



FP NEWSPAPERS INC.

THIRD QUARTER REPORT

SEPTEMBER 30, 2015

**Third Quarter Report
September 30, 2015
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 September 30, 2015. 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, 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, and the Carberry News Express, a weekly newspaper serving the Carberry area since 1886.

Total revenue for FPLP for the three months ended September 30, 2015 was \$21.1 million, a \$2.4 million or 10.3% decrease from the same period last year. Total EBITDA⁽¹⁾ of FPLP before restructuring costs for the quarter was \$2.6 million, a \$1.2 million or 31.5% decrease from the same quarter last year. FPLP had net earnings of \$1.1 million for the three months ended September 30, 2015, a decrease of \$1.1 million or 50.0% compared to the same quarter last year.

FPI had net earnings of \$0.3 million, or \$0.048 per share, during the three months ended September 30, 2015, compared to net earnings of \$0.7 million, or \$0.107 per share, in the same quarter last year.

Operations

FPLP's revenue for the three months ended September 30, 2015 was \$21.1 million, a decrease of \$2.4 million or 10.3% from the same three months in the prior year. FPLP's print advertising revenues for the three months ended September 30, 2015 were \$12.6 million, a \$2.1 million or 14.5% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was \$7.2 million, a decrease of \$1.6 million or 18.4% from the same period in the prior year, primarily due to decreased spending in the national automotive, telecommunications and department store categories. Classified advertising revenues for the third quarter decreased by \$0.4 million or 16.1% compared to the same period last year, primarily due to decreased spending across all classified revenue sub-categories. Flyer distribution revenues decreased by \$0.1 million or 3.6% compared to the third quarter in 2014, primarily due to a reduction in the volume of flyers delivered.

Print circulation revenues for the three months ended September 30, 2015 were \$6.3 million, a decrease of \$0.1 million or 1.7% compared to the third quarter of 2014, with lower unit sales offsetting increased revenue from slightly higher subscription and single-copy rates. Digital revenues for the second quarter decreased by \$0.1 million or 13.4%, primarily due to a decrease in classified advertising revenues and decreased advertising on our mobile apps.

Operating expenses for the three months ended September 30, 2015 were \$19.7 million, a decrease of \$1.3 million or 6.0% compared to the same quarter last year. Employee compensation costs for the third quarter decreased by \$0.4 million or 3.7% from the same period in the prior year, primarily due to a reduction in the number of employees. Newsprint expense for FPLP's own publications for the third quarter decreased by \$0.3 million or 16.2% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a lower average cost per metric tonne. Newsprint expense for commercial printing for the three months ended September 30, 2015 remained at relatively the same level compared to the same period in 2014.

Delivery costs decreased by \$0.2 million or 6.3%, primarily resulting from lower circulation and flyer volumes and more efficient distribution methods. Restructuring costs for the quarter were \$0.1 million and represented the future obligation under a leased facility that will be vacated.

Vividata, Canada's newly formed authoritative source of cross platform audience data, for newspapers and magazines, was formed in 2014 as the amalgamated organization of NADbank and Print Measurement Bureau. Vividata is a not-for-profit organization governed by a board of directors representing the interests of Canadian publishers, agencies and advertisers. The fall 2015 study covering the January through June 2015 survey period showed that Canadians are reading newspapers more than ever, and how they are reading has changed. The overall results for the Canadian market showed that newspapers reached 56% of Canadian adults "yesterday", up from 50% five years ago. The survey results showed that the print edition readership dropped by 5% over the five years, however digital readers almost tripled to 31% reach. The Vividata results showed that in the Winnipeg market, 78% of adults read the Winnipeg Free Press weekly in either the print or digital format. Weekday readership of the Free Press in either print or on one of the digital platforms was 314,000 representing 51% of all Winnipeg adults compared to 154,000 or 25% for the Winnipeg Sun.

The Winnipeg Free Press has approximately 5,800 digital subscription accounts made up of approximately 3,100 all access digital subscribers who pay \$16.99 per month and 2,700 readers who choose to pay on a per-article basis. It is early into this new initiative, which is currently generating approximately \$200 per day from per article purchases. In addition to these digital only customers, we have approximately 24,000 print subscribers who have registered to access the digital products.

The Free Press was pleased to announce that Sarah Lilleyman was appointed to the newly merged position of Associate Editor Operations and Engagement in July. Prior to joining the Free Press Sarah was the Toronto Editor for the Globe and Mail. Sarah graduated from the journalism program at King's College in Halifax and has largely worked on the editing and production side of the business. Sarah was the front page editor at the Globe and also served as the newspaper's assistant arts editor. Prior to working at the Globe and Mail Sarah worked at the Toronto Star in a senior management position in addition to her time spent as an intern at Time Magazine's New York office. We're very excited about the experience and variety of perspectives Sarah will bring to this senior position in the Free Press newsroom.

A number of awards and nominations were received by Free Press editorial staff during the quarter. Two nominations were earned for the 2015 Canadian Online Publishing Awards. The nominations for the awards that showcase excellence in Canadian digital publishing were for the project City Beautiful and our interactive mosquito watch project. Free Press reporter Carol Sanders was nominated for an award by Beyond Borders ECPAT Canada for her story on child sex trafficking. Long standing freelance contributor, Laura Rance, won a Canadian Farm Writers Federation award for a major feature story entitled Hunger Games, which documents opportunities available to improve productivity by smallholder farmers in Africa in efforts to address hunger and productivity on that continent.

The Canstar community weeklies continued to refine their hyperlocal approach and online presence. Community engagement initiatives continued, as arrangements were reached with Free the Children (We Day), the United Way of Winnipeg and the Winnipeg Chamber of Commerce. Alana Trachenko, a recent graduate of Red River College, joined the editorial team in August as a community journalist for The Metro after her predecessor left to pursue another opportunity. In sales, both The Prime Times and Fall Arts guide special sections proved popular. Advertorial relationships were established with Modern Taco Company and Manitoba Art Expo. The sales team was both involved in several community engagement activities, including participation in a walkathon for the Canadian National Institute for the Blind in August.

