FP NEWSPAPERS INC.

SECOND QUARTER REPORT - 2013

June 30, 2013

Second Quarter Report
June 30, 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 June 30, 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 June 30, 2013 was $27.3 million, a $0.7 million or 2.6% decrease from the same period last year. Total EBITDA[(1)] of FPLP for the quarter was $5.7 million, a $0.4 million or 6.5% increase from the same quarter last year. FPLP had net earnings of $4.3 million in the quarter, an increase of $0.5 million or 13.5% compared to the same quarter last year.

FPI had net earnings of $1.5 million, or $0.217 per share, during the three months ended June 30, 2013, compared to net earnings of $1.3 million, or $0.190 per share in the same quarter last year.

Operations

FPLP’s revenue for the three months ended June 2013 was $27.3 million, a decrease of $0.7 million or 2.6% from the same three months in the prior year. Advertising revenues for the three months ended June 2013 were $18.1 million, a $0.9 million or 4.6% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was $11.3 million, a decrease of $0.8 million or 6.2% from the same period in the prior year, primarily due to decreased spending in the automotive and employment categories, partially offset by increased spending in the department store and government categories. Classified advertising revenues for the second quarter decreased by $0.2 million or 8.3% compared to the same period last year, primarily due to lower spending in the employment, automotive and real estate categories. Flyer distribution revenues for the quarter increased by $0.1 million or 3.1% primarily due to an increase in flyer volumes and slightly higher earned rates.

Circulation revenues for the three months ended June 2013 were $6.7 million, a decrease of $0.3 million from the second quarter of 2012, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the quarter increased by $0.1 million, primarily attributable to increased printing at the Derksen Printers operation and the Winnipeg Free Press. Digital revenues for the second quarter increased by $0.2 million or 31.0%, primarily due to an increase in Winnipeg Free Press revenues from online web ads on the Winnipeg Free Press website and other digital offerings.

Operating expenses for the three months ended June 30, 2013 were $22.6 million, a decrease of $1.1 million or 4.6% compared to the same quarter last year. Employee compensation costs for the second quarter decreased by $0.3 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 defined benefit pension plan expense. Newsprint expense for FPLP’s own publications for the second quarter decreased by $0.2 million or 11.1% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a slightly lower average rate per metric tonne. Newsprint expense for commercial printing remained at relatively the same level as the second quarter of 2012. Other expenses decreased by $0.3 million or 7.0% compared to the same quarter last year, primarily due to a drawdown of bad debt reserve due to favourable collection experience and reductions in legal and marketing costs.

The Winnipeg Free Press was named the 2013 winner of the Canadian Journalism Foundation's Excellence in Journalism Award. This prestigious honour, announced at a gala event at Toronto's Royal York Hotel in June, saw the Free Press judged the best on key criteria such as originality, courage, and independence over the four other finalists, Toronto Star, PostMedia, CBC Radio's The Current and CBC's Investigative Unit.

The Winnipeg Free Press revamped its weekend edition with a new broadsheet magazine that launched June 1. The new section's title 49.8° speaks to the line of latitude that marks the heart of Winnipeg. From that starting point each week, it offers readers a bigger and bolder journey spread out over 20 pages.

A new commenting system was introduced on the Winnipeg Free Press main website in June that limits online posting to those who are subscribers to the Free Press. The move, designed to improve the quality of comments, not only was welcomed by many of our core readers, but also made headlines in journalistic circles across North America.

Planning work continues for the Winnipeg press conveyor upgrade and the investment in the new high capacity inserting line. Both projects are expected to be completed before the end of 2013.

The six Canstar community weekly newspapers continued to evolve in the second quarter of 2013. Editorial production of the papers has moved to an improved system and a fully automated editorial process is being developed that, upon completion, will eliminate a full day of editorial production from the workload of our community journalists.

The paper's online presence was made more dynamic by the development of a 'This Just In' breaking news Twitter feed on the home page of canstarnews.com, and the addition of a rolling online blog which is updated several times per day by Canstar's editorial staff.

Following the departure of one of our sports reporters in early June and, after examining the company's editorial needs and business goals, it was decided to hire a full-time photojournalist/online person. This initiative will enable our editorial team to generate more content for the printed papers, as well as unique daily content for canstarnews.com.

During the second quarter of 2013 the Brandon Sun consolidated its move to morning delivery within the city of Brandon. The Sun restructured its delivery routes from more than 300 to 40 and switched from youth to adult carriers. The move allowed the Sun to re-organize office functions to utilize resources more effectively while at the same time decrease the average number of delivery complaints.

