

Postmedia Network Reports First Quarter Results

Third consecutive quarter of overall revenue growth. Progress continues in three key areas: growing digital, cutting costs, and repaying debt.

January 6, 2011 (TORONTO) – Postmedia Network Canada Corp. (“Postmedia” or “the Company”) today released financial information for the first quarter ended November 30, 2010.

Important Information

On July 13, 2010 Postmedia, through a wholly owned subsidiary, acquired substantially all of the assets and assumed certain liabilities of Canwest Limited Partnership (“Canwest LP”) including all of the outstanding shares of National Post Inc. (“National Post”). All references to financial results for the three months ended November 30, 2009 and any comparisons in this release are references and comparisons to the financial results of Canwest LP, the predecessor company. The financial results of the predecessor company are being presented by the Company in accordance with the terms of the Company’s 12.5% senior secured notes due 2018. The financial results for the three months ended November 30, 2009 are (i) in respect of a period during which the predecessor company, and not the Company, owned the assets underlying the business of the Company, and (ii) based solely on the financial statements prepared by, and provided to the Company by, the predecessor company. The financial information for the three months ended November 30, 2009 does not represent and is not purported to represent the results that would have been achieved had Postmedia owned the assets of Canwest LP and shares of National Post at that time. The prior year financial results are not comparable to our financial information. Readers are cautioned that the prior year financial results are not indicative of the future financial condition, results of operations, cash flows and future development our business.

Operating Results

Revenue for the quarter ended November 30, 2010 totaled \$287.1 million, an increase of \$0.7 million or 0.2% relative to the same period in the prior year. This was the third consecutive quarter of revenue growth for the publishing business acquired by Postmedia.

Year over year growth in the first quarter included growth in Digital revenue of 4.6%. The websites owned and represented by the Company also achieved a new digital audience milestone in September reaching a record high 8.1 million monthly unique visitors (source: comScore Inc.).

Print advertising revenue grew 1.6% in the quarter versus the prior year period. Print revenue growth was led by national revenue (up 8.8%) which, combined with an increase in insert revenue of 1.4%, more than offset declines in classified (down 3.6%) and retail (down 5.2%). Print circulation revenue in the first quarter declined \$1.9 million, or 3.1%, relative to the first quarter of the prior year as a result of a 4.5% decline in net paid print circulation partially offset by higher circulation prices. Other revenue declined \$2.2 million in the quarter as a result of the loss, effective September 30, 2010, of a contract to print the Globe & Mail in Vancouver. The reduction in commercial printing revenue was partially offset by revenue increases of \$0.6

million from other sources resulting in a net decline in other revenue of \$1.6 million relative to the first quarter of the prior year.

Operating profit before amortization, restructuring of operations and other items (see “Non-GAAP Financial Measures”) was \$74.2 million in the quarter versus \$69.2 million in the first quarter of the prior year, a 7.2% improvement. The improvement was the result of revenue growth combined with declines in compensation, newsprint and other operating expenses. Declines in compensation expense due to restructuring efforts were partially offset by increases in equity compensation resulting in a net decline in compensation expense of \$3.3 million (2.9%) relative to the same period in the prior year. Stock-based compensation increased to \$1.6 million in the quarter ended November 30, 2010 from \$0.2 million in the same quarter in the prior year.

Expenses related to restructuring of operations and other items totaling \$23 million were recognized in the quarter relating to restructuring initiatives being implemented in the first half of fiscal 2011. These expenses related primarily to employee severance costs, costs relating to the oversight of the employee restructuring programs and preliminary costs related to a proposed TSX listing. Restructuring initiatives implemented in the first half of fiscal 2011 are expected to yield permanent annualized cost savings of \$30 to \$35 million, of which \$25 to \$30 million is expected to be realized in the current fiscal year.

Also in the quarter, Postmedia made total debt repayments of \$10.8 million including an optional principal repayment of US\$7.5 million related to its US term loan credit facility. After giving effect to this payment, outstanding debt at November 30, 2010 consisted of a \$108.6 million Canadian term loan, US\$258.3 million US term loan and US\$275 million of 12.5% senior secured notes. The company’s cash balance at November 30, 2010 was \$21.7 million and the revolving credit facility remains undrawn.

“We continue to make progress on all of our key priorities,” said Paul Godfrey, Chief Executive Officer. “In our first full quarter as Postmedia, we achieved a new online audience milestone, made significant progress in legacy cost reductions and further reduced our outstanding debt. Looking forward, we face an uncertain revenue environment, and as a result continue to put significant focus on our operating cost reduction efforts and maintaining tight control over capital expenditures.”

Note: All dollar amounts are expressed in Canadian dollars unless otherwise specified.

Additional Information

Additional information, including financial statements and MD&A can be found on the Company’s website at www.postmedia.com/investors/financial-reports.

