is intended to provide an allowance for estimated annual capital expenditures required to maintain the productive capacity of the business. The level of the annual allowance for maintenance capital is reviewed periodically based on historical spending levels and future plans, and adjusted based on reasonable and supportable assumptions. Actual future capital expenditures necessary to maintain the current productive capacity of the business may vary, perhaps materially, from the allowance used in determining distributable cash[(2)] due to technological change, unexpected equipment failure, changes in customer service expectations and other reasons. FPLP has established a maintenance capital maximum reserve policy, the maximum reserve level under which is $1.5 million.

Reserve for future income taxes payable	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands		*In thousands*	
Reserve at beginning of period	$ 2,127	$ -	$ -	$ -
Increase in reserve	738	-	2,865	-
Reserve at end of period	$ 2,865	$ -	$ 2,865	$ -

As FPI's year end is December 30 taxes will be temporarily deferred as explained under the taxation section of this report, a reserve is being established to fund future income taxes payable.

Reserve for pension solvency payments	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands		*In thousands*	
Reserve at beginning of period	$ 750	$ -	$ -	$ -
Increase in reserve	-	-	750	
Decrease in reserve	(750)	-	(750)	-
Reserve at end of period	$ -	$ -	$ -	$ -

As discussed in the operation section of this report, pension solvency deficiency payments are required starting in the second half of 2011. In the second quarter it was decided to establish a reserve in the distributable cash calculation at the higher end of the range of potential required future payments. This reserve was reversed during the third quarter as a retroactive funding payment was made in the quarter and going forward the excess of actual funding payments over the accounting pension expense will be included as a reduction of distributable cash.

These reserves are non-IFRS measures established and utilized at the discretion of the board of directors of the managing general partner of FPLP, and have no impact on the IFRS financial statements.

Debt Covenants

The HSBC credit facility (see Note 6 to the 2010 Annual Consolidated Financial Statements of FPLP) includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on paying distributions, the sale of assets, the purchase of investments and acquisitions, share capital, allowing encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash by more than $1.0 million annually, as defined in the credit agreement. FPLP is required to maintain a leverage ratio of no greater than 3.5 to 1.0, a fixed charge coverage ratio of no less than 2.0 to 1.0, and a current ratio of no less than 1.2 to 1.0, all as defined in the agreement and measured quarterly on a trailing 12-month basis. Financial amounts used in the calculations are specifically defined in the credit agreement, but are substantially equal to the corresponding terms used in the external financial reports filed by FPLP. The following financial ratios are calculated in accordance with the HSBC credit agreement:

Twelve Months Ended	Leverage ratio	Fixed Charge ratio	Current ratio
September 30, 2011	1.9	3.0	4.6
June 30, 2011	1.9	3.2	2.7
March 31, 2011	1.9	3.3	2.4
December, 31, 2010	1.8	3.6	3.4
September 30, 2010	1.7	4.5	3.2

FPLP was in compliance with its covenants during the periods noted above.

Related Party Transactions

FPLP purchases a portion of its newsprint from Alberta Newsprint Company ("ANC"), a related party as disclosed under the related party transaction section of FPLP's Annual Management's Discussion and Analysis at December 31, 2010. There have been no changes during 2011 to the process for selection of newsprint suppliers or the quarterly review by the Audit Committee of newsprint purchases. Total newsprint purchases from ANC for the three and nine months ended September 30, 2011 were $1.2 million and $3.2 million, compared to $0.9 million and $2.7 million for the same periods last year.

In connection with the HSBC credit facility, FPLP pays a guarantee fee to FP Funding Corporation ("FundingCo"), a company controlled indirectly by Ronald Stern and Robert Silver, who together control 51% of FPLP, as FundingCo has made a $5.0 million deposit into a HSBC guarantee account (as discussed in Note 6 to the 2010 Annual Consolidated Financial Statements of FPLP) held as collateral until the term loan is repaid. The guarantee fee in the three and nine months ending September 30, 2011 was $0.1 million and $0.3 million compared to $0.1 million and $0.2 million for the same periods in 2010.

Disclosure controls and procedures and internal controls over financial reporting

In FPI's 2010 filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures, and the design and effectiveness of internal controls over financial reporting.

In FPI's third quarter 2011 filings, the CEO and CFO certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design of the Corporation's disclosure controls and procedures, and the design of internal controls over financial reporting.

FPI's Audit Committee reviewed this MD&A, and the interim financial report, and the Board of Directors approved these documents prior to their release.

Changes in internal controls over financial reporting

There have been no changes to FPI's internal controls over financial reporting that occurred during the third quarter of 2011 that have materially affected, or are reasonably likely to materially affect, its internal controls over financial reporting.

Critical Accounting Estimates

There have been no significant changes in FPI's or FPLP's critical accounting estimates since December 31, 2010.

Initial Adoption of New Accounting Pronouncements

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that International Financial Reporting Standards ("IFRS") will be used for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. FPI and FPLP began reporting under IFRS starting with the interim period ended March 31, 2011, with restatement for comparative purposes of amounts reported for the corresponding periods in 2010 including a transitional balance sheet at January 1, 2010.

In order to prepare for the transition date on January 1, 2011, FPI and FPLP finalized the evaluation of this new requirement and created a detailed plan to converge to IFRS. The detailed plan included an analysis of the project structure and governance, resources and training, analysis of key IFRS versus Canadian GAAP differences and a phased approach to the assessment of accounting policies and implementation. FPI's information technology, data systems and business processes were not impacted significantly by the changeover to IFRS.

Adjustments required on transition to IFRS have been made retrospectively against opening deficit at January 1, 2010. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the fiscal year of adoption.

IFRS 1 -provides entities adopting IFRS for the first time with a number of optional exceptions and mandatory exceptions to the general requirement for the full retrospective application of IFRS. FPI and FPLP analyzed the various accounting policy options available and implemented those determined to be most appropriate for our specific circumstances. The conclusions regarding these options are as follows, but will be subject to ongoing assessment during the transition year:

IFRS Exemption Options Applied

a. Business combinations - IFRS 1 provides the election to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date or all business combinations that occurred subsequent to a date prior to transition selected by FPLP. FPLP elected to prospectively apply IFRS 3 to all business combinations subsequent to January 1, 2010 (Business Combinations Election Date). Accordingly any business combinations prior to such Business Combinations Election Date have not been restated. Any goodwill arising on such business combinations before the Business Combinations Election Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

b. Employee Benefits – IFRS 1 provides an election to recognize all cumulative actuarial gains and losses at the transition date as a direct entry to deficit rather than retrospectively applying IFRS pension guidance and recalculating amounts on transition. FPLP elected to apply the optional exemption and recognized all cumulative actuarial gains and losses at the transition date in retained earnings.

Income taxes (FPI) - FPI has recognized deferred income taxes related to temporary differences associated with the accounting and tax values of the assets and liabilities within FPLP. Accordingly, FPI recognized deferred income taxes associated with the change in the measurement of employee future benefit assets and liabilities, as described above. The impact of FPI's 49% equity share is a reduction in the deferred income tax liability at January 1, 2010 of $186,000.

From January 1, 2010 to December 31, 2010, the Fund (the predecessor to FPI) was structured as an income trust and on May 5, 2010 unitholders approved the conversion from an income trust to a corporation. For interim periods prior to May 5, 2010, deferred taxes under IFRS must be measured using the highest marginal tax rate of 43.7%. On January 1, 2010, this resulted in an increase to the Fund's deferred tax liability of $537,000 as a result of the transition to IFRS. This increase reversed through the statements of earnings and comprehensive income as a deferred tax recovery in the second quarter of 2010 as a result of the approved conversion to a corporation.

Under the current Canadian Income Tax Act, "eligible capital expenditures" are deductible for tax purposes to the extent of 75% of the cost incurred, and proceeds are ultimately taxable only to the extent of 75% of the amount received. Under Canadian GAAP, the 25% of the amounts not deductible are included in the tax basis of the related asset. Under IFRS the 25% of the amounts not deductible do not meet the definition of tax basis. On transition, a deferred tax liability of approximately $388,000 was recognized related to such temporary difference.