Operational improvements were also made in the structure of the newsroom to enable the Sun's ongoing focus on local content. City reporters now work some weekend shifts to increase local content in Monday editions. Additionally, shift times for the city editor and night editor have been adjusted to improve communication with the night news desk to allow for greater focus on developing local stories, and a broader range of editorial department staff now contribute photographs. These changes have allowed the newsroom to increase local content while lowering overtime costs.

The Carillon was the recipient of nine awards at the annual Manitoba Community Newspaper Awards on Saturday, April 6, 2013. The newspaper swept the general excellence awards category and was named as the Best Paper in its circulation class after first place finishes for Best Front Page, Best Editorial Page, as well as Best Layout and Design. Former editor Peter Dyck, who passed away in December, was the recipient of a final individual writing award for Best Agricultural Story focused on last year's decision by Purotone to seek bankruptcy. The judge's comment described the article as "very well-researched, great news value, in-depth but still accessible" another reflection on Dyck's legacy to the paper. At the Awards event his daughters, Leilani Kagan and Lisa Stiver, presented the Best Feature Story award, now recognized as the Peter Dyck Memorial Award. Writers Wes Keating and Michael Zwaagstra were also recognized. Keating claimed first place in the Best Historical Story category for a theme around the Diamond Jubilee of Queen Elizabeth II and the past encounters the Queen has had with southeast Manitoba residents and Zwaagstra received a second place award for Best Columnist. The paper also received second place honours for its December issue of Agriculture Now and our designer Paul Peters won a third place award for the Best In-House Ad.

The Carillon was also honoured with five Canadian Community Newspaper Awards in one of the best showings that the newspaper has had at the national level. The newspaper was once again awarded a Blue Ribbon, making it one of only 11 newspapers in its class and the only Manitoba newspaper to receive this honour. This marks the fourth year in a row the paper has received a Blue Ribbon, emblematic of general excellence. The paper's Editorial page was judged best in its class. That page was last recognized in 2008, when former editor Peter Dyck received a second place writing award. Columnist Michael Zwaagstra received a second place award in the open circulation for Outstanding Columnist category for his column, Think Again. The newspaper also received third place honours in the Best Historical story category for a feature by Wes Keating themed around the Diamond Jubilee of Queen Elizabeth II. The paper also received third place honours in Best Agricultural Edition for its December issue of Agriculture Now.

The Carillon introduced two new advertising products to the market, "Best of the Southeast" and "Ask the Experts", which were well received in the southeastern Manitoba region. An exciting new partnership known as "Steinbach Black Friday Weekend" between The Carillon and the Steinbach Chamber of Commerce will be held this fall and will be a new sales event encompassing all retailers in Steinbach and surrounding area.

Our Steinbach General Manager and Publisher, Glenn Buffie, was recently elected to sit on the board of the Manitoba Community Newspaper Association to work with the rest of the board on strategies for increasing ad sales and fostering a stronger relationship with the rest of the newspapers in Manitoba and Saskatchewan.

Dividends

Distributable cash attributable to FPI(2) for the three months ended June 30, 2013 was $1.1 million or $0.160 per share, compared to $1.1 million or $0.164 per share for the same period last year. FPI declared dividends to Shareholders of $0.15 per share for the quarter, unchanged from the same quarter last year. For the trailing twelve months ended June 30, 2013, FPLP generated distributable cash attributable to FPI(2) of $0.719 per share, and FPI declared dividends of $0.600 per share, resulting in a payout ratio of 83.4%.

Outlook

Advertising revenue year-over-year declines in the second quarter were slightly improved from levels experienced in the first quarter. While April and May results were showing positive signs, June was a disappointing month for advertising revenues, which as we have previously reported are difficult to predict. July advertising revenue is showing an improvement over our June advertising revenue performance, but is still lower than the previous year.

The new collective agreements covering unionized employees at the Winnipeg Free Press and Canstar Community News and contracted delivery agents at the Winnipeg Free Press went into effect on July 1, 2013. Unionized and non-unionized employees have increased their contributions to the defined benefit pension plan, and on an annual basis will increase their total contributions by approximately $0.7 million, bringing the employees total full year contributions to approximately $1.6 million. The Company's minimum contribution to this pension plan has been determined by our consulting actuaries at $3.9 million for the 2013 full year compared to $3.5 million for the 2012 year. In addition to this minimum funding level, the Company is required to fund the solvency deficiency for those members electing to receive a commuted value transfer from the plan.

