FP NEWS PAPERS INC

FP NEWSPAPERS INC.

FIRST QUARTER REPORT - 2013

March 31, 2013

First Quarter Report
March 31, 2013
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") for the quarter ended March 31, 2013. FPI owns directly securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP") in each fiscal year. FPI's shares trade on the Toronto Stock Exchange under the symbol "FP".

FPLP owns the Winnipeg Free Press and Brandon Sun daily newspapers, Canstar Community News ("Canstar"), which operates six weekly newspapers and 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". On October 26, 2012 FPLP completed the acquisition of the Carberry News Express, a weekly newspaper serving the Carberry area since 1886.

Total revenue for FPLP for the three months ended March 31, 2013 was $25.7 million, a $1.3 million or 4.6% decrease from the same period last year. Total EBITDA(1) of FPLP for the quarter was $4.4 million, a $0.5 million or 11.8% increase from the same quarter last year. FPLP had net earnings of $2.9 million in the quarter compared to $2.3 million in the same quarter last year.

FPI had net earnings of $1.0 million, or $0.141 per share, during the three months ended March 31, 2013, compared to net earnings of $0.8 million, or $0.116 per share in the same quarter last year.

Operations

FPLP's revenue for the three months ended March 2013 was $25.7 million, a decrease of $1.3 million or 4.6% from the same three months in the prior year. Advertising revenues for the three months ended March 2013 were $17.0 million, a $0.9 million or 5.0% decrease compared to the same period last year. The first quarter of 2013 had two fewer publishing days than the prior year as last year was a leap year and the Good Friday non-publishing day fell in the first quarter this year, but was in the second quarter in 2012. FPLP's largest advertising revenue category, display advertising including colour, was $11.3 million, a decrease of $0.4 million or 3.5% from the same period in the prior year, primarily due to decreased spending in the automotive and travel categories and less revenue from third party magazines, partially offset by increased spending in the department store category. Classified advertising revenues for the first quarter decreased by $0.3 million or 12.3% compared to the same period last year, primarily due to lower spending in the automotive and employment categories, partly offset by increased spending in the real estate category. Flyer distribution revenues for the quarter decreased by $0.2 million or 4.4% primarily due to a small decrease in flyer volumes, partly offset by slightly higher earned rates.

Circulation revenues for the three months ended March 2013 were $6.4 million, a decrease of $0.1 million from the first quarter of 2012, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the quarter increased by $0.2 million, primarily attributable to increased printing at the Derksen Printers operation. Other revenues for the first quarter decreased by $0.4 million, primarily due to non-recurring sales of the Winnipeg Jets officially licensed medallion collection in the first quarter of 2012.

Operating expenses for the three months ended March 2013 were $22.4 million, a decrease of $1.7 million or 7.2% compared to the same quarter last year. Employee compensation costs for the first quarter decreased by $0.4 million from the same period in the prior year, primarily due to fewer employees, partially offset by wage increases included in the collective agreements effective October 1, 2012 and an increase in the expense for the defined benefit pension plan. Newsprint expense for FPLP's own publications for the first quarter decreased by $0.2 million or 10.6% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies. Newsprint expense for commercial printing remained at relatively the same level as the first quarter in 2012.

Other expenses decreased by $0.9 million or 16.6% compared to the same quarter last year, primarily due to non-recurring costs relating to the Winnipeg Jets medallion circulation promotion project in the first quarter last year, lower costs for producing third party magazines and lower marketing expenses.

During the first quarter significant efforts were put into meetings with the bargaining committee for the unionized Winnipeg employees and contract delivery carriers relating to the renewal of collective bargaining agreements which expire on June 30, 2013. A proposal was agreed on in early April and on April 14 employees and contract carriers voted in favor of ratifying the new five year agreement, which will take effect on the expiration of the existing contracts. The new agreement includes wage increases of 0.5% on July 1st in each year from 2014 through 2016, and a 1.5% increase effective July 1, 2017. The contract also includes increased employee contributions to the defined benefit pension plan. For employees hired after June 30, 2013 the agreement includes a new multi-employer pension plan with fixed company contributions and reduced salary levels.

The results of the 2012 Newspaper Audience Databank (NADbank) survey were released in March and once again the Winnipeg Free Press continues to show one of the highest readership percentages across all large Canadian cities. The NADbank survey showed the Free Press weekday readership at 33%, down from the 37% level in the 2011 survey results. The same survey showed Saturday readership was 44% versus 47% for the prior year. Our primary competitor, the Winnipeg Sun, had a weekday readership in the 2012 NADbank survey of 17% down from 20% in the previous year and a Saturday readership of 13% down from 14% in the 2011 survey. The 2012 NADbank survey showed that the online readership of the Winnipeg Free Press was 21%, unchanged from the 2011 survey. The 2012 NADbank survey showed the Winnipeg Sun online readership was 11%, down from 12% in the 2011 survey.

Winnipeg Free Press photographers Ruth Bonneville and Melissa Tait won first place in the team multimedia category at the News Photographers Association of Canada 2012 awards gala held on April 27, 2013. Tait and Bonneville won for their work *One Tough Mudder*, a video following the training of Winnipegger Caelin White for the World's Toughest Mudder race, where racers are put through a muddy 24-hour obstacle course that tests their strength and endurance. In addition, photographers Phil Hossack and Mellissa Tait won third in the same category for a project where Hossack travelled to Nicaragua with a team of doctors, nurses and physiotherapists from Winnipeg's Concordia Hospital for the Operation Walk Mission, where the Winnipeg medical team performed forty-nine knee replacement surgeries. On May 3, Free Press columnist Lindor Reynolds won a National Newspaper Award in the short features category for a story she wrote on a Scanterbury resident who built a large, red chair in honour of two brothers who spent years waving at passing motorists from the side of the road. Reporter Mary Agnes Welch and photographers Phil Hossack and Melissa Tait also received citations of merit as NNA finalists.