Property, plant and equipment – IFRS requires an entity to identify significant component parts within fixed assets and depreciate those parts over their respective useful lives. Canadian GAAP only requires componentization to the extent practicable. FPLP finalized its review of its fixed assets to identify whether any additional components are required to be recognized on transition to IFRS. The annual impact of the additional componentization was insignificant.

Impairment of assets – Upon adoption of IFRS, FPLP was required to test goodwill and mastheads for impairment in accordance with IAS 36. Furthermore, IFRS requires FPLP to conduct an asset-impairment test at the date of adoption of IFRS if indicators of impairment exist. There are several differences that exist between current Canadian GAAP and IFRS for impairment of non-financial assets, which include:

- the test for non-financial asset impairment (for finite lived tangible and intangible assets) requires the use of a discounted cash flow model, whereas Canadian GAAP uses a two-step impairment test which is first based on undiscounted cash flows and then discounted cash flows;
- testing for impairment occurs at the level of cash-generating units, which is the lowest level of assets that generate largely independent cash inflows, whereas Canadian GAAP requires impairment tests at the asset group level; and
- IFRS allows the reversal of previous impairment losses, with the exception of goodwill, whereas Canadian GAAP prohibits the reversal of non-financial asset impairments.

FPLP has finalized its IAS 36 impairment assessments related to its recognized goodwill and indefinite lived intangible assets at January 1, 2010 and December 31, 2010, and no impairment charge will be recognized under IFRS.

The AcSB and International Accounting Standards Board may continue to issue new accounting standards during the conversion year. FPI and FPLP will continue to monitor any changes and consider the impact changes in the standards would have on the consolidated financial statements.

Additional disclosure on the impact of the adoption of IFRS on our consolidated financial statements will be provided in future MD&As.

Accounting standards issued but not yet effective

IFRS 9 - Financial Instruments

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI and FPLP have not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements.*

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 - Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 - Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 19 - Employee Benefits
The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to enhance the disclosures for all employee benefits. Actuarial gains and losses are renamed 'remeasurements' and will be recognized immediately in other comprehensive income ("OCI"). Remeasurements recognized in OCI will not be recycled through profit or loss in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a funded benefit plan will be computed based on the application of the discount rate to the net defined benefit asset or liability. The amendments to IAS 19 will also impact the presentation of pension expense as benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income.

A number of other amendments have been made to recognition, measurement and classification including those re-defining short-term and other long-term benefits guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing factors and expanded disclosures.

FPLP's current accounting policy for employee benefits for the presentation of pension expense and the immediate recognition of actuarial gains and losses in OCI is consistent with the requirements in the new standard, however, additional disclosures and the computation of annual expense based on the application of the discount rate to the net defined benefit asset or liability will be required in relation to the revised standard.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 1 - Financial Statement Presentation
The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as remeasurements resulting from the amendments to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

This standard is required to be applied for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Historical Distributions Paid Analysis

FPLP:	Three Months ended September 30, 2011	Nine Months ended September 30, 2011	Twelve Months ended December 31, 2010	Twelve months ended December 31, 2009
		In thousands		
Cash provided by operating activities	$ 4,009	$ 13,796	$ 18,304	$ 11,316
Net earnings	2,798	10,685	15,973	7,117
Distributions paid during the period	2,430	7,852	10,749	9,477
Excess of cash provided by operating activities over cash distributions paid	$ 1,579	$ 5,944	$ 7,555	$ 1,839
Excess (shortfall) of net earnings over cash distributions paid	$ 368	$ 2,833	$ 5,224	$ (2,360)

Cash distributions paid in one of the four periods exceeded net earnings. FPLP does not use net earnings as a basis for determining the level of distributions to Shareholders. Distributions are determined in accordance with the LP Agreement. Because amortization charged as an expense in calculating net earnings in accordance with GAAP exceeds capital expenditures charged as a reduction of distributable cash in all periods, this result is not unexpected.

FPI:	Three Months ended September 30, 2011	Nine Months Ended September 30, 2011	Twelve Months ended December 31, 2010	Twelve Months ended December 31, 2009
		In thousands		
Cash provided by operating activities	$ 1,092	$ 3,460	$ 4,439	$ 8,259
Net earnings	974	3,703	7,168	6,853
Dividends paid during the period	1,035	3,175	5,212	7,869
Excess (shortfall) of cash provided by operating activities over dividends paid	$ 57	$ 285	$ (773)	$ 390
Excess (shortfall) of net earnings over dividends paid	$ (61)	$ 528	$ 1,956	$ (1,016)

Dividends paid in two of the four periods exceeded net earnings. FPI does not use net earnings as a basis for determining the level of dividends to Shareholders. Dividends are determined by the Directors (previously the Trustees) and are primarily dependent upon the amount of distributions received from FPLP. Because amortization charged as an expense in calculating net earnings of FPLP in accordance with IFRS has exceeded capital expenditures charged as a reduction of distributable cash of FPLP in all periods and deferred income tax expense is a non-cash reduction of net earnings, this result is not unexpected.

Dividends paid in the twelve months ended December 31, 2010 exceeded cash provided by operating activities due primarily to the settling of the subordinated notes at December 31, 2009 and the non-recurring administration expenses relating to the conversion of the Fund to FPI. The subordinated notes were settled effective December 31, 2009 and interest owing on those notes was paid on that date, when it would normally have been paid in January 2010. This had the effect of increasing FPI's cash balance at December 31, 2009 and decreasing the cash that would have otherwise been received in January 2010 and was the primary contributing factor to the temporary shortfall between dividends paid and cash provided by operating activities. This is a temporary deficiency; going forward, monthly distributions from FPLP will exceed FPI's administration costs and dividends declared by FPI, as has been the case in prior periods.

Business Risks and Uncertainties

Revenue
Advertising revenues, which account for approximately 69% of total revenue, are historically dependent upon general economic conditions and the specific spending plans of high-volume advertisers. A significant downturn in the national or regional economy, like the one which started in 2008, decreases advertising revenue earned by our newspapers. Similarly, a shift from newspaper and/or flyer advertising to internet advertising could adversely affect total revenue. A change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry, national retailers and employment advertisers could adversely affect total revenue.

Expenses
Newspaper publishing is both capital and labour-intensive and, as a result, newspapers have relatively high fixed-cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Newsprint is a significant cost for FPLP, accounting for $7.3 million in the first three quarters of 2011. Newsprint costs vary widely from time to time. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Outlook

The outlook for operations is described earlier in this document.

Non-IFRS Measures

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's interim condensed consolidated income statement, EBITDA is a useful supplemental measure as it is a measure used by many of FPLP's unitholders, creditors and analysts as a proxy for the amount of cash generated by FPLP's operating activities and is not a recognized measure of financial performance under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of FPLP`s performance. FPLP's method of calculating EBITDA is detailed below and may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands		*In thousands*	
Net earnings for the period	$ 2,798	$ 3,152	$ 10,685	$ 11,048
Add (subtract):				
Depreciation and amortization	1,094	1,637	3,309	4,895
Finance costs	654	609	1,921	1,969
Other income	(47)	(42)	(133)	(102)
Other (gains) losses	15	-	(23)	143
EBITDA	$ 4,514	$ 5,356	$ 15,759	$ 17,953

(2) Distributable Cash Attributable to FPI

FPI believes that in addition to the disclosure of cash flow from operations, distributable cash attributable to FPI is an important supplemental measure of cash flow because it provides investors with an indication of the amount of cash available for distribution to Shareholders and because such calculations are required by the terms of the partnership agreement governing FPLP. Distributable cash attributable to FPI is not a defined term under IFRS, and it should not be construed as an alternative to using net earnings or the statements of cash flows as measures of profitability and cash flow. Readers are cautioned that distributable cash as calculated by FPI may not be comparable to similar measures presented by other issuers. FPI used this measure as a factor to determine whether to adjust its monthly dividends to Shareholders.