The Carillon continues its hard work on community engagement with the recent focus of coverage on the federal election campaign. We were pleased to partner with the Steinbach Chamber of Commerce and Steinbach Regional Secondary School to host a federal candidates forum that drew an over capacity crowd and also streamed it live on thecarillon.com website. Other offerings, like the Best of the Southeast feature and the return of the Crazy Veggie Contest, were great conversation starters. We initiated new advertising features such as Pet of the Month, Dining Deals, Fall Auto Specials and Truckers Week to attract new clients. Our newest sales team members continue to bring enthusiasm and a fresh set of ideas.

Derksen Printers recently added two new third party publications to their recurring printing jobs. The Senior Scope and The Niverville Citizen are both new monthly publications for our commercial printing operation. Increased commercial print work is largely attributable to Derksen's new outside commercial printing sales representative, Laurel McArthur.

Various circulation promotion campaigns run during the quarter helped to sign up new subscribers or restart past subscribers. The successful campaigns included We Want You Back, and ticket giveaway contests for both the Winnipeg Blue Bombers and the Steinbach Pistons.

Derksen Printer's Continuous Improvement and Total Production Maintenance Program was expanded into all areas of the business with encouraging results as employees become more engaged in their work place. We have seen several staffing changes and re-assignment of duties in the last month with the introduction of a new payroll system, and streamlined accounts payable processes, changes employees are adjusting well to. Computer upgrades have taken place in the prepress department with full integration into the Carillon workflow.

During the third quarter, the Brandon Sun focused on solidifying operational efficiencies and introducing new products. The business office instituted new sales reports designed to give management and sales representatives improved updates on account tracking. In a related initiative in advertising, the hiring of a new inside sales representative allowed for a restructuring of the account base to ensure that dormant accounts are re-activated on a timely basis. The circulation department continued to streamline operations, reducing warehouse and driver hours. The department also improved its flyer complaint resolution process by working closely with a local customer to ensure that pre-printed inserts are delivered correctly and on time without raising costs. In the newsroom a new system for generating news apps allowed a series of detailed, investigative stories to be available in print, online and on mobile devices simultaneously.

Dividends

For reasons outlined in the outlook section of our second quarter 2015 report to shareholders, effective August 14, 2015 the Board of Directors of FPI determined not to declare further dividends at this time. The continuing free cash generated by FPLP will be available for increasing FPLP's long-term debt repayments, new strategic investments and / or restructuring initiatives which improve the returns generated by the businesses. The Board will continue to evaluate the dividend policy on a quarterly basis.

Outlook

Year-over-year declines in print advertising revenue continued in the third quarter across all Canadian Metro markets. The month of September showed an improvement in the level of decline and this improvement has continued into October and early November.

Restructuring efforts looking for efficiency improvements continue to be a major focus at all our businesses. In the fourth quarter the Winnipeg Free Press completed the consolidation of home delivery distribution depots going from three depots down to two. The change will result in decreased trucking and leased facility expenses in addition to allowing for earlier newspaper pick-up by our carrier force. In addition, in the delivery expense area, a tendering process was completed for our single-copy trucking and new contracts were awarded to two selected contractors. During the fourth quarter management completed the negotiations to make an investment in an upgraded advertising business system, which is targeted to be implemented by the end of the second quarter next year. The new system offers a wide range of improvements to our advertising customer experience in addition to streamlining and automating various administrative tasks.

Ronald N. Stern
Chairman
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 13, 2015

OVERVIEW

Management's discussion and analysis, prepared as at November 13, 2015, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three months ended September 30, 2015. 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 September 30, 2015.

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"), including IAS 34. 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, 2014 prepared in accordance with IFRS in the Company's 2014 Annual Report and with the interim unaudited condensed financial statements and accompanying notes for the third quarter of 2015.

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 and net earnings per share for 2015, 2014, and, 2013 is as follows:

	2015	2014	2013
<i>In thousands of dollars (except per share amounts)</i>			
Revenue			
Quarter 1	\$ 606	\$ 809	\$ 1,424
Quarter 2	1,367	1,638	2,109
Quarter 3	526	1,052	1,234
Quarter 4		2,235	2,213
Net earnings (loss)			
Quarter 1	\$ 399	\$ 545	\$ 974
Quarter 2	(17,655)	1,148	1,499
Quarter 3	331	738	864
Quarter 4		1,616	1,559
Net earnings (loss) per share			
Quarter 1	\$ 0.058	\$ 0.079	\$ 0.141
Quarter 2	(2.558)	0.166	0.217
Quarter 3	0.048	0.107	0.125
Quarter 4		0.234	0.226

A non-cash write-down of \$18.6 million was recorded in the second quarter of 2015 based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to lower than anticipated operating results coupled with decreasing newspaper industry valuations. This write-down resulted in a net loss of \$16.9 million for the nine months ending September 30, 2015. Excluding the non-cash write-down of the equity investment in FPLP, FPI reported net earnings of \$0.3 million and \$1.7 million for the three and nine months ended September 30, 2015, compared to net earnings of \$0.7 million and \$2.4 million for the same periods last year. The decrease in net earnings is due to a decrease in the equity share of the net earnings of FPLP, with details of this decline disclosed in the FPLP section of this report. Other comprehensive loss for the three months ended September 30, 2015 was \$0.3 million, unchanged from the third quarter of 2014. Other comprehensive loss results from FPI's equity share of FPLP's recognition of remeasurements gains or losses related to the defined benefit pension plan.

There were no dividends declared for the three months ended September 30, 2015 compared to \$1.0 million or \$0.15 per share for the three months ended September 30, 2014. For the nine months ended September 30, 2015 FPI declared dividends to shareholders of \$1.1 million or \$0.16 per share compared to \$3.1 million or \$0.45 per share for the same period in 2014.