About Postmedia Network Canada Corp.

Postmedia Network Canada Corp. is the holding company that owns Postmedia Network Inc. Postmedia Network Inc., a wholly-owned subsidiary of Postmedia Network Canada Corp., is the largest publisher by circulation of paid English-language daily newspapers in Canada, representing some of the country’s oldest and best known media brands. Reaching millions of Canadians every week, Postmedia Network engages readers and offers advertisers and marketers integrated solutions to effectively reach target audiences through a variety of print, online, digital, and mobile platforms.

Non-GAAP Financial Measures

The previous year results presented in this document for the purpose of year over year comparisons represent the results for Canwest Limited Partnership. The Company also references “operating profit before amortization, restructuring of operations and other items” which is a non-GAAP financial measure. Postmedia believes such measures are beneficial from the perspective of assessing the Company’s financial performance. However, non-GAAP financial measures do not have any standard definition prescribed under GAAP and as such may not be comparable to similar measures used by other companies. For a reconciliation of these non-GAAP measures to the most closely comparable GAAP measures, see “Reconciliation of Non-GAAP Financial Measures” contained in the MD&A for the quarter ended November 30, 2010 which can be found on the Company’s website at www.postmedia.com.

Forward-Looking Information

This press release may include information intended or deemed to be “forward-looking information” as defined in the Securities Act (Ontario) and “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. By their nature, forward-looking information and statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These risks and uncertainties include competition from other newspapers and alternative forms of media; the effect of economic conditions on advertising revenue; the ability of the Company to build out its digital media and online businesses; the continuation of current print and online newspaper readership and circulation levels; the realization of anticipated cost savings; possible damage to the reputation of the Company’s brands or trademarks; possible labor disruptions; possible environmental liabilities, litigation and pension plan obligations; fluctuations in foreign exchange rates and the prices of newsprint and other commodities; and challenges related to operating as a stand-alone entity. Although the Company bases such information and statements on assumptions believed to be reasonable when made, they are not guarantees of future performance and actual results of operations, financial condition and liquidity, and developments in the industry in which the Company operates may differ materially from any such information and statements in this press release. Given these risks and uncertainties, undue reliance should not be placed on any forward-looking information or forward-looking statements, which speak only as of the date of such information or statements. The Company does not undertake, and specifically declines, any obligation to update such information or statements or to publicly announce the results of any revisions to any such information or statements.

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**Postmedia Network Canada Corp. and Canwest Limited Partnership
Operating Results for the Three Months ended November 30, 2010 and November 30, 2009**

In thousands of Canadian dollars	Postmedia Network Canada Corp. ("PNCC") Q1 F2011	Canwest Limited Partnership ¹ ("CLP") Q1 F2010	Q1 F2011 to Q1 F2010 Variance Favourable/(Unfavourable)
Revenue			
Print Advertising	197,282	194,088	3,194
Print Circulation	59,789	61,729	(1,940)
Digital	23,554	22,527	1,027
Other	6,432	8,073	(1,641)
	287,057	286,417	640
Expenses			
Compensation	111,040	114,306	3,266
Newsprint	17,841	18,115	274
Other operating	83,950	84,777	827
Operating profit before amortization, restructuring of operations and other items²	74,226	69,219	5,007
Amortization	19,346	10,118	(9,228)
Restructuring of operations and other items	23,165	2,545	(20,620)
Operating income	31,715	56,556	(24,841)
Interest expense	21,574	20,841	(733)
Gain on disposal of property and equipment	-	(2)	(2)
Other Income	-	(501)	(501)
Loss on derivative financial instruments	12,950	-	(12,950)
Foreign currency exchange gains	(10,161)	(34,749)	(24,588)
Acquisition costs	1,787	-	(1,787)
Earnings before income taxes and reorganization costs	5,565	70,967	(65,402)
Reorganization costs	-	9,136	9,136
Earnings before income taxes	5,565	61,831	(56,266)
Recovery of income taxes	-	(12)	(12)
Net earnings	5,565	61,843	(56,278)

Notes:

- (1) We have included historical interim unaudited consolidated financial information of Canwest Limited Partnership to provide historical financial data of the operations acquired by a subsidiary of Postmedia Network Canada Corp. However, Canwest Limited Partnership's historical interim unaudited consolidated financial information is not comparable to our interim unaudited consolidated financial information and readers are cautioned that such information is not indicative of the future financial condition, results of operations, cash flows and the future development of the business of Postmedia Network Canada Corp. Additionally, Canwest LP's historical interim unaudited consolidated financial data has been reclassified to be consistent with Postmedia's revenue and expense presentation.
- (2) See "Reconciliation of Non-GAAP Financial Measures" contained in the MD&A for the quarter ended November 30, 2010 which can be found on the Company's website at www.postmedia.com.