Management has determined distributable cash attributable to FPI for the stated periods as follows:

	Three Months Ended September 30		Nine Months Ended September 30,	
	2011	2010	2011	2010
	In thousands		*In thousands*	
Distributable cash of FPLP:				
EBITDA[1]	$ 4,514	$ 5,356	$ 15,759	$ 17,953
Other income	47	42	133	102
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(630)	(584)	(1,848)	(1,824)
Principal repayment of term loan	(1,251)	(1,251)	(3,753)	(3,336)
Maintenance capital expenditures	(243)	(95)	(1,024)	(423)
Decrease in reserve for future maintenance capital	-	-	281	-
Proceeds from sale of property, plant and equipment	4	21	501	242
Principal repayments on finance leases	(132)	-	(222)	-
Principal repayments on mortgage loan	(4)	-	(4)	-
Reserve for future cash income taxes	(738)	-	(2,865)	-
Increase in reserve for pension solvency payments	-	-	(750)	-
Decrease in reserve for pension solvency payments	750	-	750	-
Pension funding in excess of accounting expense	(570)	-	(570)	-
	$ 1,747	$ 3,489	$ 6,388	$ 12,714
49% attributable to FPI	$ 856	$ 1,710	$ 3,130	$ 6,230
Administration expenses	(78)	(84)	(266)	(438)
Interest income	2	1	4	1
Distributable cash attributable to FPI	$ 780	$ 1,627	$ 2,868	$ 5,793
Distributable cash attributable to FPI – per share	$ 0.113	$ 0.235	$ 0.416	$ 0.839

A summary of distributable cash and distributions declared for the trailing twelve months to September 30, 2011 and for the period from commencement of FPI (and previously the Fund) on May 28, 2002 to September 30, 2011 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands	
EBITDA[(1)]	$ 22,357	$ 225,418
Interest income	182	1,169
Finance costs on notes payable, term loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(2,473)	(28,067)
Principal repayment of term loan	(5,004)	(8,340)
Principal repayment of finance leases	(222)	(1,358)
Principal repayment of mortgage loan	(4)	(4)
Maintenance capital expenditures	(1,217)	(9 ,660)
Decrease (increase) in reserve for future maintenance capital expenditures	281	(1,219)
Strategic capital expenditures	-	(1,331)
Decrease in reserve for strategic capital, acquisitions, and/or debt reduction	-	(353)
Proceeds on disposal of property, plant and equipment	501	2,040
Current income and capital tax expense	-	(196)
Reserve for future income taxes	(2,865)	(2,865)
Increase in reserve for pension solvency payments	(750)	(750)
Decrease in reserve for pension solvency payments	750	750
Pension funding in excess of accounting expense	(570)	(570)
Distributable cash of FPLP	$ 10,966	$ 174,664

Distributable Cash Attributable to FPI (previously the Fund):

	Last Twelve Months	Since May 28, 2002
	In thousands	
49% of FPLP distributable cash	$ 5,373	$ 85,585
Administration expenses	(434)	(2,922)
Interest income	4	57
Distributable cash attributable to FPI	$ 4,943	$ 82,720
Distributable cash attributable to FPI – per share	$ 0.716	$ 11.984
Cash distributions declared by FPI – per share	$ 0.630	$ 10.673
Payout Ratio	88.0%	89.1%

A reconciliation of FPLP's distributable cash to cash flows from operating activities, as reported in FPLP's third quarter Consolidated Statements of Cash Flows, is as follows:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
	In thousands		*In thousands*	
Cash flow from operating activities of FPLP	$ 4,009	$ 4,271	$ 13,796	$ 16,340
Add (subtract):				
Net change in non-cash working capital items (*)	(648)	543	(322)	(167)
Excess of pension contributions over expense	570	-	570	-
Maintenance capital expenditures	(243)	(95)	(1,024)	(423)
Decrease in reserve for future maintenance capital(**)	-	-	281	-
Principal repayment of term loan(***)	(1,251)	(1,251)	(3,753)	(3,336)
Loss on derecognition of the Variable Interest Entity	-	-	-	58
Proceeds from sale of property, plant and equipment (****)	4	21	501	242
Principal repayment on finance leases	(132)	-	(222)	-
Principal repayment on mortgage loans	(4)	-	(4)	-
Reserve for future income taxes(*****)	(738)	-	(2,865)	-
Increase in reserve for pension solvency payments(******)	-	-	(750)	-
Decrease in reserve for pension solvency payments(******)	750	-	750	-
Pension funding in excess of accounting expense(******)	(570)	-	(570)	-
Distributable cash of FPLP	$ 1,747	$ 3,489	$ 6,388	$ 12,714

This reconciliation is provided in order to comply with the guidance of the Canadian Securities Administrators National Policy 41-201. FPI does not use this information for any purpose other than compliance.

(*) While changes in non-cash working capital is a component in determining cash flow from operations in the statements of cash flows, changes in non-cash working capital are not normally included in the calculation of distributable cash, as these changes can often be financed with an available operating line of credit, or represent only a temporary source of cash, due to seasonal fluctuations.

(**) Increase in the reserve for future capital is shown as a deduction in determining distributable cash. A decrease in the reserve is shown as an increase in the determination of distributable cash. This reserve is a non-IFRS measure established and utilized at the discretion of the board of directors of FPLP, and has no impact on the IFRS financial statements.

(***) The monthly principal repayments of the term loan is a requirement under the HSBC Bank Canada term facility (see note 6 in FPLP's Annual Consolidated Financial Statements) and is therefore a reduction in determining the distributable cash of FPLP.

(****) Proceeds from sale of property, plant and equipment is a component of distributable cash, but is not included in cash flow from operating activities because it is classified as an investing activity in the statements of cash flows.

(*****) Reserve for future income taxes is a deduction in determining distributable cash. This reserve has been established to fund future income taxes payable resulting from a temporary deferral of taxes as a result of FPI's year end being December 30 as discussed in the taxation section of this report.

(******) The decrease in the reserve for pension solvency payments during the third quarter is an increase in determining distributable cash and was a decrease in determining distributable cash when it was established in the second quarter to recognize the future requirement to fund a pension solvency deficiency. The actual pension funding in excess of accounting expense in the third quarter is a deduction in determining distributable cash.

FP Newspapers Inc.
(formerly FP Newspapers Income Fund)
Condensed Consolidated Balance Sheets
(unaudited, in thousands of Canadian dollars)

	Note	As at September 30, 2011	As at December 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents		$ 328	$ 43
Prepaid expenses and other assets		38	21
		366	64
Investment in FPCN General Partner Inc.		86	49
Investment in FP Canadian Newspapers Limited Partnership	3	58,860	59,921
		$ 59,312	$ 60,034
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 83	$ 191
Dividend payable	5	345	414
		428	605
Long-term liabilities			
Deferred income tax liability	7	1,450	804
		1,878	1,409
Shareholders' equity			
Share capital	6	71,373	71,373
Deficit		(13,939)	(12,748)
		57,434	58,625
		$ 59,312	$ 60,034

(See accompanying notes)

FP Newspapers Inc.
(formerly FP Newspapers Income Fund)
Condensed Consolidated Statements of Earnings and Comprehensive Income (Loss)
(unaudited, in thousands of Canadian dollars except per share amounts)

	Note	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 1,371	$ 1,545	$ 5,236	$ 5,414
Equity interest from FPCN General Partner Inc.		37	-	37	-
Administration expenses		(78)	(84)	(266)	(438)
		1,330	1,461	5,007	4,976
Other income		2	1	4	1
Deferred income tax (expense) recovery	7	(358)	49	(1,308)	717
Net earnings for the period		$ 974	$ 1,511	$ 3,703	$ 5,694
Equity interest of other comprehensive loss from FP Canadian Newspapers Limited Partnership		(2,415)	(212)	(2,450)	(635)
Deferred income tax recovery		652	57	662	100
Comprehensive income (loss) for the period		$ (789)	$ 1,356	$ 1,915	$ 5,159
Weighted average number of Common Shares outstanding	6	6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per share		$ 0.141	$ 0.219	$ 0.536	$ 0.825

FP Newspapers Inc.
(formerly FP Newspapers Income Fund)
Condensed Consolidated Statements of Changes in Equity
(unaudited, in thousands of Canadian dollars except per share amounts)