Ronald N. Stern
Chairman
August 2, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

August 2, 2013

OVERVIEW

Management’s discussion and analysis, prepared as at August 2, 2013, provides a review of significant developments that affected the performance of FP Newspapers Inc. (“FPI”) in the three months ended June 30, 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 June 30, 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 second 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	2,109	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	1,499	1,314	1,776
Quarter 3		975	974
Quarter 4(*)		2,014	(13,103)
Net earnings (loss) per share			
Quarter 1	$ 0.141	$ 0.116	$ 0.138
Quarter 2	0.217	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 $1.5 million and $2.5 million for the three and six months ended June 30, 2013, compared to net earnings of $1.3 million and $2.1 million for the same periods 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 and six months ended June 30, 2013, FPI's share of the actuarial gains net of deferred taxes was $0.1 million and nil, compared to FPI's share of actuarial losses net of deferred taxes of $0.5 million and $0.8 million for the same periods in 2012.

FPI declared dividends to shareholders of $1.0 million or $0.15 per share and $2.1 million or $0.30 per share for the three and six months ended June 30, 2013 unchanged from the same periods in 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 August 2, 2013, FPI had 6,902,592 shares outstanding.

Distributable Cash Attributable to FPI(2)

Cash available for distribution attributable to FPI(2) was $1.1 million or $0.160 per share and $2.1 million or $0.309 per share for the three and six months ended June 30, 2013, compared to $1.1 million or $0.164 per share and $1.5 million or $0.224 per share for the same periods in 2012. 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 June 30, 2013, cumulative distributable cash attributable to FPI[(2)] totalled $13.170 per share. During that period FPI declared cash dividends to shareholders of $11.723 per share, resulting in a cumulative-from-inception payout ratio of 89.0%. 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 June 2013 was $27.3 million, a decrease of $0.7 million or 2.6% from the same three months in the prior year. Advertising revenues for the three months ended June 2013 were $18.1 million, a $0.9 million or 4.6% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was $11.3 million, a decrease of $0.8 million or 6.2% from the same period in the prior year, primarily due to decreased spending in the automotive and employment categories, partially offset by increased spending in the department store and government categories. Classified advertising revenues for the second quarter decreased by $0.2 million or 8.3% compared to the same period last year, primarily due to lower spending in the employment, automotive and real estate categories. Flyer distribution revenues for the quarter increased by $0.1 million or 3.1% primarily due to an increase in flyer volumes and slightly higher earned rates.

Circulation revenues for the three months ended June 2013 were $6.7 million, a decrease of $0.3 million from the second quarter of 2012, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the quarter increased by $0.1 million, primarily attributable to increased printing at the Derksen Printers operation and the Winnipeg Free Press. Digital revenues for the second quarter increased by $0.2 million or 31.0%, primarily due to an increase in Winnipeg Free Press revenues from online web ads on the Winnipeg Free Press website and other digital offerings.

FPLP’s revenue for the six months ended June 2013 was $53.1 million, a decrease of $2.0 million or 3.6% from the same period in the prior year. Advertising revenues for the six months ended June 2013 were $35.1 million, a $1.8 million or 4.8% decrease compared to the same period last year. The first six months of 2013 had one fewer publishing day than the prior year, as last year was a leap year. FPLP’s largest advertising revenue category, display advertising including colour, was $22.6 million, a decrease of $1.2 million or 4.9% from the same period in the prior year, primarily due to decreased spending in the automotive and employment categories and less revenue from third- party magazines, partially offset by increased spending in the department store category. Classified advertising revenues for the six months ended June 30, 2013 decreased by $0.6 million or 10.2% 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.

Circulation revenues for the six months ended June 2013 were $13.1 million, a decrease of $0.4 million or 3.0% from the same period of 2012, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the six months increased by $0.3 million, primarily attributable to increased printing at the Derksen Printers operation. Other revenues for the six months decreased by $0.3 million, primarily due to non-recurring sales of the Winnipeg Jets officially licensed medallion collection in the first quarter of 2012. Digital revenues for the six months increased by $0.2 million, primarily due to online web ads on the Winnipeg Free Press website and other digital offerings.