As at November 13, 2015, FPI had 6,902,592 shares outstanding.

Distributable Cash Attributable to FPI⁽²⁾

Cash available for distribution attributable to FPI⁽²⁾ was (\$0.1) million or (\$0.008) per share and (\$3.0) million or (\$0.435) per share for the three and nine months ended September 30, 2015, compared to \$1.0 million or \$0.140 per share and \$2.1 million or \$0.307 per share for the same periods in 2014. The negative cash available for distribution results from the one-time \$6.3 million principal repayment of the long-term loan upon renewal of the agreement in January 2015. The full details of the distributable cash calculation are included in the “Non-IFRS measures” section of this report.

FP CANADIAN NEWSPAPERS LIMITED PARTNERSHIP

Results of Operations

FPLP’s revenue for the three months ended September 30, 2015 was \$21.1 million, a decrease of \$2.4 million or 10.3% from the same three months in the prior year. FPLP’s print advertising revenues for the three months ended September 30, 2015 were \$12.6 million, a \$2.1 million or 14.5% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was \$7.2 million, a decrease of \$1.6 million or 18.4% from the same period in the prior year, primarily due to decreased spending in the national automotive, telecommunications and department store categories. Classified advertising revenues for the third quarter decreased by \$0.4 million or 16.1% compared to the same period last year, primarily due to decreased spending across all classified revenue sub-categories. Flyer distribution revenues decreased by \$0.1 million or 3.6% compared to the third quarter in 2014, primarily due to a reduction in the volume of flyers delivered.

Print circulation revenues for the three months ended September 30, 2015 were \$6.3 million, a decrease of \$0.1 million or 1.7% compared to the third quarter of 2014, with lower unit sales offsetting increased revenue from slightly higher subscription and single-copy rates. Digital revenues for the second quarter decreased by \$0.1 million or 13.4%, primarily due to a decrease in classified advertising revenues and decreased advertising on our mobile apps.

FPLP’s revenue for the nine months ended September 30, 2015 was \$65.9 million, a decrease of \$7.0 million or 9.5% from the same period in the prior year. Print advertising revenues for the nine months ended September 2015 were \$40.2 million, a \$6.5 million or 14.0% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was \$23.8 million, a decrease of \$4.7 million or 16.5% from the same period in the prior year, primarily due to decreased spending in the national automotive, telecommunications and department store categories. Classified advertising revenues for the nine months ended September 30, 2015 decreased by \$0.8 million or 11.2% compared to the same period last year, primarily due to lower spending in the employment and real estate categories, partly offset by increased obituary category revenues. Flyer distribution revenues for the nine months ending September 30, 2015 were lower by \$1.0 million or 9.2%, primarily due to the closures of a few large retail customers.

Print circulation revenues for the nine months ended September 2015 were \$18.7 million, a decrease of \$0.3 million or 1.7% from the same period of 2014, with lower unit sales offsetting increased revenue from higher subscription rates. Commercial printing revenues for the nine months decreased by \$0.2 million or 6.0%, primarily attributable to the loss of a major commercial print job.

Operating expenses for the three months ended September 30, 2015 were \$19.7 million, a decrease of \$1.3 million or 6.0% compared to the same quarter last year. Employee compensation costs for the third quarter decreased by \$0.4 million or 3.7% from the same period in the prior year, primarily due to a reduction in the number of employees. Newsprint expense for FPLP’s own publications for the third quarter decreased by \$0.3 million or 16.2% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a lower average cost per metric tonne. Newsprint expense for commercial printing for the three months ended September 30, 2015 remained at relatively the same level compared to the same period in 2014. Delivery costs decreased by \$0.2 million or 6.3%, primarily resulting from lower circulation and flyer volumes and more efficient distribution methods. Restructuring costs for the quarter ending September 30, 2015 were \$0.1 million and represented the future obligation under a leased facility that will be vacated.

Operating expenses for the nine months ended September 2015 were \$59.8 million, a decrease of \$4.7 million or 7.3% compared to the same period last year. Employee compensation costs for the nine months decreased by \$1.9 million or 6.2% from the same period in the prior year, primarily due to the reduction in the number of employees. Newsprint expense for FPLP's own publications for the nine months decreased by \$0.9 million or 16.5% compared to the same period in the prior year, primarily due to lower volumes resulting from fewer circulation copies and a lower average rate per metric tonne. Newsprint expense for commercial printing decreased by \$0.2 or 19.0% compared to last year, primarily due to decreased commercial printing largely due to a decrease in commercial print pages. Delivery costs decreased by \$0.9 million or 7.9% in the first nine months of 2015, primarily due to lower circulation units and flyer volumes. Other expenses for the nine months ended September 30, 2015 decreased by \$0.8 million or 6.3% compared to the same period last year, primarily due to lower outside costs from reduced magazine volumes and declining use of production supplies as a result of fewer printed pages. Restructuring costs for the nine months ending September 30, 2015 were \$0.2 million, of which \$0.1 million was for severance for employees and \$0.1 million was a charge for a leased facility that will be vacated.

During the three months ended June 30, 2015, as a result of greater than anticipated revenue declines due to economic factors including the uncertainty of the print advertising market and the rapidly evolving digital advertising market, FPLP recorded an impairment charge relating to its goodwill of \$23.2 million. Excluding this impairment charge, FPLP's net earnings were \$1.1 million and \$5.1 million for the three and nine months ended September 30, 2015, compared to \$2.1 million and \$7.1 million for the same periods last year.

EBITDA⁽¹⁾, excluding the goodwill impairment charge, for the three and nine months ended September 30, 2015 was \$2.5 million and \$9.4 million compared to \$3.7 million and \$11.6 million for the same periods last year, a decrease of 33.0% and 19.5%, respectively. EBITDA⁽¹⁾ margin, excluding the goodwill impairment charge, for the three and nine months ended September 30, 2015 was 11.7% and 14.2%, compared to 15.6% and 16.0% in the same periods last year. The changes in EBITDA⁽¹⁾ were due to the factors described in the revenue and operating expense paragraphs above.