	Share Capital	Deficit	Total Shareholders' Equity
At December 31, 2010	$ 71,373	$ (12,748)	$ 58,625
Net earnings for the period	-	3,703	3,703
Other comprehensive (loss) for the period	-	(1,788)	(1,788)
Comprehensive income for the period	-	1,915	1,915
Dividends	-	(3,106)	(3,106)
At September 30, 2011	$ 71,373	$ (13,939)	$ 57,434

	Share Capital	Deficit	Total Shareholders' Equity
At January 1, 2010	$ 69,026	$ (12,610)	$ 56,416
Net earnings for the period	-	5,694	5,694
Other comprehensive income for the period	-	(535)	(535)
Comprehensive income for the period	-	5,159	5,159
Dividends	-	(3,727)	(3,727)
At September 30, 2010	$ 69,026	$ (11,178)	$ 57,848

FP Newspapers Inc.
(formerly FP Newspapers Income Fund)
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands of Canadian dollars)

	Note	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash provided by (used in):					
Operating activities					
Net earnings for the period		$ 974	$ 1,511	$ 3,703	$ 5,694
Items not affecting cash:					
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(1,371)	(1,545)	(5,236)	(5,414)
Equity interest from FPCN General Partner Inc.		(37)	-	(37)	-
Deferred income tax expense (recovery)		358	(49)	1,308	(717)
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	1,189	1,329	3,847	3,647
Net change in non-cash working capital items		(21)	(158)	(125)	39
		1,092	1,088	3,460	3,249
Financing activities					
Dividends paid		(1,035)	(1,242)	(3,175)	(3,969)
Increase (decrease) in cash and cash equivalents		57	(154)	285	(720)
Cash and cash equivalents – beginning of period		271	250	43	816
Cash and cash equivalents – end of period		$ 328	$ 96	$ 328	$ 96

(See accompanying notes)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). FPI's year end is December 30. The Fund was an unincorporated limited-purpose trust established under the laws of Ontario on May 15, 2002 to invest in securities issues by FP Canadian Newspapers Limited Partnership ("FPLP"). In response to changes in the tax treatment of income trusts, the trustees of the Fund determined that it would be in the best interests of the Fund and its unitholders to convert the Fund from a trust to a corporation pursuant to a plan of arrangement (the "conversion"). Effective on December 31, 2010, all of the outstanding units of the Fund were exchanged on a one-for-one basis for common shares of FPI which are listed on the Toronto Stock Exchange under the symbol FP. FPI owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FPLP. FPLP is a limited partnership formed under the laws of British Columbia on August 9, 1999. It owns the Winnipeg Free Press, the Brandon Sun and other newspapers and media businesses. The address of FPI's registered office is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

Since there was no change in control as a result of the conversion, the transaction has been accounted for as if the conversion had occurred at the beginning of the earliest comparative period presented. These interim condensed consolidated financial statements reflect the entity which owns the 49% interest in FPLP as a corporation subsequent to December 31, 2010 and an income trust prior to the conversion. All references to "Share Capital" refer to FPI's Common Shares subsequent to December 31, 2010 and Fund Units prior to the conversion. All references to "Dividends" refer to dividends paid or payable to holders of FPI Common Shares after December 31, 2010 and to distributions paid or payable to Fund Unitholders prior to the conversion. All references to "Shareholder" refer to holders of Common Shares subsequent to December 31, 2010 and to Fund Unitholders prior to the conversion.

FPLP's revenues are seasonal. As FPLP is FPI's sole investment, FPI's equity interest is also seasonal, with the equity interest from Class A Limited Partner units being highest in the second and fourth quarters.

2. SIGNIFICANT ACCOUNTING POLICIES

FPI prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, FPI began reporting on this basis in its interim condensed consolidated financial statements as at March 31, 2011 and for the three months then ended. In the financial statements, the term "Canadian GAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The accounting policies followed in these interim financial statements are the same as those applied in FPI's interim financial statements for the period ended March 31, 2011. FPI has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on FPI's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in FPI's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS expected to be effective for the year ended December 31, 2011, as issued and outstanding as of November 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in FPI's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS. The condensed interim consolidated financial statements should be read in conjunction with FPI's Canadian GAAP annual financial statements for the year ended December 31, 2010, and FPI's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPI's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in note 4.

Accounting standards issued but not yet effective

IFRS 9 - Financial Instruments
IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 – Consolidation
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 - Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 - Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 19 - Employee Benefits
The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to enhance the disclosures for all employee benefits. Actuarial gains and losses are renamed 'remeasurements' and will be recognized immediately in other comprehensive income ("OCI"). Remeasurements recognized in OCI will not be recycled through profit or loss in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a funded benefit plan will be computed based on the application of the discount rate to the net defined benefit asset or liability. The amendments to IAS 19 will also impact the presentation of pension expense as benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income.

A number of other amendments have been made to recognition, measurement and classification including those re-defining short-term and other long-term benefits guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing factors and expanded disclosures.

FPI's current accounting policy for employee benefits for the presentation of pension expense and the immediate recognition of actuarial gains and losses in OCI and the deficit is consistent with the requirements in the new standard, however, additional disclosures and the computation of annual expense based on the application of the discount rate to the net defined benefit asset or liability will be required in relation to the revised standard.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 1 - Financial Statement Presentation
The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as remeasurements resulting from the amendments to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

This standard is required to be applied for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. FPI has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI's investment in FPLP's Class A Limited partner units was originally made in May and June of 2002 after the completion of the Initial Public Offering of the Fund. FPI's investment in Class A limited partner units of FPLP entitle it to 49% of the distributable cash as defined in the Partnership Agreement of FPLP.

(unaudited, tabular amounts in thousands of Canadian dollars)

The investment in FPLP is summarized as follows:

	Class A limited partner units
Balance at January 1, 2010	$ 57,916
Equity interest in net earnings and comprehensive income for the year ended December 31, 2010	6,981
Distributions received for the year ended December 31, 2010	(4,976)
Balance at December 31, 2010	$ 59,921
Equity interest in net earnings and comprehensive income for the nine months ended September 30, 2011	2,786
Distributions received for the nine months ended September 30, 2011	(3,847)
Balance at September 30, 2011	$ 58,860

The equity interest from FPI's investment in Class A limited partner units and the equity interest in the other comprehensive income of FPLP are calculated as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net earnings of FPLP	$ 2,798	$ 3,152	$ 10,685	$ 11,048
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in net earnings of FPLP	1,371	1,545	5,236	5,414
Other comprehensive (loss) of FPLP	(4,929)	(432)	(5,000)	(1,296)
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in other comprehensive (loss) of FPLP	$ (2,415)	$ (212)	$ (2,450)	$ (635)

4. USE OF ESTIMATES

The preparation of these interim condensed consolidated financial statements requires FPI to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates.

FPI has determined that the most significant estimates involve transactions and balances related to its investment in FPLP (note 3). The equity interest from FPI's Class A limited partner units depends on the accuracy of the estimates made in the preparation of the interim condensed consolidated financial statements of FPLP. The actual equity interest may vary from the estimates made in FPLP.

FPI bases its impairment assessment of FPLP, as required, on both the income and market based approach. Under the income approach, management estimates the discounted future cash flows for five years and a terminal value for FPI's investment in FPLP. The future cash flows are based on management's best estimates considering historical and expected operating plans, economic conditions, and general outlook for the industry and geographic market in which FPLP operates. The discount rates used by FPI are based on an industry based debt/equity ratio and considers the risk free rate, risk premium and size premium for possible variations from management's projections. A terminal value is the value attributed to FPLP's operations beyond the projected period using a perpetuity growth rate based on industry, revenue and operating income trends and growth prospects. Under the market approach, FPI estimates fair value by multiplying maintainable earnings before interest, income taxes, depreciation, amortization and other non-recurring costs by multiples based on market comparables. The estimation process for the income and market approaches results in a range of values for which management uses the simple average of the mid-points under each approach. As a result of its declining share price and reductions in operating results of FPLP compared to the prior year, the risk of impairment and resulting non-cash write-down increases and such impairment and non-cash write-down may be material.