Operating expenses for the three months ended June 30, 2013 were $22.6 million, a decrease of $1.1 million or 4.6% compared to the same quarter last year. Employee compensation costs for the second quarter decreased by $0.3 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 defined benefit pension plan expense. Newsprint expense for FPLP’s own publications for the second quarter decreased by $0.2 million or 11.1% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a slightly lower average rate per metric tonne. Newsprint expense for commercial printing remained at relatively the same level as the second quarter of 2012. Other expenses decreased by $0.3 million or 7.0% compared to the same quarter last year, primarily due to a drawdown of bad debt reserve due to favourable collection experience and reductions in legal and marketing costs.

Operating expenses for the six months ended June 2013 were $45.1 million, a decrease of $2.8 million or 5.9% compared to the same period last year. Employee compensation costs for the six months decreased by $0.7 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 defined benefit pension plan expense. Newsprint expense for FPLP's own publications for the six months decreased by $0.5 million or 10.9% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a slightly lower average rate per metric tonne. Newsprint expense for commercial printing remained at relatively the same level as the first six months in 2012. Other expenses for the six months ending June 30, 2013 decreased by $1.2 million or 12.3% compared to the same period 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, a drawdown during the second quarter of 2013 in the bad debt reserve due to favourable collection experience and reductions in legal and marketing costs.

EBITDA(1) for the three and six months ended June 30, 2013 was $5.7 million and $10.1 million compared to $5.4 million and $9.3 million for the same periods last year, an increase of 6.5% and 8.7% respectively. EBITDA(1) margin for the three and six months ending June 30, 2013 was 21.0% and 19.1%, compared to 19.2% and 16.9% in the same period last year. The changes in EBITDA(1) were due to the factors described above.

Finance costs for the three and six months ended June 30, 2013 decreased by $0.1 million and $0.3 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 $4.3 million and $7.2 million for the three and six months ended June 30, 2013, compared to $3.8 million and $6.0 million for the same periods 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 the return on pension plan assets versus actual returns. In the second quarter of 2013, decreases in the net defined benefit obligation resulted from an actuarial discount rate increase and a higher actual return on the plan's investments.

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	27,324	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(**)	5,746	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(**)	4,302	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 June 30, 2013 was $11.7 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 six months ended June 30, 2013, operating activities provided $8.7 million, investing activities used $0.5 million and $14.4 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 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 and six months ended June 30, 2013, cash generated from operating activities was $3.7 million and $8.7 million compared to $4.4 million and $8.9 million for the same periods in 2012. Cash from operating activities was impacted by an excess of pension funding over accounting expense of $0.6 million and $1.0 million for the three and six months ending June 30, 2013 compared to $0.4 million and $0.5 million in 2012, the result of increased minimum pension funding levels as determined by our actuarial consultant and an increase in solvency deficiency payments for plan members electing to receive lump-sum transfers at retirement. The net change in non-cash working capital for the three and six months ending June 30, 2013 was a decrease of $1.1 million and an increase of $0.3

million compared to a decrease of $0.2 million and an increase of $1.2 million for the same periods in 2012. The variance in the net change in non-cash working capital for the three and six month periods is primarily the result of $0.7 million of deposits paid to suppliers for the new high capacity inserting line being installed in our Winnipeg facility, which have been included in prepaid expenses and other assets, as lease financing will be used to finance this equipment.

Investing Activities

Capital asset additions were $0.4 million and $0.5 million for the three and six months ended June 30, 2013, compared to $0.1 million and $0.3 million for the same period in the prior year. Internal maintenance capital spending in the three and six months ended June 30, 2013 was related primarily to a partial payment for the upgrade to the Winnipeg plant's press conveyor system.

Financing Activities

Distributions to partners of FPLP for the three and six months totalled $3.1 million and $12.9 million, of which $1.5 million and $6.3 million was paid to FPI as holder of Class A limited partner units. This compares to $2.3 million and $4.6 million in the same periods last year, of which $1.1 million and $2.2 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 three and six months of 2013, $0.2 million and $0.5 million, respectively, were used for principal repayments on the finance leases and the mortgage loan. The principal repayments of the previous HSBC credit agreement loan for the six months ended June 30, 2012 were $2.1 million. The long-term loan renewal agreement, which was effective in June 2012, requires annual principal payments of $1.0 million payable each June, and a $1.0 million principal payment was made in June 2013.

Contractual Obligations

FPLP has entered into supplier agreements for capital expenditures in 2013 aggregating $4.0 million for the Winnipeg plant's press conveyor and the high capacity inserting line projects. The new inserting line, with a projected total capital cost of $2.6 million, will ultimately be financed through an equipment lease agreement.