The six Canstar community weeklies went through a period of growth and change in the first three months of 2013. Darren Ridgley, reporter for The Times, was promoted to deputy editor. Seasoned freelance writer Sean Ledwich joined us as reporter for The Metro and Steph Crosier, who was an intern in the Free Press newsroom, joined Canstar's full-time reporting staff as community journalist for The Sou'wester.

Editorially, the papers increased their hyper local focus by starting a Community Forum section featuring nearly 70 community columnists from all parts of our coverage area, they also added a new sports columnist, TSN 1290 host (and former Winnipeg Blue Bombers kicker) Troy Westwood, and added weekly columns written by area MLAs and city councillors.

In May, Canstar community journalists and creative services won thirteen awards in the Manitoba Community Newspaper Association's Better Newspapers Competition.

An intense focus on sales is continuing; with the addition of innovative opportunities that include full page wraps, industry experts, advertising opportunities and multi-media advertising for advertisers, as well as adding two new account executives to the team to increase our sales presence in the market.

The Brandon Sun undertook a number of organizational initiatives during the first quarter of 2013, including the restructuring of the Circulation department to achieve the dual goals of reducing costs and preparing for city morning delivery, which will begin on Monday, May 6, 2013. Streamlined workflow as a result of the smaller number of adult carriers that will be required for morning delivery along with the elimination of city bundle hauling has allowed for the reduction of two positions. Brandon Sun staff partnered with Assiniboine Community College's (ACC) geo-mapping resources to create the detailed new route maps that will be used for morning delivery.

In addition, the advertising department at the Brandon Sun has been developing ideas for new special advertising vehicles which include an online real estate feature and a series of industry profiles that will debut in print in the second quarter. Editorial department initiatives included the introduction of a new, local photo essay entitled "Exposure" in the Weekend magazine, which has received positive reader feedback.

Photographer Tim Smith received a citation of merit as a finalist in the National Newspaper Awards for a feature photograph of a young girl who is coping with a rare illness.

In Steinbach, the Carillon was the recipient of a number of awards at the annual Manitoba Community Newspaper awards held on April 6, 2013. The Carillon was named best paper in its circulation class and received first place awards for best front page, best editorial page in addition to best layout and design awards. Wes Keating received first place award in the historical story category for a themed piece around the Diamond Jubilee of Queen Elizabeth II and the past encounters the Queen has had with Southeast residents. Keating received third place honours at the national awards a few weeks earlier for the same story. Michael Zwaagstra received a second place award for best columnist, which matched the placing he received at the national awards.

Dividends

Distributable cash attributable to FPI[(2)] for the three months ended March 31, 2013 was \$1.0 million or \$0.150 per share, compared to \$0.4 million or \$0.061 per share for the same period last year. FPI declared dividends to Shareholders of \$0.150 per share for the quarter, unchanged from the same quarter last year. For the trailing twelve months ended March 31, 2013, FPLP generated distributable cash attributable to FPI[(2)] of \$0.724 per share, and FPI declared dividends of \$0.600 per share, resulting in a payout ratio of 82.9%.

Outlook

Total advertising revenues for the first quarter were 5% lower than the prior year, partly due to two fewer publishing days. Early into the second quarter we have seen a small improvement in advertising revenues. Newsprint suppliers, which had not changed pricing since September 2010, implemented a small decrease in March which results in our average newsprint price decreasing by 2.7%.

We are required to have our actuarial consultants complete a valuation of the Winnipeg defined benefit pension plan as of December 31, 2012. This valuation will determine the minimum funding levels for the 2013 year. While this report has not yet been finalized, the preliminary findings are showing an increase in the solvency deficiency compared to the prior year due primarily to a decrease in the discount rate used to value the pension obligations. The preliminary findings are showing the estimated 2013 employer funding requirements will be approximately \$0.5 million higher than the 2012 funding level. During the second quarter we will be completing the formal pension amendments required for implementing the changes agreed to in the newly completed Winnipeg collective bargaining agreement.

Preliminary discussions with the union representatives for the Brandon Sun are expected to start during the second quarter to work towards completing the renewal of these contracts, which expire on December 31, 2013.

During the second quarter our Winnipeg production staff will start working on a project to upgrade the press conveyor, which transfers printed papers from our presses into the packaging and distribution department. A refurbished used conveyor has been sourced for this upgrade and the total maintenance capital investment is \$1.5 million. The board of directors of FPLP approved a strategic capital investment of \$2.7 million to acquire a new high capacity inserting line to be installed in the Winnipeg packaging and distribution department. Expected payback on the investment is under two years, with the majority of savings coming from the consolidation of inserting functions that were previously being performed by an outside independent contractor. It is expected a new equipment lease will be arranged to finance this equipment, which is estimated to be operational before the end of this year.

Ronald N. Stern
Chairman
May 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 14, 2013

OVERVIEW

Management's discussion and analysis, prepared as at May 14, 2013, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three months ended March 31, 2013. This review is based on financial information contained in the unaudited interim condensed financial statements and accompanying notes ("interim financial statements") for the three months ended March 31, 2013.

Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

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, 2012 prepared in accordance with IFRS in the Company's 2012 Annual Report and with the interim unaudited condensed financial statements and accompanying notes for the first quarter of 2013.

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, including its annual information form, is available at www.sedar.com or on FPI's website at www fpnewspapers.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.

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. On October 26, 2012 FPLP acquired substantially all of the assets and assumed certain liabilities of the Carberry News-Express, a weekly paid subscription publication.

FP NEWSPAPERS INC.

