



## **FP Newspapers Inc. reports third quarter 2011 results**

**Winnipeg, November 10, 2011** – FP Newspapers Inc. (“FPI”) formerly FP Newspapers Income Fund (“the Fund”) announces financial results for the quarter ended September 30, 2011. FPI is the successor to the business of the Fund and owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

### **Third quarter operating results of FPI**

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 third quarter last year. The decrease in FPI’s net earnings in the third quarter is primarily due to a \$0.4 million increase in deferred income tax expense and a \$0.2 million decrease in the equity share of the earnings of FPLP.

### **Third Quarter Operating Results of FPLP**

FPLP’s revenue for the three months ended September 30, 2011 was \$26.4 million a decrease of \$0.1 million from the third quarter last year. Excluding revenue of Derksen Printers which was acquired in February 2011 and after adjusting for the loss of the Globe and Mail printing contract on September 30, 2010, revenues were lower by \$0.6 million or 2.4% compared to the same quarter last year. Print advertising revenues excluding the Derksen business were lower by \$0.3 million or 1.9% primarily due to lower display and classified revenues. Circulation revenue was lower by \$0.3 million or 4.2% and digital advertising revenues were higher by \$0.1 million or 17.0% versus the third quarter of 2010.

Operating expenses excluding depreciation and amortization for the third quarter increased by \$0.8 million or 3.7%. Excluding the Derksen business, operating expenses excluding depreciation and amortization decreased by \$0.4 million or 2.0% versus last year. The expense reduction was primarily the result of lower employee related costs as a result of restructuring initiatives implemented in previous quarters.

For the third quarter, EBITDA<sup>(1)</sup> was lower by \$0.8 million or 15.7% and excluding the Derksen business was lower by \$1.1 million or 19.9% compared to the third quarter last year.

Net earnings for the quarter were \$2.8 million, a decrease of \$0.4 million or 11.2%, and excluding the Derksen business were \$2.6 million, a decrease of \$0.6 million or 17.6% from the same quarter last year. Distributable cash attributable to FPI<sup>(2)</sup> was \$0.8 million or \$0.113 per share, down from \$1.6 million or \$0.235 per share for the same quarter last year. The decrease in distributable cash attributable to FPI is primarily the result of lower EBITDA<sup>(1)</sup> of FPLP and the requirement to establish a reserve for future cash income taxes that will be distributed in future periods to fund taxes payable by the partners of FPLP.

### **Nine month Operating Results of FPI**

FPI’s net earnings were \$3.7 million for the nine months ended September 30, 2011, compared to net earnings \$5.7 million for the same period last year. The decrease in net earnings for the nine months ended September 30, 2011 is primarily due to an increase of \$2.0 million in deferred income tax expense, partially offset by a decrease in administration expenses of \$0.2 million.

## **Nine Month Operating Results of FPLP**

FPLP's revenue for the nine months ended September 30, 2011 was \$81.3 million, a decrease of \$0.5 million or 0.6% from the same period last year. Excluding revenue of the Derksen business, revenue for the first three quarters of the year was lower by \$3.8 million or 4.6% compared to last year. The loss of a commercial printing contract at the end of the third quarter last year accounted for \$2.8 million of this decrease. Print advertising revenues excluding the Derksen business were lower by \$0.3 million or 0.5% primarily due to lower classified revenues partially offset by small increases in flyer delivery revenue and display advertising. Circulation revenue was lower by \$1.1 million or 5.1% and digital advertising revenues were higher by \$0.5 million or 36.7% versus the same nine months of 2010.

Operating expenses excluding depreciation and amortization for the nine months ending September 30 increased by \$1.5 million or 2.3%. Excluding the Derksen business, operating expenses excluding depreciation and amortization decreased by \$1.2 million or 1.9% versus last year, primarily the result of lower employee related costs as a result of restructuring initiatives implemented in previous quarters.

For the nine months ending September 30, EBITDA<sup>(1)</sup> was lower by \$2.2 million or 12.2% and excluding the Derksen business was lower by \$2.8 million or 15.6% compared to the same period last year.

Net earnings for the nine months ending September 30, 2011 were \$10.7 million, a decrease of \$0.4 million or 3.3%, and excluding the Derksen business net earnings were \$10.2 million, a decrease of \$0.9 million or 8.0% compared to the same period last year.