Other than discussed above, 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 and six months ended June 30, 2013 and 2012 is as follows:

Reserve for future maintenance capital	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
	In thousands of dollars		*In thousands of dollars*	
Reserve at beginning of period	$ 1,500	$ 1,219	$ 1,219	$ 1,219
Increase in reserve	-	-	281	-
Decrease in reserve	-	-	-	-
Reserve at end of period	$ 1,500	$ 1,219	$ 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	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
	In thousands of dollars		*In thousands of dollars*	
Reserve at beginning of period	$ -	$ 4,477	$ 6,996	$ 3,901
Increase in reserve	-	900	(6,996)	1,476
Reserve at end of period	$ -	$ 5,377	$ -	$ 5,377

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 eliminated in the second 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 annually. 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 June 30, 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 and six months ended June 30, 2013 were $1.0 million and $2.0 million, compared to $1.0 million and $2.1 million for the same periods 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 six months ended June 30, 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 second 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 second 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 June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
	In thousands of dollars		*In thousands of dollars*	
Net earnings for the period	$ 4,302	$ 3,791	$ 7,209	$ 6,042
Add (subtract):				
Depreciation and amortization	1,062	1,085	2,132	2,188
Finance costs	424	552	849	1,191
Other income	(38)	(45)	(82)	(93)
(Gain) on interest rate swap	(4)	13	-	(30)
EBITDA	$ 5,746	$ 5,396	$ 10,108	$ 9,298

(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 June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
	In thousands of dollars (except per share amounts)		*In thousands of dollars (except per share amounts)*	
Distributable cash of FPLP:				
EBITDA[(1)]	$ 5,746	$ 5,396	$ 10,108	$ 9,298
Other income (excluding non-cash gains or losses)	37	45	81	87
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(412)	(533)	(825)	(1,149)
Principal repayment of term loan	(1,000)	(834)	(1,000)	(2,085)
Maintenance capital expenditures	(439)	(145)	(472)	(295)
Increase in reserve for future maintenance capital expenditures	-	-	(281)	-
Proceeds from sale of property, plant and equipment	2	-	2	19
Principal repayments on finance leases	(220)	(210)	(438)	(420)
Principal repayments on mortgage loan	(12)	(11)	(24)	(22)
Increase in reserve for future cash income taxes	-	(900)		(1,476)
Reduction in reserve for future cash income taxes	-	-	6,996	-
Special distribution for tax purposes	-	-	(7,043)	-
Pension funding in excess of accounting expense	(567)	(388)	(953)	(549)
Distributable cash of FPLP	$ 3,135	$ 2,420	$ 6,151	$ 3,408
49% attributable to FPI	$ 1,536	$ 1,186	$ 3,014	$ 1,670
Administration expenses	(49)	(59)	(132)	(126)
Other income	1	2	1	3
Current income taxes	(384)	-	(751)	-
Distributable cash attributable to FPI	$ 1,104	$ 1,129	$ 2,132	$ 1,547
Distributable cash attributable to FPI – per share	$ 0.160	$ 0.164	$ 0.309	$ 0.224

A summary of distributable cash and distributions declared for the trailing twelve months to June 30, 2013 and for the period from commencement of FPI on May 28, 2002 to June 30, 2013 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
	In thousands of dollars	
EBITDA[1]	$ 21,676	$ 263,726
Interest income	179	1,476
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(1,674)	(31,524)
Principal repayment of term loan	(1,000)	(12,676)
Principal repayment of finance leases	(867)	(2,852)
Maintenance capital expenditures	(1,190)	(11,174)
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	11	2,081
Principal repayments on mortgage loans	(49)	(82)
Current income and capital tax expense	-	(196)
Increase in reserve for future cash income taxes	(1,619)	(6,996)
Reduction of reserve for future cash income taxes	6,996	6,996
Special distribution for tax purposes	(7,043)	(7,043)
Pension funding in excess of accounting expense	(2,955)	(4,736)
Distributable cash of FPLP	$ 12,184	$ 193,816

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	$ 5,970	$ 94,970
Administration expenses	(257)	(3,375)
Interest income	3	64
Current income taxes	(751)	(751)
Distributable cash attributable to FPI	$ 4,965	$ 90,908
Distributable cash attributable to FPI – per share	$ 0.719	$ 13.170
Cash dividends declared by FPI – per share	$ 0.600	$ 11.723
Payout Ratio	83.4%	89.0%