A summary of FPI's quarterly revenue, net earnings (loss) and net earnings (loss) per share for 2013, 2012, and, 2011 is as follows:

	2013	2012	2011
	In thousands of dollars (except per share amounts)		
Revenue			
Quarter 1 (**)	$ 1,424	$ 1,104	$ 1,340
Quarter 2(**)		1,859	2,527
Quarter 3(**)		1,405	1,373
Quarter 4 (**)		2,854	2,719
Net earnings (loss)			
Quarter 1(**)	$ 974	$ 798	$ 953
Quarter 2(**)		1,314	1,776
Quarter 3(**)		975	974
Quarter 4(*)(**)		2,014	(13,103)
Net earnings (loss) per share			
Quarter 1(**)	$ 1.141	$ 0.116	$ 0.138
Quarter 2(**)		0.190	0.257
Quarter 3(**)		0.141	0.141
Quarter 4(*)(**)		0.292	(1.898)

* Decreases in net earnings (loss) and net earnings (loss) per share in the fourth quarter of 2011 are primarily due to a non-cash write-down of $15.0 million of FPI's investment in FPLP Class A limited partner units.

** 2012 revenue, net earnings (loss) and net earnings (loss) per share were restated to reflect the accounting policy change IAS 19, Employee Benefits , which no longer includes expected returns in post-employment benefits' expense, as detailed in Note 2 of the FPI financial statements included in this report.

FPI reported net earnings of $1.0 million for the three months ended March 31, 2013, compared to net earnings of $0.8 million for the same period last year. The increase in net earnings is due to an increase in the equity share of the net earnings of FPLP, as discussed in the FPLP section of this report. Other comprehensive income (loss) results from FPI's equity share of FPLP's recognition of actuarial gains or losses related to the defined benefit pension plan. For the three months ended March 31, 2013, FPI's share of the actuarial losses was $0.1 million, compared to FPI's share of actuarial losses of $0.3 million in the first quarter of 2012.

FPI declared dividends to shareholders of $1.0 million or $0.150 per share for the three months ended March 31, 2013 and the three months ended March 31, 2012.

The dividend policy of FPI is to issue dividends in approximately equal monthly amounts based on expected operating results for each fiscal year. Dividend levels are reviewed regularly by the directors and are subject to change based on a number of factors, including the overall operating results and capital requirements of FPLP. Dividends paid in any period may exceed net earnings as a result of depreciation and amortization, which are non-cash expenses that reduce net earnings of FPLP and FPI's equity share of those net earnings in accordance with IFRS, being in excess of capital expenditures charged as a reduction of distributable cash of FPLP(2).

As at May 14, 2013, FPI had 6,902,592 shares outstanding.

Distributable Cash Attributable to FPI(2)

Cash available for distribution attributable to FPI(2) was $1.0 million or $0.150 per share for the three months ended March 31, 2013, compared to $0.4 million or $0.061 per share in 2012. The increase in cash available for distribution attributable to FPI(2) in 2013 is primarily due to no principal repayments required on FPLP's term loan in the first quarter of 2013 and higher EBITDA(1) of FPLP. The full details of the calculation are included in the "Non-IFRS measures" section of this report.

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 March 31, 2013, cumulative distributable cash attributable to FPI[2] totalled $13.011 per share. During that period FPI declared cash dividends to shareholders of $11.573 per share, resulting in a cumulative-from-inception payout ratio of 88.9% 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".

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

Results of Operations

FPLP's revenue for the three months ended March 2013 was $25.7 million, a decrease of $1.3 million or 4.6% from the same three months in the prior year. Advertising revenues for the three months ended March 2013 were $17.0 million, a $0.9 million or 5.0% decrease compared to the same period last year. The first quarter of 2013 had two fewer publishing days than the prior year as last year was a leap year and the Good Friday non-publishing day fell in the first quarter this year, but was in the second quarter in 2012. FPLP's largest advertising revenue category, display advertising including colour, was $11.3 million, a decrease of $0.4 million or 3.5% from the same period in the prior year, primarily due to decreased spending in the automotive and travel categories and less revenue from third party magazines, partially offset by increased spending in the department store category. Classified advertising revenues for the first quarter decreased by $0.3 million or 12.3% compared to the same period last year, primarily due to lower spending in the automotive and employment categories, partly offset by increased spending in the real estate category. Flyer distribution revenues for the quarter decreased by $0.2 million or 4.4% primarily due to a small decrease in flyer volumes, partly offset by slightly higher earned rates.

Circulation revenues for the three months ended March 2013 were $6.4 million, a decrease of $0.1 million from the first quarter of 2012, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the quarter increased by $0.2 million, primarily attributable to increased printing at the Derksen Printers operation. Other revenues for the first quarter decreased by $0.4 million, primarily due to non-recurring sales of the Winnipeg Jets officially licensed medallion collection in the first quarter of 2012.

Operating expenses for the three months ended March 2013 were $22.4 million, a decrease of $1.7 million or 7.2% compared to the same quarter last year. Employee compensation costs for the first quarter decreased by $0.4 million from the same period in the prior year, primarily due to fewer employees, partially offset by wage increases included in the collective agreements effective October 1, 2012 and an increase in the expense for the defined benefit pension plan. Newsprint expense for FPLP's own publications for the first quarter decreased by $0.2 million or 10.6% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies. Newsprint expense for commercial printing remained at relatively the same level as the first quarter in 2012. Other expenses decreased by $0.9 million or 16.6% compared to the same quarter last year, primarily due to non-recurring costs relating to the Winnipeg Jets medallion circulation promotion project in the first quarter last year, lower costs for producing third party magazines and lower marketing expenses.

EBITDA[1] for the three months ended March 31, 2013 was $4.4 million compared to $3.9 million for the same period last year, an increase of 11.8%. EBITDA[1] margin for the three months ending March 31, 2013 was 16.9% compared to 14.5% in the same period last year. The changes in EBITDA[1] were due to the factors described above.