Finance costs for the three and nine months ended September 30, 2015 decreased \$0.1 million and \$0.2 million respectively, primarily due to the lower level of debt outstanding and lower interest rates on our variable rate loan.

Under IFRS, comprehensive income includes remeasurements 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 returns on plan assets differing from expected income. In the three months ended September 30, 2015, the actuarial loss was due to lower actual return on the plan's investments in excess of the actuarial expected return assumptions, partly offset by a decrease in the defined benefit obligation primarily resulting from an actuarial discount rate increase.

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 2015, 2014 and 2013 were as follows:

	2015	2014	2013
	<i>In thousands of dollars</i>		
Revenue			
Quarter 1	\$ 21,300	\$ 23,493	\$ 25,728
Quarter 2	23,461	25,787	27,324
Quarter 3	21,139	23,575	25,130
Quarter 4		26,184	28,090
		<u>\$ 99,039</u>	<u>\$ 106,272</u>
EBITDA⁽¹⁾			
Quarter 1	\$ 2,684	\$ 3,074	\$ 4,362
Quarter 2	4,207	4,874	5,746
Quarter 3	2,466	3,679	3,959
Quarter 4		6,085	5,935
		<u>\$ 17,712</u>	<u>\$ 20,002</u>
Net Earnings			
Quarter 1	\$ 1,236	\$ 1,652	\$ 2,907
Quarter 2	(20,413)	3,341	4,302
Quarter 3	1,073	2,146	2,519
Quarter 4		4,560	4,514
		<u>\$ 11,699</u>	<u>\$ 14,242</u>

During the three months ended June 30, 2015, as a result of greater than anticipated revenue declines due to economic factors including the uncertainty of the print advertising market and the rapidly evolving digital advertising market, FPLP recorded an impairment charge relating to its goodwill of \$23.2 million.

Liquidity and Capital Resources of FPLP

Cash and cash equivalents at September 30, 2015 was \$10.6 million, compared to \$16.2 million at December 31, 2014. Cash and cash equivalents may be used to pay future distributions (including future income taxes and administration expenses payable by the partners), to reduce debt, to fund future capital expenditures, or for other general purposes. During the three months ended September 30, 2015, operating activities provided \$3.1 million, investing activities used \$0.3 million and \$2.3 million was used for financing activities. Cash flows from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures and required principal repayments under FPLP's credit facility, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

Cash Flow from Operating Activities

During the three and nine months ended September 30, 2015, cash generated from operating activities was \$3.1 million and \$9.5 million, compared to \$4.5 million and \$11.5 million for the same periods in 2014. The decrease in cash generated from operating activities is primarily the result of decreased earnings and increased cash funding requirements on our defined benefit pension plan.

Investing Activities

Capital asset additions were \$0.3 million and \$0.7 million for the three and nine months ended September 30, 2015, compared to \$0.1 million and \$0.3 million in the same periods in the prior year. Maintenance capital spending in the three and nine months ended September 30, 2015 was primarily the replacement of the building cooling equipment at our Winnipeg facility and technology upgrades.

Financing Activities

Financing activities used \$2.3 million and \$14.5 million for the three and nine months ended September 30, 2015, compared to \$3.5 million and \$7.3 million for the same periods in 2014. Distributions to partners of FPLP for the three and nine months ended September 30, 2015 totalled \$1.9 million and \$5.7 million, of which \$0.9 million and \$2.8 million was paid to FPI as holder of Class A limited partner units. This compares to prior year figures of \$3.1 million and \$9.2 million, of which \$1.5 million and \$4.5 million was paid to FPI as holder of Class A limited partner units. During the second quarter of 2015 it was decided that until further notice, distributions to the partners of FPLP would be limited to that required to fund the partners' income taxes and administrative costs.

For the nine months ended September 30, 2015, the use of cash for financing activities increased primarily due to the one-time principal repayment of the long-term debt of \$6.3 million in the first quarter of 2015, as part of the renewal of the long-term debt agreement. In the second quarter of 2014 FPLP entered into a five-year lease agreement, which provided proceeds from the lease of \$4.0 million.

Contractual Obligations

The long-term debt agreement, which was originally scheduled to mature on January 31, 2016, was renewed on January 8, 2015 with a maturity date of January 31, 2020. On the renewal date, \$6.3 million of principal was repaid, reducing the outstanding principal to \$40.0 million. Principal repayments of \$1.0 million are due on the first of September each year and a cash sweep is payable no later than 90 days after the end of each fiscal year with the first cash sweep due no later than September 30, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of \$3.5 million or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are \$30.0 million on January 31, 2018 and \$20.0 million on January 31, 2020.

Other than discussed above, there have been no significant changes to contractual obligations since December 31, 2014.

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 change in reserve balances for the three and nine months ended September 30, 2015 and 2014 is as follows:

Reserve for future maintenance capital	Three Months Ended September		Nine Months Ended September	
	30,		30,	
	2015	2014	2015	2014
	<i>In thousands of dollars</i>		<i>In thousands of dollars</i>	
Reserve at beginning of period	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Increase in reserve	-	-	-	-
Decrease in reserve	-	-	-	-
Reserve at end of period	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500

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

The use of a reserve for maintenance capital in calculating distributable cash attributable to FPI⁽²⁾ is intended to provide an allowance for estimated annual capital expenditures required to maintain the productive capacity of the business. The level of the annual allowance for maintenance capital is reviewed periodically based on historical

spending levels and future plans and adjusted based on reasonable and supportable assumptions. Actual future capital expenditures necessary to maintain the current productive capacity of the business may vary, perhaps materially, from the allowance used in determining distributable cash⁽²⁾ due to technological change, unexpected equipment failure, changes in customer service expectations and other reasons. FPLP has established a maintenance capital maximum reserve policy, the maximum reserve level under which is \$1.5 million.

