

**Postmedia Network Canada Corp.**  
**Consolidated Statements of Operations**  
**(UNAUDITED)**

	(In thousands of Canadian dollars, except per share amounts)			
	For the three months ended May, 31		For the nine months ended May 31	
	2013	2012	2013	2012
<b>Revenues</b>				
Print advertising	113,395	131,077	351,579	402,830
Print circulation	49,401	52,484	146,540	157,954
Digital	24,093	23,584	70,198	67,139
Other	4,895	4,876	13,957	13,830
<b>Total revenues</b>	<b>191,784</b>	<b>212,021</b>	<b>582,274</b>	<b>641,753</b>
<b>Expenses</b>				
Compensation	82,956	89,469	247,076	266,766
Newsprint	10,147	13,644	32,111	40,911
Distribution	27,542	31,456	82,099	94,654
Other operating	38,268	41,224	113,826	123,259
<b>Operating income before depreciation, amortization, impairment and restructuring</b>	<b>32,871</b>	<b>36,228</b>	<b>107,162</b>	<b>116,163</b>
Depreciation	6,706	6,585	20,336	19,564
Amortization	11,111	10,828	32,679	32,685
Impairments	93,883	-	93,883	-
Restructuring and other items	16,814	14,730	23,425	22,341
<b>Operating income (loss)</b>	<b>(95,643)</b>	<b>4,085</b>	<b>(63,161)</b>	<b>41,573</b>
Interest expense	14,994	16,084	46,767	47,720
Net financing expense related to employee benefit plans	383	975	1,149	2,925
(Gain) loss on disposal of property and equipment and intangible assets	(202)	43	(989)	78
(Gain) loss on derivative financial instruments	760	(9,836)	2,650	(15,260)
Foreign currency exchange losses	588	8,956	5,286	15,034
<b>Loss before income taxes</b>	<b>(112,166)</b>	<b>(12,137)</b>	<b>(118,024)</b>	<b>(8,924)</b>
Provision for income taxes	-	-	-	-
<b>Net loss from continuing operations</b>	<b>(112,166)</b>	<b>(12,137)</b>	<b>(118,024)</b>	<b>(8,924)</b>
Net earnings from discontinued operations, net of tax of nil	-	-	-	14,053
<b>Net earnings (loss) attributable to equity holders of the Company</b>	<b>(112,166)</b>	<b>(12,137)</b>	<b>(118,024)</b>	<b>5,129</b>
<b>Loss per share from continuing operations</b>				
Basic	\$(2.79)	\$(0.30)	\$(2.93)	\$(0.22)
Diluted	\$(2.79)	\$(0.30)	\$(2.93)	\$(0.22)
<b>Earnings per share from discontinued operations</b>				
Basic	-	-	-	\$0.35
Diluted	-	-	-	\$0.35
<b>Earnings (loss) per share attributable to equity holders of the Company</b>				
Basic	\$(2.79)	\$(0.30)	\$(2.93)	\$0.13
Diluted	\$(2.79)	\$(0.30)	\$(2.93)	\$0.13