Finance costs for the three months ended March 31, 2013 decreased by $0.2 million compared to the previous year, primarily due to lower principal balances together with a reduction in interest rates resulting from the long-term loan renewal agreement effective the beginning of June 2012 and the elimination of the guarantee fee (see note 5 to FPLP financial statements).

FPLP's net earnings were $2.9 million for the three months ended March 31, 2013, compared to $2.3 million for the same period last year.

Under IFRS, comprehensive income includes actuarial gains and losses related to FPLP's defined benefit pension plan. These gains and losses are primarily related to changes in actuarial discount rate assumptions and differences between actuarial estimates of expected return on pension plan assets versus actual returns. In the first quarter of 2013, increases in the defined benefit obligation resulted from an actuarial discount rate decrease, partly offset by a higher actual return on the plan's investments in excess of the actuarial expected return assumptions.

Quarterly Summary

Newspaper publishing is, to a certain extent, a seasonal business, with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA(1) and net earnings of FPLP by quarter for 2013, 2012 and 2011 were as follows:

	2013	2012	2011
		In thousands of dollars	
Revenue			
Quarter 1(*)	$ 25,728	$ 26,979	$ 24,997
Quarter 2		28,046	29,926
Quarter 3		26,319	26,404
Quarter 4		30,184	29,942
		$ 111,528	$ 111,269
EBITDA(1)			
Quarter 1(**)	$ 4,362	$ 3,902	$ 4,384
Quarter 2(**)		5,396	6,861
Quarter 3(**)		4,315	4,514
Quarter 4(**)		7,253	7,334
		$ 20,866	$ 23,093
Net Earnings			
Quarter1(**)	$ 2,907	$ 2,251	$ 2,733
Quarter 2(**)		3,791	5,154
Quarter 3(**)		2,867	2,798
Quarter 4(**)		5,822	5,547
		$ 14,731	$ 16,232

(*) Revenues, in the first quarter of 2012 were higher than the previous year, primarily due to the acquisition of the Derksen business on February 28, 2011.

(**) EBITDA and net earnings in 2012 have been restated to reflect the accounting policy change IAS 19, Employee Benefits, which no longer includes expected returns in post-employment benefits' expense, as detailed in Note 2 of the FPLP financial statements included in this report. The total full year impact of this restatement was a reduction in EBITDA and net earnings in 2012 of $137 from what was reported last year.

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.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at March 31, 2013 was $12.7 million compared to $17.8 million at December 31, 2012. 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 months ended March 31, 2013, operating activities provided $5.0 million and $10.1 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 and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

Cash Flow from Operating Activities

During the three months ended March 31, 2013, cash generated from operating activities was $5.0 million compared to $4.5 million for 2012. Net earnings for the three months ended March 31, 2013 were $2.9 million compared to $2.3 million for the prior year. The main factors contributing to the change in net earnings are outlined in the FPLP section of this report. Partly offsetting the increase in net earnings was an increase of $0.2 million relating to the excess of pension funding over accounting expense, primarily the result of increased pension solvency funding levels not yet in place in the first quarter of 2012 as the funding valuation was not completed until the third quarter of 2012.

Investing Activities

Capital asset additions, including non-cash finance lease additions, were less than $0.1 million for the three months ended March 31, 2013, compared to $0.6 million for the same period in the prior year. Internal maintenance capital spending in the first quarter of both 2013 and 2012 was primarily for technology hardware upgrades. In the first quarter of 2012, FPLP completed a lease financing agreement for additional equipment required to upgrade the Derksen production operation totalling $0.5 million.

Financing Activities

Distributions to partners of FPLP for the first quarter totalled $9.8 million, of which $4.8 million was paid to FPI as holder of Class A limited partner units. This compares to $2.3 million in the same period last year, of which $1.1 million was paid to FPI as holder of Class A limited partner units. In February 2013 FPLP paid a distribution of $7.0 million or $0.50 per FPLP Partnership Unit, of which $3.5 million was paid to FPI as holder of Class A limited partner units to fund FPI's income taxes payable for the 2011 and 2012 years, which was due on or before February 28, 2013. The distributions to partners were determined in accordance with the limited partnership agreement that governs FPLP (the "LP Agreement").

During the first three months of 2013, $0.2 million was used for principal repayments on the finance leases and the mortgage loan. The principal repayments of the previous HSBC credit agreement loan for the three months ended March 31, 2012 were $1.3 million. The long-term loan renewal agreement, which was effective in June 2012, requires annual principal payments of $1.0 million payable each June.

Contractual Obligations

There have been no significant changes to contractual obligations since December 31, 2012.

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, income taxes and operating expenses. A summary of the reserves for the three months ended March 31, 2013 and 2012 is as follows:

Reserve for future maintenance capital

	Three Months Ended March 31,	
	2013	**2012**
	In thousands of dollars	
Reserve – beginning of year	$1,219	$1,219
Increase in reserve	281	-
Decrease in reserve	-	-
Reserve – end of year	$1,500	$1,219

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 March 31, 2013	2012
	In thousands of dollars	
Reserve - beginning of period	$ 6,996	$ 3,901
Increase (decrease) in reserve	(6,996)	576
Reserve at end of period	-	$ 4,477

As FPI's year end is December 30, and taxes were temporarily deferred as explained under the taxation section of this report, a reserve at the FPLP level was established to fund future income taxes payable. The reserve was decreased in its entirety in the first quarter of 2013 as FPLP was required to pay a special distribution of $7.0 million to its partners to allow FPI to pay income taxes owing for the 2011 and 2012 years.

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 7 to the 2012 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, as defined in the credit agreement, by more than $1.0 million a`nnually. 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 equivalent to the corresponding terms used in the external financial reports filed by FPLP. The financial ratios are calculated in accordance with the HSBC credit agreement on a quarterly basis and at March 31, 2013, FPLP is in compliance with all covenants.