Reserve for cash sweep debt payment	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	<i>In thousands of dollars</i>		<i>In thousands of dollars</i>	
Reserve at beginning of period	\$ 950	\$ -	\$ -	\$ -
Increase in reserve	367	-	1,275	-
Decrease in reserve	-	-	-	-
Reserve at end of period	\$ 1,275	\$ -	\$ 1,275	\$ -

Increases in the reserve for the cash sweep long-term debt payment on the principal are shown as a deduction in determining distributable cash⁽²⁾ of FPLP. Decreases in the reserve for the cash sweep debt payment are shown as an increase in determining distributable cash⁽²⁾.

The use of a reserve for cash sweep debt payment in calculating distributable cash attributable to FPI⁽²⁾ is intended to provide an allowance for estimated annual cash sweep payments required under FPLP's long-term debt agreement. The cash sweep debt payment is equal to the lesser of \$3.5 million or 25% of FPLP's annual distributable cash as defined in the agreement and is payable no later than 90 days after the end of each fiscal year with the first cash sweep due no later than September 30, 2016. The maximum outstanding debt under the agreement is \$30.0 million on January 31, 2018 and \$20.0 million on January 31, 2020.

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

Debt Covenants

The HSBC credit facility (see note 6 to the 2014 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 at any time prior to January 31, 2018, and 3.0 to 1.0 at any time thereafter, 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 September 30, 2015, 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, 2014. For 2015, the Board of Directors of FPLP approved the elimination of the requirement to have a minimum of two newsprint suppliers. Total newsprint purchases from ANC, based on actual invoice prices, for the three and nine months ended September 30, 2015 were \$1.3 million and \$3.7 million, compared to \$0.9 million and \$2.6 million for the same periods last year.

DISCLOSURE CONTROLS AND PROCEDURES

In FPI's 2014 annual filings, the CEO and CFO certified, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures, and the design and effectiveness of internal controls over financial reporting.

In FPI's third quarter 2015 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 third quarter of 2015 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 the December 2014 year-end.

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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	<i>In thousands of dollars</i>		<i>In thousands of dollars</i>	
Net earnings (loss) for the period	\$ 1,073	\$ 2,146	\$ (18,104)	\$ 7,139
Add (subtract):				
Depreciation and amortization	1,074	1,107	3,226	3,261
Impairment of goodwill	-	-	23,200	-
Finance costs	341	470	1,104	1,341
Other income	(22)	(44)	(69)	(114)
EBITDA	\$ 2,466	\$ 3,679	\$ 9,357	\$ 11,627

(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 in reviewing dividend levels.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Distributable cash of FPLP:				
EBITDA ⁽¹⁾	\$ 2,466	\$ 3,679	\$ 9,357	\$ 11,627
Other income (excluding non-cash gains or losses)	17	37	64	103
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(332)	(459)	(1,077)	(1,306)
Principal repayment of term loan	-	-	(7,324)	(1,000)
Maintenance capital expenditures	(256)	(62)	(746)	(337)
Proceeds from sale of property, plant and equipment	5	7	5	10
Principal repayments on finance leases	(420)	(405)	(1,249)	(1,051)
Principal repayments on mortgage loan	(13)	(13)	(45)	(38)
Pension funding in excess of accounting expense	(425)	49	(1,679)	(1,025)
Reserve for cash sweep long-term debt repayment	(325)	-	(1,275)	-
Distributable cash of FPLP	\$ 717	\$ 2,833	\$ (3,969)	\$ 6,983
49% attributable to FPI	\$ 351	\$ 1,388	\$ (1,945)	\$ 3,422
Administration expenses	(54)	(39)	(154)	(157)
Other income	-	-	1	1
Current income taxes	(350)	(386)	(903)	(1,150)
Distributable cash attributable to FPI	\$ (53)	\$ 963	\$ (3,001)	\$ 2,116
Distributable cash attributable to FPI – per share	\$ (0.008)	\$ 0.140	\$ (0.435)	\$ 0.307

A summary of distributable cash and distributions declared for the trailing twelve months to September 30, 2015 and for the period from commencement of FPI on May 28, 2002 to September 30, 2015 is as follows:

Distributable Cash of FPLP:

	Last Twelve Months	Since May 28, 2002
<i>In thousands of dollars</i>		
EBITDA ⁽¹⁾	\$ 15,442	\$ 300,689
Interest income	107	1,752
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(1,532)	(35,165)
Principal repayment of term loan	(7,324)	(21,000)
Maintenance capital expenditures	(1,440)	(12,791)
Increase in reserve for future maintenance capital expenditures	-	(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	5	2,096
Principal repayment of finance leases	(1,656)	(6,013)
Principal repayments on mortgage loans	(56)	(203)
Current income and capital tax expense	-	(196)
Increase in reserve for future cash income taxes	-	(6,996)
Reduction of reserve for future cash income taxes	-	6,996
Special distribution for tax purposes	-	(7,043)
Pension funding in excess of accounting expense	(1,566)	(8,613)
Reserve for cash sweep long-term debt repayment	(1,275)	(1,275)
Distributable cash of FPLP	\$ 705	\$ 209,054

Distributable Cash Attributable to FPI:

	Last Twelve Months	Since May 28, 2002
<i>In thousands of dollars (except per share amounts)</i>		
49% of FPLP distributable cash	\$ 345	\$ 102,436
Administration expenses	(210)	(3,856)
Interest income	1	66
Current income taxes	(1,276)	(3,939)
Distributable cash attributable to FPI	\$ (1,140)	\$ 94,707
Distributable cash attributable to FPI – per share	\$ (0.165)	\$ 13.721
Cash dividends declared by FPI – per share	\$ 0.240	\$ 12.713
Cumulative Payout Ratio		92.7%