5. DIVIDEND PAYABLE

FPI declared a dividend payable in respect of the month of September 2011 of $345,130 or $0.05 per share (September 2010 – $414,156 or $0.06 per share) which was paid October 31, 2011 to shareholders of record on September 30, 2011.

6. SHARE CAPITAL

The articles of incorporation of FPI provide that an unlimited number of common shares and one voting preferred share may be issued. Each common share is transferable and represents an equal undivided beneficial interest in any dividends of FPI and in the net assets of FPI in the event of termination or winding up of FPI. All common shares have equal rights and privileges. Each common share entitles the holder thereof to participate equally in the allocations and distributions and to one vote at all meetings of FPI shareholders for each share held. The common shares issued are not subject to future calls or assessments. As at September 30, 2011 6,902,592 Common Shares were issued with a paid-up share capital amount of $71,373,000. The preferred share is held by FPCN Media Management Ltd. ("`FPCN"). The preferred share entitles the holder the right to elect one-third of FPI's directors, but does not entitle the holder thereof to any economic rights as a common shareholder of FPI. If and when Canstar Publications Ltd. and R.I.S. Media Ltd. (the General Partners of FPLP) cease to own at least ten percent of the outstanding partnership units of FPLP, the preferred share held by FPCN will automatically be redeemed by FPI for a redemption price of $1.00 and be cancelled.

(unaudited, tabular amounts in thousands of Canadian dollars)

7. INCOME TAX EXPENSE

Income tax expense is made up of the following:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Current income tax on income	$ -	$ -	$ -	$ -
Deferred income tax (expense) recovery	(358)	49	(1,308)	717
Income tax (expense) recovery	(358)	49	(1,308)	717
Deferred income tax recovery recognized in OCI	652	57	662	100
Total income taxes (expense) recovery	$ 294	$ 106	$ (646)	$ 817

The deferred income tax (expense) for income taxes reflects an effective income tax rate which differs from its combined Canadian federal and provincial statutory income tax rate as follows:

	Three months ended September 30, 2011	Nine months ended September 30, 2011
Income taxes at combined Canadian statutory income tax rate of 28.5%	$ 308	$ (730)
Difference between current tax rate and deferred income tax rate in temporary differences	(15)	42
Adjustments in respect of prior year	(15)	6
Other	16	36
Total income tax (expense)	$ 294	$ (646)

FPI's fiscal year-end is December 30. None of the taxable income of FPLP (whose year-end is December 31) will be allocated to FPI prior to its December 30, 2011 year-end. As a result, FPI will have no current taxes in the year ended December 30, 2011. FPLP's taxable income for the year ended December 31, 2011 will be allocated to FPI in its year ended December 30, 2012. The June 6, 2011 federal budget included new measures to curtail income deferral by corporations using partnerships with different year-end dates, and these measures have now been substantively enacted and apply to FPI's current period. FPI is required to accrue the portion of FPLP's income earned in the stub-period between the end of the partnership's fiscal period and the end of FPI's taxation year. The measures include transitional relief by allowing stub-period income for the first affected fiscal period to be recognized over a five-year period. FPI is required to include the following percentage of its share of FPLP's December 31, 2011 taxable income allocation in its determination of current taxes payable:

FPI's year-end	Allocation of December 31, 2011 FPLP taxable income
December 30, 2012	15%
December 30, 2013	20%
December 30, 2014	20%
December 30, 2015	20%
December 30, 2016	25%

(unaudited, tabular amounts in thousands of Canadian dollars)

8. TRANSITION TO IFRS

FPI adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards.* The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, FPI has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

INITIAL ELECTIONS UPON ADOPTION

No IFRS optional exemptions were applied, however FPI has recognized its proportionate share of FPLP's IFRS transition adjustments. As FPI is a reporting issuer as defined by Canadian Securities Regulations, the financial statements are accompanied by FPLP's financial statements.

IFRS Mandatory Exceptions

Set forth below are the applicable IFRS 1 mandatory exceptions in the conversion from Canadian GAAP to IFRS.

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by FPI under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

RECONCILIATIONS OF CANADIAN GAAP TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. FPI's first-time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows. The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity:

Reconciliation of Equity

	December 31 2010	**September 30 2010**	**January 1 2010**
Shareholders' equity under Canadian GAAP	$ 59,779	$ 58,863	$ 57,581
Differences increasing (decreasing) reported shareholders' equity:			
Proportionate share of FPLP differences (a)	(1,272)	(1,062)	(426)
Deferred income taxes (b)	118	47	(739)
Total equity under IFRS	$ 58,625	$ 57,848	$ 56,416

CHANGES IN ACCOUNTING POLICIES

In addition to the mandatory exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by FPI. Only the differences having an impact on FPI are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Relative to the impacts on FPI, the descriptive caption next to each item below corresponds to the same item and descriptive caption in the tables that follow, which reflect the quantitative impacts from each change. Unless a quantitative impact was noted below, the impact from the change was not material to FPI.

a. Employee Benefits (FPLP)

FPI has recognized its proportionate share of the accounting policies adopted by FPLP below:

Optional exemptions applied

FPLP elected to apply the optional exemption and recognized all cumulative actuarial gains and losses at the transition date in cumulative earnings.

Accounting policy differences

Actuarial Gains (Losses)

In accordance with CICA 3461, FPLP adopted an accounting policy of amortizing actuarial gains (losses) using the corridor method whereby the excess of the net actuarial gain or loss over 10% of the greater of the projected obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees.

In accordance with IAS 19, FPLP adopted an accounting policy of recognizing actuarial gains and losses in full in the period in which they occur, in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods.

The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 "IAS 19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" ("IFRIC 14") addresses the application of paragraph 58 of IAS 19 which limits the measurement of a defined benefit asset to "the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus past service cost.

IFRIC 14 provides guidance regarding (a) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, (b) how a minimum funding requirement might affect the availability of reductions in future contributions and (c) when a minimum funding requirement might give rise to a liability. FPLP has determined that it must record an additional liability associated with the minimum funding requirements in its registered pension plan. The additional liability is computed by discounting the minimum funding requirements from the actuarial funding valuations by the discount rate as defined by IAS 19.

There is Canadian GAAP guidance related to the limit on the carrying amount of an accrued benefit asset and recognition of a related valuation allowance. However, IFRS and Canadian GAAP have different methods of calculating the defined benefit asset limit. Furthermore, Canadian GAAP did not address accounting for an additional liability due to minimum funding requirements.

b. Income taxes (FPI)

FPI has recognized deferred income taxes related to temporary differences associated with the accounting and tax values of the assets and liabilities within FPLP. Accordingly, FPI recognized deferred income taxes associated the change in the measurement of employee future benefit assets and liabilities, as described above. The impact of FPI's 49% equity share is a reduction in the deferred income tax liability at January 1, 2010 of $186,000.

From January 1, 2010 to December 31, 2010, the Fund (the predecessor to FPI) was structured as an income trust and on May 5, 2010 unitholders approved the conversion from an income trust to a corporation. For interim periods prior to May 5, 2010, deferred taxes under IFRS must be measured using the highest marginal tax rate of 43.7%. On January 1, 2010, this resulted in an increase to the Fund's deferred tax liability of $537,000 as a result of the transition to IFRS. This increase reversed through the statements of earnings and comprehensive income as a deferred tax recovery in the second quarter of 2010 as a result of the approved conversion to a corporation.

(unaudited, tabular amounts in thousands of Canadian dollars)

FPLP Intangible Assets – Temporary Differences

Under the current Canadian Income Tax Act, "eligible capital expenditures" are deductible for tax purposes to the extent of 75% of the cost incurred, and proceeds are ultimately taxable only to the extent of 75% of the amount received. Under Canadian GAAP, the 25% of the amounts not deductible are included in the tax basis of the related asset. Under IFRS the 25% of the amounts not deductible do not meet the definition of tax basis. A deferred tax liability of approximately $388,000 was recognized related to such temporary difference.