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, 2012. There have been no changes during 2013 to the process for selection of newsprint suppliers or the quarterly review by the Audit Committee of newsprint purchases. Total newsprint purchases from ANC, based on actual invoice prices, for the three months ended March 31, 2013 were $1.0 million, compared to $1.1 million for the same period last year.

Effective March 30, 2012, HSBC Bank Canada agreed to amend the guarantee requirement under the term loan, eliminating the need for the collateral of $5.0 million which had been provided by FP Funding Corporation ("FundingCo"), a company controlled indirectly by Ronald Stern and Robert Silver, who together control 51% of FPLP. The guarantee fee for the three months ended March 31, 2012 was $0.1 million.

DISCLOSURE CONTROLS AND PROCEDURES

In FPI's 2012 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 first quarter 2013 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.

There have been no changes to FPI's internal controls over financial reporting that occurred during the first quarter of 2013 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, 2012.

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 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. EBITDA 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 that used by other issuers and, accordingly, EBITDA as calculated by FPLP may not be comparable to similar measures used by other issuers.

	Three Months Ended March 31,	
	2013	**2012**
	In thousands of dollars	
Net earnings for the period	$ 2,907	$ 2,251
Add (subtract):		
Depreciation and amortization	1,070	1,103
Finance costs	425	639
Other income	(44)	(48)
(Gain) loss on interest rate swap	4	(43)
EBITDA	$ 4,362	$ 3,902

(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 uses 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 March 31, 2013	2012
	In thousands of dollars (except per share amounts)	
Distributable cash of FPLP:		
EBITDA[(1)]	$ 4,362	$ 3,902
Other income (excluding non-cash gains or losses)	44	42
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(413)	(616)
Principal repayment of term loan	-	(1,251)
Maintenance capital expenditures	(33)	(150)
Increase in reserve for future maintenance capital	(281)	-
Proceeds from sale of property, plant and equipment	-	19
Principal repayments on finance leases	(218)	(210)
Principal repayments on mortgage loan	(12)	(11)
Increase in reserve for future cash income taxes	-	(576)
Reduction of reserve for future cash income taxes	6,996	-
Special distribution for tax purposes	(7,034)	-
Pension funding in excess of accounting expense	(386)	(161)
Distributable cash of FPLP	$ 3,025	$ 988
49% attributable to FPI	$ 1,482	$ 484
Administration expenses	(83)	(67)
Other income	-	1
Current income taxes	(367)	-
Distributable cash attributable to FPI	$ 1,032	$ 418
Distributable cash attributable to FPI – per share	$ 0.150	$ 0.061

A summary of distributable cash and distributions declared for the trailing twelve months to March 31, 2013 and for the period from commencement of FPI on May 28, 2002 to March 31, 2013 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands of dollars	
EBITDA[(1)]	$ 21,429	$ 258,083
Interest income	187	1,439
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(1,795)	(31,112)
Principal repayment of term loan	(834)	(11,676)
Principal repayment of finance leases	(857)	(2,632)
Maintenance capital expenditures	(896)	(10,735)
Increase in reserve for future maintenance capital expenditures	(281)	(1,500)
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	9	2,079
Principal repayments on mortgage loans	(48)	(70)
Current income and capital tax expense	-	(196)
Increase in reserve for future cash income taxes	(2,519)	(6,996)
Reduction of reserve for future cash income taxes	6,996	6,996
Special distribution for tax purposes	(7,034)	(7,034)
Pension funding in excess of accounting expense	(2,879)	(4,272)
Distributable cash of FPLP	$ 11,478	$ 190,690

Distributable Cash Attributable to FPI:

	Last Twelve Months	Since May 28, 2002
	In thousands of dollars (except per share amounts)	
49% of FPLP distributable cash	$ 5,624	$ 93,438
Administration expenses	(267)	(3,326)
Interest income	4	63
Current income taxes	(367)	(367)
Distributable cash attributable to FPI	$ 4,994	$ 89,808
Distributable cash attributable to FPI – per share	$ 0.724	$ 13.011
Cash dividends declared by FPI – per share	$ 0.600	$ 11.573
Payout Ratio	82.9%	88.9%

FP Newspapers Inc.

Condensed Balance Sheets
(unaudited, in thousands of Canadian dollars)

	Note	As at March 31, 2013	As at December 30, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 470	$ 570
Prepaid expenses and other assets		12	26
		482	596
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	41,451	45,019
Deferred income tax asset		276	232
TOTAL ASSETS		$ 42,209	$ 45,847
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 105	$ 108
Dividend payable	4	345	345
Income taxes payable		10	3,462
TOTAL LIABILITIES		460	3,915
SHAREHOLDERS' EQUITY			
Share capital		71,373	71,373
Deficit		(29,624)	(29,441)
TOTAL SHAREHOLDERS' EQUITY		41,749	41,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 42,209	$ 45,847

(See accompanying notes)

FP Newspapers Inc.

Condensed Statements of Earnings and Comprehensive Income
(unaudited, in thousands of Canadian dollars except per share amounts)

	Note	Three Months Ended March 31, 2013	2012
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 1,424	$ 1,103
Administration expenses		(83)	(67)
Other income		-	1
Net earnings before income taxes		1,341	1,037
Current income tax (expense)		(367)	(2,399)
Deferred income tax recovery		-	2,160
Net earnings for the period		**$ 974**	**$ 798**
Items that will not be reclassified to net earnings:			
Equity interest of other comprehensive (loss) from FP Canadian Newspapers Limited Partnership	3	(166)	(363)
Deferred income tax recovery		44	98
Comprehensive income for the period		**$ 852**	**$ 533**
Weighted average number of Common Shares outstanding		6,902,592	6,902,592
Net earnings per share – basic and diluted		$ 0.141	$ 0.116

FP Newspapers Inc.