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

	Note	As at June 30, 2013	As at December 30, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 375	$ 570
Prepaid expenses and other assets		8	26
Income taxes recoverable		111	-
		494	596
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	42,240	45,019
Deferred income tax asset		50	232
TOTAL ASSETS		$ 42,784	$ 45,847
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 93	$ 108
Dividend payable	4	345	345
Income taxes payable		-	3,462
TOTAL LIABILITIES		438	3,915
SHAREHOLDERS' EQUITY			
Share capital		71,373	71,373
Deficit		(29,027)	(29,441)
TOTAL SHAREHOLDERS' EQUITY		42,346	41,932
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$ 42,784	$ 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 June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	$ 2,108	$ 1,857	$ 3,532	$ 2,960
Administration expenses		(49)	(59)	(132)	(126)
Other income		1	2	1	3
Net earnings before income taxes		2,060	1,800	3,401	2,837
Current income tax (expense)		(384)	(481)	(751)	(2,880)
Deferred income tax (expense) recovery		(177)	(5)	(177)	2,155
Net earnings for the period		**$ 1,499**	**$ 1,314**	**$ 2,473**	**$ 2,112**
Items that will not be reclassified to net earnings:					
Equity interest of other comprehensive gain (loss) from FP Canadian Newspapers Limited Partnership	3	182	(692)	17	(1,055)
Deferred income tax (expense) recovery		(49)	187	(5)	285
Comprehensive income for the period		**$ 1,632**	**$ 809**	**$ 2,485**	$ **1,342**
Weighted average number of Common Shares outstanding		6,902,592	6,902,592	6,902,592	6,902,592
Net earnings per share – basic and diluted		$ 0.217	$ 0.190	$ 0.358	$ 0.306

(See accompanying notes)

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	-	2,112	2,112
Other comprehensive income (loss) for the period	-	(770)	(770)
Comprehensive income for the period	-	1,342	1,342
Dividends	-	(2,071)	(2,071)
At June 30, 2012	$ 71,373	$ (29,014)	$ 42,359
At December 30, 2012	$ 71,373	$ (29,441)	$ 41,932
Net earnings for the period	-	2,473	2,473
Other comprehensive income (loss) for the period		12	12
Comprehensive income for the period	-	2,485	2,485
Dividends	-	(2,071)	(2,071)
At June 30, 2013	$ 71,373	$ (29,027)	$ 42,346

FP Newspapers Inc.
Condensed Statements of Cash flows
(unaudited, in thousands of Canadian dollars)

		Three months Ended June 30,		Six months Ended June 30,	
	Note	**2013**	**2012**	**2013**	**2012**
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings for the period		$ 1,499	$ 1,314	$ 2,473	$ 2,112
Items not affecting cash:					
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(2,108)	(1,857)	(3,532)	(2,960)
Deferred income tax expense (recovery)		177	5	177	(2,155)
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	1,502	1,122	6,328	2,244
Net change in non-cash working capital items		(129)	468	(3,570)	2,870
		941	1,052	1,876	2,111
FINANCING ACTIVITIES					
Dividends paid		(1,036)	(1,036)	(2,071)	(2,071)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(95)	16	(195)	40
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		470	476	570	452
CASH AND CASH EQUIVALENTS – END OF PERIOD		$ 375	$ 492	$ 375	$ 492

(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 August 2, 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 (amended 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 June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
Net earnings before accounting change	$ 1,430	$ 1,327	$ 2,440	$ 2,138
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	95	(17)	46	(34)
Deferred income tax expense	(26)	4	(13)	8
Change to net earnings for the period	69	(13)	33	(26)
Net earnings after accounting change	$ 1,499	$ 1,314	$ 2,473	$ 2,112

For the three and six months ending June 30, 2013, these adjustments increased net earnings basic and diluted per share amounts by $0.01 per share and $0.005 per share, respectively (2012 - reduction of $0.002 per share and $0.004 per share, respectively).