Restated FPI financial statements

The following are reconciliations of the financial statements previously presented under Canadian GAAP to the financial statements prepared under IFRS.

Reconciliation of Consolidated Comprehensive Income for the three months ended September 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner Units	$ 1,545	$	$ 1,545
Administration expenses	(84)		(84)
	1,461		1,461
Other income	1		1
Deferred income tax (expense) recovery	49		49
Net earnings for the period	$ 1,511		$ 1,511
Equity interest in other comprehensive (loss) from FP Canadian Newspapers Limited Partnership (net of tax of $57) (a) (b)		(155)	(155)
Comprehensive income for the period	$ 1,511	$ (155)	$ 1,356

(unaudited, tabular amounts in thousands of Canadian dollars)

Reconciliation of Consolidated Comprehensive Income for the nine months ended September 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner Units	$ 5,414	$	$ 5,414
Administration expenses	(438)		(438)
	4,976		4,976
Other income	1		1
Deferred income tax (expense) recovery	32	685	717
Net earnings for the period	$ 5,009	685	$ 5,694
Equity interest in other comprehensive (loss) from FP Canadian Newspapers Limited Partnership (net of tax of $100) (a) (b)	-	(535)	(535)
Comprehensive income for the period	$ 5,009	$ 150	$ 5,159

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Balance Sheets
(unaudited, tabular amounts in thousands of Canadian dollars)

	Note	As at September 30, 2011	As at December 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents		$ 9,390	$ 6,477
Accounts receivable		11,906	13,026
Inventories		1,257	956
Assets held for sale		53	-
Prepaid expenses and other assets		1,706	2,938
		24,312	23,397
Restricted cash		5,000	5,000
Property, plant and equipment		41,365	37,867
Investment		171	-
Intangible assets		7,380	7,617
Goodwill		71,160	71,160
		$ 149,388	$ 145,041
LIABILITIES AND UNITHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 8,627	$ 8,359
Prepaid subscriptions and deferred revenue		3,271	2,934
Finance lease obligations	9	755	-
Term loan		5,000	5,000
		17,653	16,293
Long-term liabilities			
Accrued pension benefit liability	4	5,968	1,541
Finance lease obligations	9	3,459	-
Mortgage loan	9	976	-
Term loan		46,539	50,218
		74,595	68,052
Unitholders' equity			
Partner units		98,280	98,280
Deficit		(23,458)	(21,291)
Accumulated other comprehensive loss		(29)	-
		74,793	76,989
		$ 149,388	$ 145,041

Commitments (Note 9)
(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Income Statements and Statements of Comprehensive Income (Loss)
(unaudited, tabular amounts in thousands of Canadian dollars)

	Notes	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Revenue					
Advertising		$ 17,670	$ 17,548	$ 55,674	$ 54,885
Circulation		6,884	7,133	20,520	21,476
Commercial Printing		865	1,066	2,262	3,454
Digital		607	507	1,931	1,400
Promotion and services		378	216	940	571
		$ 26,404	$ 26,470	$ 81,327	$ 81,786
Operating expenses, excluding depreciation and amortization					
Employee compensation		10,644	10,387	32,118	31,363
Newsprint and other paper		2,406	2,384	7,300	7,014
Delivery of newspapers		4,175	4,106	12,532	12,352
Restructuring charge	10	-	-	264	-
Other		4,665	4,237	13,354	13,104
		21,890	21,114	65,568	63,833
Depreciation and amortization	5	1,094	1,637	3,309	4,895
Operating income		3,420	3,719	12,450	13,058
Other income		47	42	133	102
Other gains (losses)	5	(15)	-	23	(143)
Finance costs	5	(654)	(609)	(1,921)	(1,969)
Net earnings for the period		$ 2,798	$ 3,152	$ 10,685	$ 11,048
Unrealized (loss) gain on investment		(24)	-	(29)	69
Actuarial (loss) on defined benefits plan	6	(4,929)	(432)	(5,000)	(1,296)
Comprehensive income (loss) for the period		$ (2,155)	$ 2,720	$ 5,656	$ 9,821

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Statements of Changes in Equity
(unaudited, in thousands of Canadian dollars)

	Partner Units	Deficit	Accumulated Other Comprehensive (Loss) income	Total Unitholders' Equity
December 31, 2010	$ 98,280	$ (21,291)	$ -	$ 76,989
Net earnings for the period	-	10,685	-	10,685
Distributions paid	-	(7,852)	-	(7,852)
Other comprehensive (loss) for the period	-	(5,000)	(29)	(5,029)
September 30, 2011	$ 98,280	$ (23,458)	$ (29)	$ 74,793
January 1, 2010	$ 98,280	$ (24,788)	$ (203)	$ 73,289
Net earnings for the period	-	11,048	-	11,048
Distributions paid	-	(8,037)	-	(8,037)
Other comprehensive (loss) income for the period	-	(1,296)	69	(1,227)
September 30, 2010	$ 98,280	$ (23,073)	$ (134)	$ 75,073

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands of Canadian dollars)

	Notes	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash provided by (used in):					
Operating activities					
Net earnings for the period		$ 2,798	$ 3,152	$ 10,685	$ 11,048
Items not affecting cash:					
Amortization of property, plant and equipment and intangible assets	5	1,094	1,637	3,309	4,895
Accretion of deferred financing costs	5	24	25	73	145
(Gain) loss on disposal of property, plant and equipment		15	-	(23)	85
Excess of pension contributions over expense		(570)	-	(570)	-
		3,361	4,814	13,474	16,173
Net change in non-cash working capital items		648	(543)	322	167
		4,009	4,271	13,796	16,340
Investing activities					
Purchases of property, plant and equipment		(194)	(95)	(874)	(423)
Purchase of intangibles		(49)	-	(150)	-
Investment		-	-	(201)	-
Acquisition	7	-	-	(3,457)	-
Proceeds from sale of property, plant and equipment		4	21	501	242
Increase in restricted cash		-	-	-	(5,000)
		(239)	(74)	(4,181)	(5,181)
Financing activities					
Distributions to partners		(2,430)	(2,712)	(7,852)	(8,037)
Repayment of notes payable		-	-		(60,000)
Proceeds from financing lease		2,163	-	4,149	-
Proceeds from mortgage loan		980	-	980	-
Proceeds from term loan		-	-	-	60,000
Term loan refinancing costs		-	-	-	(295)
Principal repayments of finance lease		(132)	-	(222)	-
Principal repayments of mortgage loan		(4)	-	(4)	-
Principal repayment of term loan		(1,251)	(1,251)	(3,753)	(3,336)
		(674)	(3,963)	(6,702)	(11,668)
Increase (decrease) in cash and cash equivalents		3,096	234	2,913	(509)
Cash and cash equivalents - beginning of period		6,294	8,435	6,477	9,178
Cash and cash equivalents - end of period		$ 9,390	$ 8,669	$ 9,390	$ 8,669
Supplemental Cash Flow Information:					
Interest paid during the period		$ 623	$ 555	$ 1,857	$ 2,020

(See accompanying notes)

1. GENERAL INFORMATION

FP Canadian Newspapers Limited Partnership ("FPLP") is a limited partnership formed on August 9, 1999 in accordance with the laws of British Columbia. FPLP publishes, prints and distributes daily and weekly newspapers and specialty publications, delivers advertising materials in the Manitoba market and provides commercial printing services. The address of the registered office of its managing general partner, FPCN General Partner Inc. is Suite 2900, P.O. Box 11583, 650 West Georgia Street, Vancouver, British Columbia, V6B 4N8.

These interim condensed consolidated financial statements include the operating businesses owned by FPLP. The managing general partner of FPLP is FPCN General Partner Inc. ("FPGP"). These interim condensed consolidated financial statements include only the assets, liabilities, revenues and expenses of FPLP and its subsidiaries and do not include the other assets, liabilities, revenues and expenses, including income taxes of the partners.

FPLP's revenues are seasonal and costs are generally consistent between interim periods, accordingly net earnings are highest in the second and fourth quarters.