**Postmedia Network Canada Corp.**  
**Consolidated Statements of Financial Position**  
**(UNAUDITED)**

(In thousands of Canadian dollars)	As at May 31, 2013	As at August 31, 2012
<b>Assets</b>		
Current Assets		
Cash	56,480	22,189
Accounts receivable	91,082	90,923
Inventory	3,072	3,829
Prepaid expenses and other assets	9,291	10,258
<b>Total current assets</b>	<b>159,925</b>	<b>127,199</b>
<b>Non-Current Assets</b>		
Property and equipment	234,255	267,491
Asset held-for-sale	10,530	23,139
Derivative financial instruments	21,458	24,108
Other assets	936	1,549
Intangible assets	334,915	377,862
Goodwill	149,600	223,500
<b>Total assets</b>	<b>911,619</b>	<b>1,044,848</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	77,575	65,268
Provisions	32,895	29,888
Deferred revenue	24,806	25,915
Current portion of derivative financial instruments	2,279	6,069
Current portion of long-term debt	12,500	32,153
<b>Total current liabilities</b>	<b>150,055</b>	<b>159,293</b>
<b>Non-Current Liabilities</b>		
Long-term debt	470,194	467,749
Derivative financial instruments	-	12,369
Other non-current liabilities	162,352	169,413
Provisions	874	1,588
Deferred income taxes	681	681
<b>Total liabilities</b>	<b>784,156</b>	<b>811,093</b>
<b>Equity</b>		
Capital stock	371,132	371,132
Contributed surplus	8,695	7,888
Deficit	(246,775)	(139,357)
Accumulated other comprehensive loss	(5,589)	(5,908)
<b>Total equity</b>	<b>127,463</b>	<b>233,755</b>
<b>Total liabilities and equity</b>	<b>911,619</b>	<b>1,044,848</b>

**Postmedia Network Canada Corp.**  
**Consolidated Statements of Cash Flows**  
**(UNAUDITED)**

(In thousands of Canadian dollars)	For the three months ended May 31,		For the nine months ended May 31,	
	2013	2012	2013	2012
<b>Cash Generated (Utilized) by:</b>				
<b>Operating Activities</b>				
Net earnings (loss) attributable to equity holders of the Company	(112,166)	(12,137)	(118,024)	5,129
Items not affecting cash:				
Depreciation	6,706	6,585	20,336	19,727
Amortization	11,111	10,828	32,679	32,740
Impairments	93,883	-	93,883	-
(Gain) loss on derivative financial instruments	760	(10,726)	2,650	(18,741)
Non-cash interest	672	1,467	3,470	10,178
(Gain) loss on disposal of property and equipment and intangible assets	(202)	43	(989)	78
Non-cash foreign currency exchange losses	550	9,016	5,228	14,218
Gain on sale of discontinued operations	-	-	-	(17,109)
Share-based compensation plans and other long-term incentive plan expense (recovery)	214	(1,380)	1,149	(2,463)
Net financing expense relating to employee benefit plans	383	975	1,149	2,932
Non-cash compensation expense of employee benefit plans	1,078	-	2,130	-
Employee benefit funding in excess of compensation expense	-	(2,741)	-	(15,588)
Settlement of foreign currency interest rate swap designated as a cash flow hedge	-	-	(8,976)	-
Net change in non-cash operating accounts	12,986	22,116	15,224	18,912
<b>Cash flows from operating activities</b>	<b>15,975</b>	<b>24,046</b>	<b>49,909</b>	<b>50,013</b>
<b>Investing Activities</b>				
Net proceeds received on the sale of discontinued operations	-	1,450	-	87,340
Net proceeds from the sale of property and equipment, intangible assets and asset held-for-sale	262	4	25,884	4
Additions to property and equipment	(1,108)	(1,695)	(5,414)	(5,635)
Additions to intangible assets	(1,314)	(1,537)	(3,937)	(5,159)
<b>Cash flows from investing activities</b>	<b>(2,160)</b>	<b>(1,778)</b>	<b>16,533</b>	<b>76,550</b>
<b>Financing activities</b>				
Repayment of long-term debt	(8,853)	(7,629)	(32,040)	(108,310)
Debt issuance costs	-	-	(111)	(37)
<b>Cash flows from financing activities</b>	<b>(8,853)</b>	<b>(7,629)</b>	<b>(32,151)</b>	<b>(108,347)</b>
Net change in cash	4,962	14,639	34,291	18,216
Cash at beginning of period	51,518	14,060	22,189	10,483
<b>Cash at end of period</b>	<b>56,480</b>	<b>28,699</b>	<b>56,480</b>	<b>28,699</b>
<b>Supplemental disclosure of operating cash flows</b>				
Interest paid	13,399	4,447	33,895	35,910
Income taxes paid	-	-	-	-