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

	Note	As at September 30, 2015	As at December 30, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 406	\$ 442
Prepaid expenses and other assets		14	6
Income tax receivable		4	-
		424	448
LONG-TERM ASSETS			
Investment in FP Canadian Newspapers Limited Partnership	3	23,830	43,105
Deferred income tax asset		370	35
TOTAL ASSETS		\$ 24,624	\$ 43,588
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 66	\$ 81
Dividend payable		-	552
Income taxes payable		-	91
TOTAL LIABILITIES		66	724
SHAREHOLDERS' EQUITY			
Share capital		71,373	71,373
Deficit		(46,815)	(28,509)
TOTAL SHAREHOLDERS' EQUITY		24,558	42,864
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 24,624	\$ 43,588

(See accompanying notes)

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

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Note	2015	2014	2015	2014
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	3	\$ 526	\$ 1,052	\$ 2,498	\$ 3,498
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units		-	-	(18,600)	-
Administration expenses		(54)	(39)	(154)	(157)
Other income		-	-	1	1
Net earnings (loss) before income taxes		472	1,013	(16,255)	3,342
Current income tax (expense)		(350)	(386)	(903)	(1,150)
Deferred income tax recovery		209	111	233	239
Net earnings (loss) for the period		\$ 331	\$ 738	\$ (16,925)	\$ 2,431
Items that will not be reclassified to net earnings:					
Equity interest of other comprehensive (loss) from FP Canadian Newspapers Limited Partnership	3	(375)	(354)	(379)	(1,017)
Deferred income tax recovery		101	96	102	274
Comprehensive income (loss) for the period		\$ 57	\$ 480	\$ (17,202)	\$ 1,688
Weighted average number of Common Shares outstanding		6,902,592	6,902,592	6,902,592	6,902,592
Net earnings (loss) per share – basic and diluted		\$ 0.048	\$ 0.107	\$ (2.452)	\$ 0.352

(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, 2013	\$ 71,373	\$ (27,062)	\$ 44,311
Net earnings for the period	-	2,431	2,431
Other comprehensive (loss) for the period	-	(743)	(743)
Comprehensive income for the period	-	1,688	1,688
Dividends	-	(3,106)	(3,106)
At September 30, 2014	\$ 71,373	\$ (28,480)	\$ 42,893
At December 30, 2014	\$ 71,373	\$ (28,509)	\$ 42,864
Net (loss) for the period	-	(16,925)	(16,925)
Other comprehensive (loss) for the period	-	(277)	(277)
Comprehensive (loss) for the period	-	(17,202)	(17,202)
Dividends	-	(1,104)	(1,104)
At September 30, 2015	\$ 71,373	\$ (46,815)	\$ 24,558

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

		Three months Ended September 30,		Nine months Ended September 30,	
	Note	2015	2014	2015	2014
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Net earnings (loss) for the period		\$ 331	\$ 738	\$ (16,925)	\$ 2,431
Items not affecting cash:					
Equity interest from Class A Units of FP Canadian Newspapers Limited Partnership	3	(526)	(1,052)	(2,498)	(3,498)
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership		-	-	18,600	-
Deferred income tax (recovery)		(209)	(111)	(233)	(239)
Distributions received on Class A Units of FP Canadian Newspapers Limited Partnership	3	931	1,502	2,794	4,505
Net change in non-cash working capital items		86	148	(118)	157
		613	1,225	1,620	3,356
FINANCING ACTIVITIES					
Dividends paid		(552)	(1,035)	(1,656)	(3,106)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
		61	190	(36)	250
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD					
		345	504	442	444
CASH AND CASH EQUIVALENTS – END OF PERIOD					
		\$ 406	\$ 694	\$ 406	\$ 694
Supplemental cash flow information:					
Income tax paid		\$ 262	\$ 369	\$ 998	\$ 1,108

(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 International Accounting Standards Board (“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, 2014, 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 November 13, 2015.

Accounting policies

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity’s risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. FPI is assessing the impact of adopting this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2018, with earlier adoption permitted. FPI is assessing the impact of adopting this standard on its financial statements.

FP Newspapers Inc.
Notes to Condensed Financial Statements at September 30, 2015
(unaudited, tabular amounts in thousands of Canadian dollars)

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, 2013	\$ 44,892
Equity interest in net earnings and comprehensive income for the year ended December 30, 2014	3,218
Distributions received for the year ended December 30, 2014	(5,005)
Balance at December 30, 2014	\$ 43,105
Equity interest in net earnings and comprehensive income for the nine months ended September 30, 2015	2,119
Non-cash write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(18,600)
Distributions received for the nine months ended September 30, 2015	(2,794)
Balance at September 30, 2015	\$ 23,830

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net (loss) earnings of FPLP	\$ 1,073	\$ 2,146	\$ (18,104)	\$ 7,139
Add back impairment of goodwill recorded by FPLP	-	-	23,200	-
Net earnings of FPLP before goodwill impairment charge	1,073	2,146	5,096	7,139
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in net earnings of FPLP before goodwill impairment charge	526	1,052	2,498	3,498
Other comprehensive (loss) of FPLP	(765)	(722)	(774)	(2,075)
Interest attributable to FPI	49%	49%	49%	49%
Equity interest in other comprehensive (loss) of FPLP	\$ (375)	\$ (354)	\$ (379)	\$ (1,017)

During the three months ended June 30, 2015, due to prolonged weakness in FPI's market capitalization and FPLP's declining revenue and earnings, FPI determined that objective evidence of impairment existed in its investment in FPLP. The recoverable amount based on fair value less costs to dispose of the investment was determined by multiplying FPLP reforecast full year 2015 EBITDA⁽¹⁾ by a market multiple of 5.5. The market multiple was considered to be a level 3 input within the IFRS 13 fair value hierarchy.

FP Newspapers Inc.