2. SIGNIFICANT ACCOUNTING POLICIES

FPLP prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, FPLP began reporting on this basis in its interim condensed consolidated financial statements as at March 31, 2011 and for the three months then ended. In the financial statements, the term "Canadian GAAP" refers to Canadian Generally Accepted Accounting Principles before the adoption of IFRS.

These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim condensed consolidated financial statements, including IAS 34 and IFRS 1. The accounting policies followed in these interim financial statements are the same as those applied in FPI's interim financial statements for the period ended March 31, 2011. FPLP has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 8 discloses the impact of the transition to IFRS on FPLP's reported equity as at September 30, 2010 and comprehensive income for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in FPLP's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS expected to be effective for the year ended December 31, 2011, as issued and outstanding as of November 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in FPLP's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS. The condensed interim consolidated financial statements should be read in conjunction with FPLP's Canadian GAAP annual financial statements for the year ended December 31, 2010, and FPLP's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying FPLP's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim condensed consolidated financial statements are disclosed in note 3.

Accounting standards issued but not yet effective

IFRS 9 - Financial Instruments
IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10 – Consolidation
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 11 - Joint Arrangements
IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers.*

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 12 – Disclosure of Interests in Other Entities
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 13 - Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 19 - Employee Benefits
The amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to enhance the disclosures for all employee benefits. Actuarial gains and losses are renamed 'remeasurements' and will be recognized immediately in other comprehensive income ("OCI"). Remeasurements recognized in OCI will not be recycled through profit or loss in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a funded benefit plan will be computed based on the application of the discount rate to the net defined benefit asset or liability. The amendments to IAS 19 will also impact the presentation of pension expense as benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income.

A number of other amendments have been made to recognition, measurement and classification including those re-defining short-term and other long-term benefits guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing factors and expanded disclosures.

FPLP's current accounting policy for employee benefits for the presentation of pension expense and the immediate recognition of actuarial gains and losses in OCI and deficit is consistent with the requirements in the new standard, however, additional disclosures and the computation of annual expense based on the application of the discount rate to the net defined benefit asset or liability will be required in relation to the revised standard.

This standard is required to be applied for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Amendments to IAS 1 - Financial Statement Presentation
The amendment requires entities to separate items presented in OCI into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled such as remeasurements resulting from the amendments to IAS 19 will be presented separately from items that may be recycled in the future, such as deferred gains and losses on cash flow hedges. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

This standard is required to be applied for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. FPLP has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

3. USE OF ESTIMATES

The preparation of interim condensed consolidated financial statements require management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ significantly from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances.

(unaudited, tabular amounts in thousands of Canadian dollars)

Long Lived Assets
FPLP has estimated the useful life of property, plant and equipment, finite life intangible assets and the fair value of indefinite life intangible assets and goodwill, based on historical customer patterns, industry trends and existing competitive factors. Significant unfavourable long-term changes to these factors could result in a material impairment of the carrying value of such assets.

FPLP tests at least annually whether indefinite lived intangible assets and goodwill have suffered any impairment loss, in accordance with its accounting policy. The recoverable amounts are determined based on the higher of fair value less cost to sell and value-in-use calculations.

Employee Benefits
The present value of the pension benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, expected long-term rates of return and the rate of compensation increases. Any changes in these assumptions will impact the carrying amount of the pension obligation. FPLP determines the appropriate discount rate at each period end. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, FPLP considers the interest rates of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension benefits obligations are based in part on current market conditions.

4. EMPLOYEE FUTURE BENEFIT PLANS

The net benefit plan costs included in operating expenses is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Defined benefit pension plan	$ 336	$ 259	$ 1,009	$ 778

Under Manitoba pension laws, solvency deficiencies must be funded over a five-year period, which may be extended to ten years with the approval of plan members. FPLP received an extension to ten years of the period for funding the Winnipeg defined benefit pension solvency deficiency that was identified in the actuarial funding valuation completed at December 31, 2010. The actuarial valuation funding report was filed with the provincial regulators prior to the end of September. During the three months ended September 30, 2011, an actuarial loss and corresponding increase in the accrued pension benefit liability was recorded due to changes in underlying actuarial assumptions. FPLP was not required to recognize an additional liability associated with such minimum funding requirements in its registered defined benefit pension plan as outlined under IFRIC 14.

(unaudited, tabular amounts in thousands of Canadian dollars)

5. EXPENSES

Additional details of expenses, other than Operating expenses, excluding depreciation and amortization, are as follows:

	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Depreciation and amortization				
Depreciation of building	$ 88	$ 58	$ 251	$ 168
Depreciation of machinery and equipment	706	1,270	2,138	3,735
Depreciation of computer equipment and other	129	133	401	457
Amortization of intangibles	171	176	519	535
	$ 1,094	$ 1,637	$ 3,309	$ 4,895
Other Gains (Losses)				
Gain (loss) on sales of property, plant and equipment	$ (15)	$ -	$ 23	$ (85)
Loss on derecognition of the special purpose entity	-	-	-	(58)
	$ (15)	$ -	$ 23	$ (143)
Finance Costs				
Notes payable	$ -	$ -	$ -	$ 173
Accretion of notes payable related to financing costs	-	-	-	70
Interest on finance leases	28	-	44	-
Interest on mortgage loan	12	-	12	-
Interest on term loan	498	497	1,519	1,405
Accretion of term loan related to financing costs	24	25	73	75
Guarantee fee	92	87	273	246
	$ 654	$ 609	$ 1,921	$ 1,969

6. TRANSITION TO IFRS

FPLP adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards.* The first date at which IFRS was applied was January 1, 2010 (“Transition Date”). In accordance with IFRS, FPLP has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- applied certain optional exemptions and certain mandatory exceptions as applicable for first-time IFRS adopters.

(unaudited, tabular amounts in thousands of Canadian dollars)

INITIAL ELECTIONS UPON ADOPTION

IFRS Exemption Options Applied

a. Business combinations - IFRS 1 provides the election to apply IFRS 3, *Business Combinations*, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred prior to the Transition Date or all business combinations that occurred subsequent to a date prior to transition selected by FPLP. FPLP elected to prospectively apply IFRS 3 to all business combinations subsequent to January 1, 2010 (Business Combinations Election Date). Accordingly any business combinations prior to such Business Combinations Election Date have not been restated. Any goodwill arising on such business combinations before the Business Combinations Election Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying these exemptions.

b. Employee Benefits – IFRS 1 provides an election to recognize all cumulative actuarial gains and losses at the transition date as a direct entry to deficit rather than retrospectively applying IFRS pension guidance and recalculating amounts on transition. FPLP elected to apply the optional exemption and recognized all cumulative actuarial gains and losses at the transition date in the deficit.

IFRS Mandatory Exceptions

Estimates - Hindsight was not used to create or revise previous estimates. The estimates previously made by FPLP under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

RECONCILIATIONS OF CANADIAN GAAP TO IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. FPLP's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows.

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity:

Reconciliation of Equity

	December 31 2010	**September 30 2010**	**January 1 2010**
Unitholders' equity under Canadian GAAP	$ 79,585	$ 77,238	$ 74,158
Differences decreasing reported Unitholders' equity:			
Employee benefits (a)	(2,596)	(2,165)	(869)
Total Unitholders' equity under IFRS	$ 76,989	$ 75,073	$ 73,289

CHANGES IN ACCOUNTING POLICIES

In addition to the optional exemptions and mandatory exceptions discussed above, the following narratives explain the significant differences between the previous historical Canadian GAAP accounting policies and the current IFRS policies applied by FPLP. Only the differences having an impact on FPLP are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Unless a quantitative impact was noted below, the impact from the change was not material to FPLP.

a. Employee Benefits

Optional exemptions applied

As indicated above, FPLP elected to apply the optional exemption and recognized all cumulative actuarial gains and losses at the transition date in deficit.

Accounting policy differences

Actuarial Gains (Losses)

In accordance with CICA 3461, FPLP adopted an accounting policy of amortizing actuarial gains (losses) using the corridor method whereby the excess of the net actuarial gain or loss over 10% of the greater of the projected obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees.