Distributable cash attributable to FPI<sup>(2)</sup> for the nine months ending September 30 was \$2.9 million or \$0.416 per share, down from \$5.8 million or \$0.839 per share for the same nine months last year. The decrease in distributable cash attributable to FPI<sup>(2)</sup> is primarily a result of lower EBITDA<sup>(1)</sup> of FPLP, the requirement to establish a reserve for future cash income taxes and the additional funding requirements of the defined benefit pension plan in excess of the accounting expense.

## **Dividends**

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.

## **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.

## **Additional Information**

Additional information including financial statements and management's discussion and analysis can be found on the Company's website at [www.fpnewspapers.com](http://www.fpnewspapers.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-looking Statements**

Certain statements in this news release 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](http://www.sedar.com).

In addition, although the forward-looking statements contained in this news release 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.

## **About FPI**

FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"). FPLP owns the Winnipeg Free Press, the Brandon Sun, and their related businesses, as well as the Canstar Community News division, the publisher of eight community and special interest newspapers in the Winnipeg region, and The Carillon in Steinbach with its related commercial printing operations. The Winnipeg Free Press publishes six days a week for delivery to subscribers and single copy sales, serving Winnipeg and Manitoba with an average Monday through Saturday circulation of approximately 123,300 copies. On Sundays the Winnipeg Free Press publishes a newspaper sold through single-copy retail outlets and vending boxes. The Brandon Sun publishes six days a week, serving the region with an average circulation of approximately 15,000 copies. Canstar Community News publishes weekly with an average circulation of approximately 200,000 copies. The businesses employ approximately 570 people in Winnipeg, Brandon and Steinbach.

## **Conference Call**

The Corporation invites you to participate in a conference call on Thursday, November 10, 2011 at 12:00 p.m. Eastern (11:00 a.m. Central) to discuss the third quarter results.

The dial-in number is 416-340-8527, or dial toll free at 888-340-9761. To ensure your participation, please dial in five minutes before the start of the conference call. Management's presentation will be followed by a question and answer period.

For those unable to participate, the call will be available to listeners upon completion of the call until November 24, 2011. To hear the replay dial 905-694-9451 or dial toll free at 800-408-3053. The replay code is 3834345.

## **Non-IFRS financial measures**

### **(1) EBITDA**

FPLP believes that in addition to net earnings as reported on FPLP's interim condensed consolidated statements of earnings, 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 may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. FPLP's method of calculating EBITDA is detailed in the Management's Discussion and Analysis for the quarter ended September 30, 2011 on FPI's website [www.fpnewspapers.com](http://www.fpnewspapers.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **(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. FPLP's method of calculating distributable cash attributable to FPI is detailed in the Management's Discussion and Analysis for the quarter ended September 30, 2011 on FPI's website [www.fpnewspapers.com](http://www.fpnewspapers.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **For further information please contact:**

Daniel Koshowski, CFO  
FP Newspapers Inc.  
Phone (204) 697-7425  
Fax (204) 632-0281

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	\$ 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	(358)	49	(1,308)	717
<b>Net earnings for the period</b>	<b>\$ 974</b>	<b>\$ 1,511</b>	<b>\$ 3,703</b>	<b>\$ 5,694</b>
Weighted average number of Common Shares outstanding	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 Canadian Newspapers Limited Partnership**  
**Condensed Consolidated Income Statements**  
(unaudited, tabular amounts in thousands of Canadian dollars)

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
<b>Revenue</b>					
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
<b>Operating expenses, excluding depreciation and amortization</b>					
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		-	-	264	-
Other		4,665	4,237	13,354	13,104
		21,890	21,114	65,568	63,833
<b>Depreciation and amortization</b>					
		1,094	1,637	3,309	4,895
		3,420	3,719	12,450	13,058
Other income		47	42	133	102
Other gains (losses)		(15)	-	23	(143)
Finance costs		(654)	(609)	(1,921)	(1,969)
<b>Net earnings for the period</b>		<b>\$ 2,798</b>	<b>\$ 3,152</b>	<b>\$ 10,685</b>	<b>\$ 11,048</b>