(unaudited, tabular amounts in thousands of Canadian dollars)

Adjustments to statement of other comprehensive income (loss)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Other comprehensive income (loss) before accounting change	$ 202	$ (518)	$ 45	$ (796)
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	(95)	17	(46)	34
Deferred income tax recovery	26	(4)	13	(8)
Change to other comprehensive income (loss) for the period	(69)	13	(33)	26
Other comprehensive income (loss) after accounting change	$ 133	$ (505)	$ 12	$ (770)

The impact of the amended standard is that restated net earnings for 2012 decreases, other comprehensive (loss) decreases and other comprehensive income 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 six months ended June 30, 2013	3,549
Distributions received for the six months ended June 30, 2013	(6,328)
Balance at June 30, 2013	$ 42,240

(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 June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Net earnings of FPLP	$ 4,302	$ 3,791	$ 7,209	$ 6,042
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in net earnings of FPLP	2,108	1,857	3,532	2,960
Other comprehensive income (loss) of FPLP	372	(1,413)	34	(2,155)
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in other comprehensive income (loss) of FPLP	$ 182	$ (692)	$ 17	$ (1,055)

4. DIVIDENDS

FPI declared a dividend payable in respect of the month of June 2013 of $345,000 or $0.05 per share (equal to June 30, 2012), which was paid July 31, 2013 to shareholders of record on June 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 June 30, 2013	As at December 31, 2012
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 11,744	$ 17,843
Accounts receivable		11,987	13,909
Inventories		1,142	1,299
Prepaid expenses and other assets		1,996	1,070
		26,869	34,121
LONG-TERM ASSETS			
Property, plant and equipment		36,831	38,250
Investment		78	99
Intangible assets		6,637	6,882
Goodwill		71,250	71,250
TOTAL ASSETS		**$ 141,665**	**$ 150,602**
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		$ 7,257	$ 8,207
Provisions		-	158
Prepaid subscriptions and deferred revenue		2,989	3,082
Finance lease obligation		899	886
Mortgage loan		50	49
Term loan	7	1,000	1,000
		12,195	13,382
LONG-TERM LIABILITIES			
Accrued pension benefit liability		8,566	9,220
Finance lease obligation		2,343	2,794
Mortgage loan		845	870
Term loan	7	46,204	47,182
TOTAL LIABILITIES		70,153	73,448
UNITHOLDERS' EQUITY			
Partner units		98,280	98,280
Deficit		(26,761)	(21,091)
Accumulated other comprehensive loss		(7)	(35)
TOTAL UNITHOLDERS' EQUITY		71,512	77,154
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		**$ 141,665**	**$ 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)

	Note	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenue					
Advertising		$ 18,093	$ 18,967	$ 35,128	$ 36,898
Circulation		6,672	6,941	13,096	13,503
Commercial Printing		1,307	1,172	2,500	2,213
Digital		933	712	1,654	1,431
Promotion and services		319	254	674	980
TOTAL REVENUE		27,324	28,046	53,052	55,025
Operating expenses					
Employee compensation		10,851	11,137	21,540	22,206
Newsprint and other paper		2,373	2,623	4,545	4,989
Delivery of newspapers		4,212	4,344	8,118	8,473
Other		4,142	4,456	8,741	9,969
Depreciation and amortization		1,062	1,085	2,132	2,188
Restructuring charge		-	90	-	90
OPERATING INCOME		4,684	4,311	7,976	7,110
Other income	4	38	45	82	93
Finance costs	4	(424)	(552)	(849)	(1,191)
Gain (loss) on interest rate swap		4	(13)	-	30
NET EARNINGS FOR THE PERIOD		$ 4,302	$ 3,791	$ 7,209	$ 6,042
Items that may be reclassified subsequently to net earnings:					
Unrealized gain (loss) on investment		10	(16)	28	24
Items that will not be reclassified to net earnings:					
Remeasurements for defined benefit pension plan		372	(1,413)	34	(2,155)
COMPREHENSIVE INCOME FOR THE PERIOD		$ 4,684	$ 2,362	$ 7,271	$ 3,911

(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	-	6,042	-	6,042
Other comprehensive income (loss) for the period	-	(2,155)	24	(2,131)
Comprehensive income for the period	-	3,887	24	3,911
Distributions paid	-	(4,580)	-	(4,580)
UNITHOLDERS' EQUITY –				
JUNE 30, 2012	$ 98,280	$ (21,433)	$ (36)	$ 76,811
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2012	$ 98,280	$ (21,091)	$ (35)	$ 77,154
Net earnings for the period	-	7,209	-	7,209
Other comprehensive income for the period	-	34	28	62
Comprehensive income for the period	-	7,243	28	7,271
Distributions paid	-	(12,913)	-	(12,913)
UNITHOLDERS' EQUITY –				
JUNE 30, 2013	$ 98,280	$ (26,761)	$ (7)	$ 71,512

(See accompanying notes)