In accordance with IAS 19, FPLP adopted an accounting policy of recognizing actuarial gains and losses in full in the period in which they occur, in other comprehensive income and retained earnings without recycling to the statement of income in subsequent periods.

The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 14 "IAS 19 - The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" ("IFRIC 14") addresses the application of paragraph 58 of IAS 19 which limits the measurement of a defined benefit asset to "the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus past service cost.

IFRIC 14 provides guidance regarding (a) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, (b) how a minimum funding requirement might affect the availability of reductions in future contributions and (c) when a minimum funding requirement might give rise to a liability. FPLP has determined that it must record an additional liability associated with the minimum funding requirements in its registered pension plan. The additional liability is computed by discounting the minimum funding requirements from the actuarial funding valuations by the discount rate as defined by IAS 19.

There is Canadian GAAP guidance related to the limit on the carrying amount of an accrued benefit asset and recognition of a related valuation allowance. However, IFRS and Canadian GAAP have different methods of calculating the defined benefit asset limit. Furthermore, Canadian GAAP did not address accounting for an additional liability due to minimum funding requirements.

b. Reclassification of Provisions

FPLP reclassified its provision related to the restructuring of its operations from Accounts payable and accrued liabilities to Provisions in the balance sheet.

During the fourth quarter of 2009 a provision for a restructuring charge of $0.8 million was recorded relating to employee reductions planned for 2010 due to the end of the Globe and mail printing contract at the Brandon Sun. This provision was settled during 2010 and accordingly there is no remaining provision as at December 31, 2010.

c. Reclassification of Notes payable

In accordance with IFRS 1 the classification of liabilities as current or non-current is based on circumstances at the reporting date. Since the note payable outstanding at January 1, 2010 was due in full on June 5, 2010, it was reclassified as a current liability on the IFRS opening balance sheet.

In accordance with CICA EIC 122, FPLP classified its Notes Payable at December 31, 2009 as long-term obligations as a long-term refinancing agreement was entered into with another party subsequent to the period end but prior to the issuance of the financial statements.

FP Canadian Newspapers Limited Partnership
Notes to Condensed Consolidated Financial Statements as at September 30, 2011
(unaudited, tabular amounts in thousands of Canadian dollars)

Restated FPLP consolidated financial statements

The following are reconciliations of the interim condensed consolidated financial statements previously presented under Canadian GAAP to the consolidated financial statements prepared under IFRS.

Reconciliation of Consolidated Comprehensive Income for the three months ended September 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS Balances
Revenues	$ 26,470	$	$ 26,470
Operating expenses excluding depreciation and amortization	(21,114)		(21,114)
Depreciation and amortization	(1,637)		(1,637)
	3,719		3,719
Other income	42		42
Finance costs	(609)		(609)
Net earnings for the period	$ 3,152	$	$ 3,152
Unrealized gain on investment	-		-
Actuarial (loss) on defined benefits (a)	-	(432)	(432)
Comprehensive income for the period	$ 3,152	$ (432)	$ 2,720

Reconciliation of Consolidated Comprehensive Income for the nine months ended September 30, 2010

	Canadian GAAP	IFRS Adjustments	IFRS Balances
Revenues	$ 81,786	$	$ 81,786
Operating expenses excluding depreciation and amortization	(63,833)		(63,833)
Depreciation and amortization	(4,895)		(4,895)
	13,058		13,058
Other income	102		102
Other losses	(143)		(143)
Finance costs	(1,969)		(1,969)
Net earnings for the period	$ 11,048	$	$ 11,048
Unrealized gain on investment	69		69
Actuarial (loss) on defined benefits (a)	-	(1,296)	(1,296)
Comprehensive income for the period	$ 11,117	$ (1,296)	$ 9,821

(unaudited, tabular amounts in thousands of Canadian dollars)

7. ACQUISITION

On February 28, 2011 FPLP acquired substantially all of the assets and assumed specified liabilities of a Steinbach, Manitoba printing and publishing business previously operated by Derksen Printers Ltd for a purchase price of $3,457,000, paid in cash. The business publishes The Carillon, a weekly paid circulation newspaper and provides commercial printing services to a wide range of customers. The transaction has been accounted for by the acquisition method and the results of operations are included in FPLP's accounts from the date of acquisition. In addition to the purchase price, acquisition costs consisting primarily of legal fees totalling $65,000 were paid by FPLP and are included in operating expenses. The purchase price was allocated based on the fair market values of the assets acquired and liabilities assumed as follows:

Accounts receivable	$ 370
Inventory	230
Land	300
Plant & equipment	2,896
Intangible assets	112
Accounts payable & other current liabilities	(323)
Finance lease obligation	(128)
	$ 3,457

The fair value of accounts receivable represents approximately FPLP's best estimate of the gross contractual cash flows and amounts to be collected.

Net income of approximately $0.5 million has been recorded from the date of acquisition.

8. RELATED PARTY TRANSACTION

For the three and nine months ended September 30, 2011, FPLP incurred a guarantee fee of $92,000 and $273,000 to FP Funding Corporation, a company controlled indirectly by Ronald Stern and Robert Silver, who together indirectly control 51% of FPLP. At September 30, 2011, the outstanding guarantee fee payable of $30,000 was included in accounts payable and accrued liabilities.

Total newsprint purchases from Alberta Newsprint Company (a related party as disclosed under the related party transaction section of FPLP's Annual Management's Discussion and Analysis at December 31, 2010) for the three and nine months ended September 30, 2011 were $1.2 million and $3.2 million compared to $0.9 million and $2.7 million for the same periods last year.

9. FINANCIAL LIABILITIES AND COMMITMENTS

During 2010, FPLP entered into supplier agreements to upgrade certain equipment at the Winnipeg Free Press as part of the $2,200,000 project to consolidate FPLP's production operations. FPLP has entered into two five-year non-cancellable finance lease agreements to finance these equipment projects. In addition, in the third quarter of 2011, FPLP entered into a five-year non-cancellable finance lease agreement for $2,163,000 related to certain production equipment purchased upon the acquisition of Derksen Printers along with additional upgrades to expand that business's printing capacity. Furthermore, the Company assumed a finance lease obligation related to certain production equipment upon the acquisition of the printing and publishing business of Derksen Printers Ltd. as described in note 7 of $128,000. All leases are fully secured based on the assets subject to the lease.

(unaudited, tabular amounts in thousands of Canadian dollars)

The aggregate undiscounted total lease payments, at inception of the agreements, were as follows:

2011	$ 497
2012 - 2016	1,479
Total	4,976
Interest portion (5.5% to 9.6%)	(541)
Finance lease obligation	$ 4,435

In July 2011, a mortgage financing agreement was completed for the Derksen Printers Ltd. real estate assets. The loan of $0.9 million, which is to be repaid over 15 years, carries a five year fixed interest rate of 4.85%.

During the third quarter FPLP entered into a long-term sponsorship agreement which requires annual payments of $0.3 million.

10. RESTRUCTURING COSTS

In April 2011, FPLP announced a new restructuring program to improve the effectiveness and productivity of its operations. Provisions for staff severance payments are made when management has made a formal decision to eliminate certain positions and this has been communicated to the groups of employees affected. During the second quarter, FPLP recorded restructuring charges of $0.3 million related to severance costs for employee reductions which include voluntary and involuntary layoffs at the Winnipeg operations. At September 30, 2011 all of the severance costs have been paid.

11. SUBSEQUENT EVENT

In October 2011, FPLP entered into an interest rate swap agreement which fixes the interest rate on $15.0 million to hedge cash flow risk associated with the Term Loan. This amortizing interest rate swap matures in October, 2014 and fixes the interest rate at 4.32%.

12. COMPARATIVE AMOUNTS

The accrued pension benefit liability has been reclassified as a long-term liability in the current period and in comparative periods.

Caution Regarding Forward-looking Statements

Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan" or similar terminology.

Forward-looking statements are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of FPI or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the current general economic uncertainty, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed under "Risk Factors" in FPI's Annual Information Form dated March 24, 2011, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this report are based upon what management of FPI and FPLP believe are reasonable assumptions, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, FPI and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

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