Condensed Statements of Changes in Equity
(unaudited, in thousands of Canadian dollars)

	Share Capital	**Deficit**	**Total Shareholders' Equity**
	$	$	$
At December 30, 2011	71,373	(28,285)	43,088
Net earnings for the period	-	798	798
Other comprehensive income for the period	-	(265)	(265)
Comprehensive income for the period	-	533	533
Dividends	-	(1,035)	(1,035)
At March 31, 2012	71,373	(28,787)	42,586
At December 30, 2012	71,373	(29,441)	41,932
Net earnings for the period	-	974	974
Other comprehensive (loss) for the period	-	(122)	(122)
Comprehensive income for the period	-	852	852
Dividends	-	(1,035)	(1,035)
At March 31, 2013	71,373	(29,624)	41,749

FP Newspapers Inc.

Condensed Statements of Cash flows
(unaudited, in thousands of Canadian dollars)

		Three months Ended March 31,	
	Note	**2013**	**2012**
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net earnings for the period		$ 974	$ 798
Items not affecting cash:			
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(1,424)	(1,103)
Deferred income tax (recovery)		-	(2,160)
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	4,826	1,122
Net change in non-cash working capital items		(3,441)	2,402
		935	1,059
FINANCING ACTIVITIES			
Dividends paid		(1,035)	(1,035)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(100)	24
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		570	452
CASH AND CASH EQUIVALENTS – END OF PERIOD		$ 470	$ 476

(See accompanying notes)

1. GENERAL INFORMATION

FP Newspapers Inc. ("FPI"), which was incorporated under the Canada Business Corporations Act on March 17, 2010, owns securities entitling it to 49% of the distributable cash as defined in the partnership agreement of FP Canadian Newspapers Limited Partnership ("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, printing 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 30, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These interim condensed financial statements were approved by the Board of Directors of FPI on May 14, 2013.

Accounting policies

The accounting policies followed in these condensed interim financial statements are consistent with those of the previous financial year except as described below.

Changes in accounting policies

FPI has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements
IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

FPI assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its investees.

IFRS 11, Joint Arrangements and
IAS 28R, Investments in Associates and Joint Ventures
IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect FPI as FPI did not have any joint arrangements.

(unaudited, tabular amounts in thousands of Canadian dollars)

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. FPI adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by FPI to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income

FPI has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required FPI to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. FPI has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 Employee Benefits

IAS 19, Employee Benefits (amended in 2011), amends certain accounting requirements for defined benefit plans and termination benefits. IAS 19 (Revised 2011) requires the net defined benefit liability to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net earnings when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income.

FPI is impacted indirectly as its associate FPLP has defined benefit plans. FPLP's current accounting policy for employee benefits for the immediate recognition of actuarial gains and losses in OCI is consistent with the requirements in the amended 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 was required in relation to the amended standard, including interest on any liability in respect of minimum funding requirements. The adoption of IAS 19 required adjustments to FPI's equity interest from Class A Units of FPLP and FPI's equity interest of other comprehensive loss from FPLP.

The adoption of the amended standard did not impact Shareholders' equity as at January 1, 2012 and December 31, 2012.

Adjustments to the statement of earnings

	Three Months Ended March 31,	
	2013	**2012**
Net earnings before accounting change	$ 1,010	$ 811
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	(49)	(17)
Deferred income tax expense	13	4
Change to net earnings for the period	(36)	(13)
Net earnings after accounting change	**$ 974**	**$ 798**

These adjustments reduced net earnings basic and diluted per share amounts by $0.005 per share (2012 - $0.002 per share)

(unaudited, tabular amounts in thousands of Canadian dollars)

Adjustments to statement of other comprehensive loss

	Three Months Ended March 31, 2013	2012
Comprehensive loss before accounting change	$ (158)	$ (278)
Equity interest of other comprehensive loss from FP Canadian Newspapers Limited Partnership	49	17
Deferred income tax recovery	(13)	(4)
Change to other comprehensive loss for the period	36	13
Comprehensive loss after accounting change	**$ (122)**	**$ (265)**

The impact of the amended standard is that restated net earnings for 2012 decreases and other comprehensive (loss) increases by the same amount, with no net impact on total comprehensive income. The amended standard did not have any net impact on the condensed statement of cash flows.

3. INVESTMENT IN FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

FPI holds all of the Class A limited partner Units of FPLP, which entitles it to 49% of the distributable cash, as defined in the Partnership Agreement of FPLP.

The investment in FPLP is summarized as follows:

	Class A limited partner units
Balance at December 30, 2011	$ 45,191
Equity interest in net earnings and comprehensive income for the year ended December 30, 2012	4,316
Distributions received for the year ended December 30, 2012	(4,488)
Balance at December 30, 2012	$ 45,019
Equity interest in net earnings and comprehensive income for the three months ended March 31, 2013	1,258
Distributions received for the three months ended March 31, 2013	(4,826)
Balance at March 31, 2013	$ 41,451

(unaudited, tabular amounts in thousands of Canadian dollars)

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 March 31, 2013	2012
Net earnings of FPLP	$ 2,907	$ 2,251
Interest attributable to FPI	49%	49%
Equity interest in net earnings of FPLP	1,424	1,103
Other comprehensive (loss) of FPLP	(338)	(742)
Interest attributable to FPI	49%	49%
Equity interest in other comprehensive (loss) of FPLP	$ (166)	$ (363)

4. DIVIDENDS

FPI declared a dividend payable in respect of the month of March 2013 of $345,000 or $0.05 per share (equal to March 31, 2012), which was paid April 30, 2013 to shareholders of record on March 28, 2013.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

FPI does not carry any assets or liabilities at their fair value, and therefore does not prepare a fair value hierarchy.

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts payable and accrued liabilities and dividend payable. The fair values of such financial instruments approximate their carrying value due to their short term nature.