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

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings for the period	$ 4,302	$ 3,791	$ 7,209	$ 6,042
Items not affecting cash:				
Depreciation and amortization	1,062	1,085	2,132	2,188
Accretion of term loan related to financing costs	12	19	24	42
Gain on disposal of property, plant and equipment	(1)	-	(1)	(6)
Loss (gain) on interest rate swap	(4)	13	-	(30)
Excess of pension contribution over expense	(567)	(388)	(953)	(549)
	4,804	4,520	8,411	7,687
Net change in non-cash working capital items	(1,058)	(161)	335	1,205
	3,746	4,359	8,746	8,892
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(432)	(110)	(459)	(218)
Purchase of intangibles	(7)	(35)	(13)	(77)
Proceeds from sale of property, plant and equipment	2	-	2	19
Decrease in restricted cash	-	5,000	-	5,000
	(437)	4,855	(470)	4,724
FINANCING ACTIVITIES				
Distributions to partners	(3,064)	(2,290)	(12,913)	(4,580)
Proceeds from financing leases	-	-	-	464
Principal repayments of finance lease	(220)	(210)	(438)	(420)
Principal repayments of mortgage loan	(12)	(11)	(24)	(22)
Term loan refinancing costs	-	(111)	-	(111)
Principal repayment of term loan	(1,000)	(834)	(1,000)	(2,085)
	(4,296)	(3,456)	(14,375)	(6,754)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(987)	5,758	(6,099)	6,862
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	12,731	10,433	17,843	9,329
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 11,744	$ 16,191	$ 11,744	$ 16,191
Supplemental Cash Flow Information:				
Interest paid during the period	$ 412	$ 565	$ 829	$ 1,172
Interest received during the period	36	45	100	88

(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 August 2, 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.

(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. 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 (amended 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.

Adjustments to the consolidated income statement

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net earnings before accounting change	$ 4,108	$ 3,825	$ 7,114	$ 6,110
Employee compensation	194	(34)	95	(68)
Net earnings after accounting change	$ 4,302	$ 3,791	$ 7,209	$ 6,042

(unaudited, tabular amounts in thousands of Canadian dollars)

Adjustments to statement of other comprehensive income (loss)

	Three Month Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Other comprehensive income (loss) before accounting change	$ 576	$ (1,463)	$ 157	$ (2,199)
Remeasurements for defined benefit pension plan	(194)	34	(95)	$ 68
Other comprehensive income (loss) after accounting change	$ 382	$ (1,429)	$ 62	$ (2,131)

The impact of the amended standard is that restated net earnings for 2012 decreases and other comprehensive income (loss) decreases 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 June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Defined benefit pension plan	$ 705	$ 484	$ 1,410	$ 970

4. OTHER INCOME AND FINANCE COSTS

	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Other income				
Interest income	$ 37	$ 45	$ 81	$ 87
Gain on sales of property, plant and equipment	1	-	1	6
Total other income	38	45	82	93
Finance costs				
Interest on finance leases	37	47	76	94
Interest on mortgage loan	11	12	22	23
Interest on term loan	364	474	727	944
Accretion of term loan related to financing costs	12	19	24	42
Guarantee fee (note 5)	-	-	-	88
Total finance costs	$ 424	$ 552	$ 849	$ 1,191

5. COMMITMENTS AND CONTINGENCIES

FPLP has entered into supplier agreements for capital expenditures in 2013 aggregating to $4.0 million for the Winnipeg plant's press conveyor and the high capacity inserting line projects. The new inserting line, with a projected total capital cost of $2.6 million, will ultimately be financed through an equipment lease agreement.

(unaudited, 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 and six months ended June 30, 2013 were $963,000 and $1,963,000 ($997,000 and $2,100,000 for the three and six months ended June 30, 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	June 30, 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	$ 78	$ 78	-	-
Financial liabilities				
Interest rate swap(1)	-	-	-	-

(1) 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 term loan and mortgage 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 $48,219,000 (December 31, 2012 $49,243,000) and a carrying value of $48,099,000 (December 31, 2012 $49,101,000).

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 June 30, 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 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, 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 FPI's 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 assumptions that management of FPI and FPLP believe to be reasonable, 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.

INVESTOR INQUIRIES:
Dan Koshowski
Chief Financial Officer
Phone: (204) 697-7425
Website: www fpnewspapers.com

LISTING INFORMATION:
TSX; FP

TRANSFER AGENT:
Canadian Stock Transfer Company Inc. as the Administrative Agent for CIBC Mellon Trust Company

AUDITORS:
PricewaterhouseCoopers LLP, Winnipeg