Notes to Condensed Financial Statements at September 30, 2015

(unaudited, tabular amounts in thousands of Canadian dollars)

As a result of the impairment analysis as at June 30, 2015, FPI concluded the carrying value of the equity share of its investment in FPLP was less than the recoverable amount. Accordingly, FPI recorded an impairment charge relating to its investment in FPLP of \$18,600,000 for the period ended June 30, 2015.

As the recoverable amount of the investment is equal to its carrying value any change in the key assumption, being the market multiple, used in the fair value less cost of disposal assessment would impact the impairment recorded. If the multiple were to decrease or increase by 0.5 times the impairment would increase or decrease by approximately \$3,800,000. As a result of the impairment analysis as at September 30, 2015, FPI concluded that there were no further impairments in the three months ended September 30, 2015.

There were no tax impacts as a result of the impairment charges.

4. 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 September 30, 2015	As at December 31, 2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 10,564	\$ 16,231
Accounts receivable		8,223	11,018
Inventories		1,129	1,264
Prepaid expenses and other assets		985	799
		20,901	29,312
LONG-TERM ASSETS			
Property, plant and equipment		33,683	36,033
Intangible assets		6,038	6,168
Goodwill	5	48,050	71,250
TOTAL ASSETS		\$ 108,672	\$ 142,763
LIABILITIES AND UNITHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 7,018	\$ 7,172
Provision		86	167
Prepaid subscriptions and deferred revenue		2,757	2,699
Finance lease obligation		1,914	1,673
Mortgage loan		775	53
Term loan	7	2,700	1,000
		15,250	12,764
LONG-TERM LIABILITIES			
Accrued pension benefit liability		6,052	6,660
Finance lease obligation		2,521	4,011
Mortgage loan		-	767
Term loan	7	36,146	45,274
TOTAL LIABILITIES		59,969	69,476
UNITHOLDERS' EQUITY			
Partner units		98,280	98,280
Deficit		(49,577)	(24,993)
TOTAL UNITHOLDERS' EQUITY		48,703	73,287
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		\$ 108,672	\$ 142,763

(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 September 30,		Nine Months Ended September 30,	
		2015	2014	2015	2014
Revenue					
Print advertising		\$ 12,607	\$ 14,737	\$ 40,150	\$ 46,666
Print circulation		6,337	6,447	18,685	19,009
Commercial printing		1,171	1,228	3,589	3,819
Digital		829	957	2,791	2,718
Promotion and services		195	206	685	643
TOTAL REVENUE		21,139	23,575	65,900	72,855
Operating expenses					
Employee compensation		9,426	9,785	28,671	30,582
Newsprint and other paper		1,758	2,057	5,379	6,428
Delivery of newspapers		3,673	3,921	10,953	11,888
Other		3,730	4,087	11,370	12,138
Depreciation and amortization		1,074	1,107	3,226	3,261
Restructuring charge		86	46	170	192
Operating income before impairment		1,392	2,572	6,131	8,366
Impairment of goodwill	5	-	-	(23,200)	-
OPERATING INCOME (LOSS)		1,392	2,572	(17,069)	8,366
Other income	4	22	44	69	113
Finance costs	4	(341)	(470)	(1,104)	(1,341)
Gain on interest rate swap		-	-	-	1
NET EARNINGS (LOSS) FOR THE PERIOD		\$ 1,073	\$ 2,146	\$ (18,104)	\$ 7,139
Items that may be reclassified subsequently to net earnings:					
Unrealized gain on investment		-	7	-	2
Items that will not be reclassified to net earnings:					
Remeasurements for defined benefit pension plan		(765)	(722)	(774)	(2,075)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		\$ 308	\$ 1,431	\$ (18,878)	\$ 5,066

(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, 2013	\$ 98,280	\$ (21,346)	\$ (2)	\$ 76,932
Net earnings for the period	-	7,139	-	7,139
Other comprehensive income (loss) for the period	-	(2,075)	2	(2,073)
Comprehensive income for the period	-	5,064	2	5,066
Distributions paid	-	(9,191)	-	(9,191)
UNITHOLDERS' EQUITY –				
SEPTEMBER 30, 2014	\$ 98,280	\$ (25,473)	\$ -	\$ 72,807
UNITHOLDERS' EQUITY –				
DECEMBER 31, 2014	\$ 98,280	\$ (24,993)	\$ -	\$ 73,287
Net (loss) for the period	-	(18,104)	-	(18,104)
Other comprehensive (loss) for the period	-	(774)	-	(774)
Comprehensive (loss) for the period	-	(18,878)	-	(18,878)
Distributions paid	-	(5,706)	-	(5,706)
UNITHOLDERS' EQUITY –				
SEPTEMBER 30, 2015	\$ 98,280	\$ (49,577)	\$ -	\$ 48,703

(See accompanying notes)

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

	Three months ended September 30, 2015		Nine months ended September 30, 2014	
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net earnings (loss) for the period	\$ 1,073	\$ 2,146	\$ (18,104)	\$ 7,139
Items not affecting cash:				
Depreciation and amortization	1,074	1,107	3,226	3,261
Accretion of term loan related to financing costs	9	11	27	35
Impairment of goodwill	-	-	23,200	-
Gain on disposal of property, plant and equipment	(5)	(7)	(5)	(10)
Gain on interest rate swap	-	-	-	1
(Excess) shortfall of pension contribution over expense	(425)	49	(1,679)	(1,025)
	1,726	3,306	6,665	9,401
Net change in non-cash working capital items	1,328	1,154	2,864	2,109
	3,054	4,460	9,529	11,510
INVESTING ACTIVITIES				
Purchases of property, plant and equipment	(123)	(15)	(520)	(277)
Purchase of intangibles	(133)	(47)	(226)	(60)
Proceeds from sale of property, plant and equipment	5	7	5	10
	(251)	(55)	(741)	(327)
FINANCING ACTIVITIES				
Distributions to partners	(1,903)	(3,064)	(5,706)	(9,191)
Proceeds from financing leases	-	-	-	3,974
Principal repayments of finance lease	(420)	(405)	(1,249)	(1,051)
Principal repayments of mortgage loan	(13)	(13)	(45)	(38)
Term loan refinancing costs	-	-	(131)	-
Principal repayment of term loan	-	-	(7,324)	(1,000)
	(2,336)	(3,482)	(14,455)	(7,306)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	467	923	(5,667)	3,877
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD	10,097	13,254	16,231	10,300
CASH AND CASH EQUIVALENTS – END OF PERIOD	\$ 10,564	\$ 14,177	\$ 10,564	\$ 14,177
Supplemental Cash Flow Information:				
Interest paid during the period	\$ 332	\$ 463	\$ 1,174	\$ 1,190
Interest received during the period	18	38	73	102