FP Canadian Newspapers Limited Partnership

Condensed Consolidated Balance Sheets
(unaudited, in thousands of Canadian dollars)

	Note	As at March 31, 2013	As at December 31, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 12,731	$ 17,843
Accounts receivable		12,011	13,909
Inventories		1,371	1,299
Prepaid expenses and other assets		1,090	1,070
		27,203	34,121
LONG-TERM ASSETS			
Property, plant and equipment		37,332	38,250
Investment		87	99
Intangible assets		6,759	6,882
Goodwill		71,250	71,250
TOTAL ASSETS		**$ 142,631**	**$ 150,602**
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 7,607	$ 8,207
Provisions		-	158
Prepaid subscriptions and deferred revenue		3,119	3,082
Finance lease obligation		856	886
Mortgage loan		47	49
Term loan	6	1,000	1,000
		12,629	13,382
LONG-TERM LIABILITIES			
Accrued pension benefit liability		9,447	9,220
Finance lease obligation		2,606	2,794
Mortgage loan		860	870
Term loan		47,197	47,182
TOTAL LIABILITIES		72,739	73,448
UNITHOLDERS' EQUITY			
Partner units		98,280	98,280
Deficit		(28,371)	(21,091)
Accumulated other comprehensive loss		(17)	(35)
TOTAL UNITHOLDERS' EQUITY		69,892	77,154
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		**$ 142,631**	**$ 150,602**

(See accompanying notes)

FP Canadian Newspapers Limited Partnership

Condensed Consolidated Income Statements and Statements of Comprehensive Income
(unaudited, in thousands of Canadian dollars)

		Three Months Ended March 31,	
	Note	**2013**	**2012**
Revenue			
Advertising		$ 17,035	$ 17,931
Circulation		6,424	6,562
Commercial Printing		1,193	1,041
Digital		721	719
Promotion and services		355	726
TOTAL REVENUE		25,728	26,979
Operating expenses			
Employee compensation		10,689	11,069
Newsprint and other paper		2,172	2,366
Delivery		3,906	4,129
Other		4,599	5,513
Depreciation and amortization		1,070	1,103
OPERATING INCOME		3,292	2,799
Other income	4	44	48
Finance costs	4	(425)	(639)
(Loss) gain on interest rate swap		(4)	43
NET EARNINGS FOR THE PERIOD		$ 2,907	$ 2,251
Items that may be reclassified subsequently to net earnings			
Unrealized gain on investment		18	40
Items that will not be reclassified to net earnings			
Remeasurements for defined benefit pension plan		(338)	(742)
COMPREHENSIVE INCOME FOR THE PERIOD		$ 2,587	$ 1,549

(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 Income (Loss)	Total Unitholders' Equity
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2011	$ 98,280	$ (20,740)	$ (60)	$ 77,480
Net earnings for the period	-	2,251	-	2,251
Other comprehensive income (loss) for the period	-	(742)	40	(702)
Comprehensive income for the period	-	1,509	40	1,549
Distributions paid	-	(2,290)	-	(2,290)
UNITHOLDERS' EQUITY –				
MARCH 31, 2012	$ 98,280	$ (21,521)	$ (20)	$ 76,739
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2012	$ 98,280	$ (21,091)	$ (35)	$ 77,154
Net earnings for the period	-	2,907	-	2,907
Other comprehensive income (loss) for the period	-	(338)	18	(320)
Comprehensive income for the period	-	2,569	18	2,587
Distributions paid	-	(9,849)	-	(9,849)
UNITHOLDERS' EQUITY –				
MARCH 31, 2013	$ 98,280	$ (28,371)	$ (17)	$ 69,892

(See accompanying notes)

FP Canadian Newspapers Limited Partnership

Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands of Canadian dollars)

	Three months ended March 31, 2013	2012
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings for the period	$ 2,907	$ 2,251
Items not affecting cash:		
Depreciation and amortization	1,070	1,103
Accretion of deferred financing costs	12	23
Gain on disposal of property, plant and equipment	-	(6)
Loss (gain) on interest rate swap	4	(43)
Excess of pension contribution over expense	(386)	(161)
	3,607	3,167
Net change in non-cash working capital items	1,393	1,366
	5,000	4,533
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(27)	(108)
Purchase of intangibles	(6)	(42)
Proceeds from sale of property, plant and equipment	-	19
	(33)	(131)
FINANCING ACTIVITIES		
Distributions to partners	(9,849)	(2,290)
Proceeds from financing leases	-	464
Principal repayments of finance lease	(218)	(210)
Principal repayments of mortgage loan	(12)	(11)
Principal repayment of term loan	-	(1,251)
	(10,079)	(3,298)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,112)	1,104
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	17,843	9,329
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 12,731	$ 10,433
Supplemental Cash Flow Information:		
Interest paid during the period	$ 417	$ 609
Interest received during the period	64	43

(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.

2. BASIS OF PREPARATION AND 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 – Part 1 ("CICA Handbook"), which incorporates International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statement for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

These interim condensed consolidated financial statements were approved by the Board of Directors of FPGP on May 14, 2013.

FPLP's advertising revenue is seasonal. Advertising revenue and accounts receivable are highest in the second and fourth fiscal quarters, while expenses are relatively constant throughout the fiscal year.

Accounting policies

The accounting policies followed in these condensed consolidated interim financial statements are consistent with those of the previous financial year except as described below.

Changes in accounting policies

FPLP has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10, Consolidated Financial Statements
IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27.

FPLP assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, Joint Arrangements and
IAS 28R, Investments in Associates and Joint Ventures
IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, Investments in Associates and Joint Ventures (amended in 2011). The standards did not affect FPLP as FPLP did not have any joint arrangements.

IFRS 13 Fair Value Measurement
IFRS 13, Fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. FPLP adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by FPLP to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 Amendment, Presentation of Items of Other Comprehensive Income
FPLP has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required FPLP to group other comprehensive income items by those that will be reclassified subsequently to net earnings and those that will not be reclassified. FPLP has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

IAS 19 Employee Benefits
IAS 19, Employee Benefits (amended in 2011), amends certain accounting requirements for defined benefit plans and termination benefits. IAS 19 (Revised 2011) requires the net defined benefit liability to be recognized on the balance sheet without any deferral of actuarial gains and losses and past service costs as previously allowed. Past service costs are recognized in net earnings when incurred. Expected returns on plan assets are no longer included in post-employment benefits' expense. Instead, post-employment benefits' expense includes the net interest on the net defined benefit liability calculated using a discount rate based on market yields on high quality bonds. Remeasurements consisting of actuarial gains and losses, the actual return on plan assets (excluding the net interest component) and any change in the asset ceiling are recognized in other comprehensive income. FPLP continues to immediately recognize in retained earnings all pension adjustments recognized in other comprehensive income. FPLP also continues to recognize interest expense on net post-employment benefits liabilities in employee compensation in the condensed consolidated income statement.

IAS 19 (amended in 2011) also clarified the definition of long-term employee benefits. The Company has reviewed the classification of its benefits and reclassified its unused vacation accrual as a long-term employee benefit. The unused vacation accrual continues to be classified as a current liability as the Company does not have an unconditional right to defer settlement for more than 12 months even though it may not expect to make payments within the next 12 months.

The amended standard also requires termination benefits to be recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring costs. Termination benefits that require future services are required to be recognized over the periods the future services are provided. This amendment did not impact the Company's accounting for restructuring charges recorded in the past or in the current period.

The adoption of the amended standard did not impact Shareholders' equity as at January 1, 2012 and December 31, 2012.

(tabular amounts in thousands of Canadian dollars)

Adjustments to the consolidated income statement

	Three Months Ended March 31,	
	2013	**2012**
Net earnings before accounting change	$ 3,006	$ 2,285
Employee compensation	(99)	(34)
Net earnings after accounting change	$2,907	$ 2,251

Adjustments to statement of other comprehensive (loss)

	Three Months Ended March 31,	
	2013	**2012**
Other comprehensive loss before accounting change	$ (437)	$ (776)
Remeasurements for defined benefit pension plan	$ 99	$ 34
Comprehensive loss after accounting change	$ (338)	$ (742)

The impact of the amended standard is that restated net earnings for 2012 decreases and other comprehensive (loss) increases by the same amount, with no net impact on total comprehensive income. The amended standard did not have any net impact on the condensed consolidated statement of cash flows.

3. EMPLOYEE FUTURE BENEFIT PLANS

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

	Three Months Ended March 31,	
	2013	**2012**
Defined benefit pension plan	$ 705	$ 484

4. OTHER INCOME AND FINANCE COSTS

	Three Months Ended March 31,	
	2013	**2012**
Other income		
Interest income	$ 44	$ 42
Gain on sales of property, plant and equipment	-	6
Total other income	44	48
Finance costs		
Interest on finance leases	39	47
Interest on mortgage loan	11	11
Interest on term loan	363	470
Accretion of term loan related to financing costs	12	23
Guarantee fee (note 5)	-	88
Total finance costs	$ 425	$ 639

(tabular amounts in thousands of Canadian dollars)

6. RELATED PARTY TRANSACTIONS

Effective March 30, 2012, HSBC Bank Canada agreed to amend the guarantee requirement under the previous HSBC credit agreement, which eliminated the need for the collateral provided by FundingCo, a company controlled indirectly by Ronald Stern and Robert Silver, who together indirectly control 51% of FPLP. The guarantee fee payable to FundingCo incurred up to March 30, 2012 was $88,000.

Total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for the three months ended March 31, 2013 were $1,000,000 ($1,103,000 for the three months ended March 31, 2012) .

7. LONG TERM DEBT

The long-term debt renewal agreement with HSBC Bank Canada matures on January 31, 2016 with annual principal amounts of $1,000,000 payable each June until maturity. The terms of the agreement include interest rate spreads over prevailing bankers' acceptance rates based on quarterly trailing twelve month leverage ratios ranging from 1.75% to 2.75%.

FPLP is subject to various covenants under the terms of the HSBC credit facility, including a covenant in favour of HSBC not to pay distributions which exceed distributable cash by more than $1,000,000 in any fiscal year, as well as a covenant not to amend the share capital or permit changes to the beneficial ownership of FPGP.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table provides information about financial assets and liabilities measured at fair value in the consolidated balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

Recurring measurements	**March 31, 2013**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets				
Investment	$ 87	$ 87	-	-
Financial liabilities				
Interest rate swap	$ 4	-	$ 4	-

FPLP valued the level 2 interest rate swap based on the present value of the estimated future cash flows using observable yield curves.

Financial instruments that are not measured at fair value on the balance sheet are represented by cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, provisions, mortgage loan and term loan. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and provisions approximate their carrying values due to their short term nature.

Management estimated the fair value of its mortgage loan and term loan based on valuation techniques taking into account market rates of interest, the condition of any related collateral, the current conditions in credit markets and the current estimated credit margins applicable to the Company based on recent transactions. Based on significant unobservable inputs (Level 3 in the fair value hierarchy), the estimated fair value of debt is $49,231,000 (December 31, 2012 $49,243,000) and a carrying value of $49,104,000 (December 31, 2012 $50,101,000).

FPLP's policy is to recognize transfers in and out of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfer. During the three months ended March 31, 2013 there were no such transfers.

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", "is budgeting for" 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 the Corporation 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, the availability of an extension of refinancing of FPLP's term loan facilities, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of 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 our Annual Information Form dated March 13, 2013, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon what management of FPLP believes 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, the Corporation 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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AUDITORS:
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