(See accompanying notes)

FP Canadian Newspapers Limited Partnership
Notes to Condensed Consolidated Financial Statements as at September 30, 2015
(tabular amounts in thousands of Canadian dollars)

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

These condensed consolidated interim financial statements have been prepared in accordance with 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 statements for the year ended December 31, 2014, 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 November 13, 2015.

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

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity’s business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity’s risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. FPLP is assessing the impact of adopting this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company beginning on January 1, 2018, with earlier adoption permitted. FPLP is assessing the impact of adopting this standard on its financial statements.

FP Canadian Newspapers Limited Partnership
Notes to Condensed Consolidated Financial Statements as at September 30, 2015
(tabular amounts in thousands of Canadian dollars)

3. EMPLOYEE FUTURE BENEFIT PLANS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Defined benefit pension plan	\$ 471	\$ 355	\$ 1,415	\$ 1,065

4. OTHER INCOME AND FINANCE COSTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Other income				
Interest income	\$ 17	\$ 37	\$ 64	\$ 103
Gain on sales of property, plant and equipment	5	7	5	10
Total other income	22	44	69	113
Finance costs				
Interest on finance leases	41	57	135	135
Interest on mortgage loan	10	11	25	31
Interest on term loan	281	391	917	1,140
Accretion of term loan related to financing costs	9	11	27	35
Total finance costs	\$ 341	\$ 470	\$ 1,104	\$ 1,341

5. IMPAIRMENT OF GOODWILL

During the three months ended June 30, 2015, as a result of greater than anticipated revenue declines due to economic factors including the uncertainty of the print advertising market and the rapidly evolving digital advertising market, FPLP performed an impairment analysis. The recoverable amount of the goodwill cash generating unit ("Goodwill CGU"), which represents the single operating segment of FPLP, was based on fair value less costs to dispose. The fair value less costs to dispose goodwill CGU was determined by multiplying the reforecast full year 2015 EBITDA by a market multiple of 5.5. The market multiple was considered to be a level 3 input within the IFRS 13 fair value hierarchy. FPLP recorded an impairment charge relating to its goodwill of \$23,200,000 for the period ended June 30, 2015.

As a result of the impairment analysis as at September 30, 2015, FPLP concluded that there were no further impairments in the three months ended September 30, 2015.

FP Canadian Newspapers Limited Partnership
Notes to Condensed Consolidated Financial Statements as at September 30, 2015
(tabular amounts in thousands of Canadian dollars)

6. RELATED PARTY TRANSACTIONS

Total newsprint purchases from Alberta Newsprint Company, a company controlled indirectly by Ronald Stern, for the three and nine months ended September 30, 2015 were \$1,280,000 and \$3,720,000 (\$907,000 and \$2,626,000 for the three and nine months ended September 30, 2014).

7. LONG-TERM DEBT

The long-term debt renewal agreement with HSBC Bank Canada was renewed on January 8, 2015 with a maturity date of January 31, 2020. On the renewal date, \$6,300,000 of principal was repaid reducing the outstanding principal to \$40,000,000. Principal repayments of \$1,000,000 are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year, with the first cash sweep due no later than September 30, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of \$3,500,000 or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are \$30,000,000 on January 31, 2018 and \$20,000,000 on January 31, 2020. The renewal agreement includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement, 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

As at September 30, 2015 FPLP did not carry any financial assets and liabilities measured at fair value in the consolidated balance sheet.

The fair value of current assets and liabilities including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments. At September 30, 2015 the fair value of the HSBC term loan, based on Level 3 fair value hierarchy inputs, is approximately \$39,000,000 (December 31, 2014 \$46,324,000) and the carrying value is \$38,846,000 (December 31, 2014 \$46,274,000). The fair value of the mortgage loan, based on level 3 fair value hierarchy inputs, approximates its carrying value.

The fair value of long-term debt and mortgage payable has been calculated by discounting the expected cash flows of each debt using a discount rate of 3.07% and 4.80%, respectively. The discount rate is determined using a risk free benchmark bond yield for instruments of similar maturity adjusted for the Company's specific credit risk. In determining the adjustment for credit risk, the Company considers market conditions, the underlying values of properties and other assets secured by the associated loan and other indicators of the Company's credit worthiness.

9. CAPITAL MANAGEMENT

In response to the uncertainty regarding print revenues, FPCN General Partner Inc., managing general partner of FPLP, determined that FPLP will continue to make distributions required for income taxes and administrative costs of its limited and general partners. The Board feels that at this time it is in the best interest of the limited and general partners to have the continuing free cash generated by FPLP be available for increasing FPLP's long-term debt repayments, new strategic investments and/or restructuring initiatives which improve the returns generated by the businesses going forward. The Board will continue to evaluate the distribution policy on a quarterly basis.

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", "forecast", "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 or 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 11, 2015, 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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LISTING INFORMATION:

TSX; FP

TRANSFER AGENT:

CST Trust Company

AUDITORS:

PricewaterhouseCoopers LLP, Winnipeg