

**CANWEST LIMITED PARTNERSHIP
(FORMERLY "CANWEST MEDIAWORKS LIMITED PARTNERSHIP")**

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE THREE AND NINE MONTHS ENDED
MAY 31, 2008 AND MAY 31, 2007**

July 9, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the interim consolidated financial statements of Canwest Limited Partnership (the "Partnership") and related notes.

This discussion contains statements that are not historical facts and are forward-looking statements. These statements are subject to a number of risks described under "Risk Factors" in the Canwest Limited Partnership (formerly CanWest MediaWorks Limited Partnership) Management Discussion and Analysis for the year ended August 31, 2007. These risks and uncertainties may cause actual results to differ materially from those contained in such forward-looking statements. Such statements reflect management's current views and are based on certain assumptions. They are, by necessity, only estimates of future developments, and actual developments may differ materially from these statements due to a number of factors. Investors are cautioned not to place undue reliance on such forward-looking statements. No forward-looking statement is a guarantee of future results.

This discussion also makes reference to EBITDA to assist in assessing our financial performance. Non-GAAP financial measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Reconciliation of Non-GAAP Financial Measures."

OVERVIEW

We are the largest publisher of English language daily newspapers in Canada, as measured by paid circulation and revenue. Our publications include ten daily metropolitan newspapers (nine broadsheets and one tabloid). In addition, we own and operate two other daily newspapers (broadsheets), 26 non-daily community newspapers and a number of shopping guides and newspaper-related publications and we distribute free commuter publications in two major Canadian cities. In addition, we operate the canada.com network of websites.

FORMATION AND LEGAL ENTITIES

The Partnership is a limited partnership formed on September 7, 2005 to acquire from Canwest Inc. (formerly CanWest MediaWorks Inc.), ("Canwest") and operate the business of certain publishing and digital media entities as well as certain shared service operations ("the Publications Group"). On October 13, 2005, the operations comprising the Publications Group and certain intercompany notes were transferred by Canwest to the Partnership in exchange for units of the Partnership, notes payable and convertible notes payable. In November 2005, the convertible notes were converted into additional units of the Partnership. Following the conversion, Canwest held a 74.2% ownership interest in the Partnership. On October 13, 2005 the Partnership issued units to the Canwest Income Fund (formerly CanWest MediaWorks Income Fund), (the "Fund") in exchange for proceeds of \$550.0 million. The Partnership utilized these proceeds as well as \$821.7 million of net advances under its credit facility to pay the Fund issuance costs of \$35.1 million and to satisfy the notes payable to Canwest Inc.

In May 2007, the Partnership entered into a privatization agreement with the CWMW Trust (the "Trust"), Canwest (Canada) Inc (formerly CanWest MediaWorks (Canada) Inc), Canwest Global Communications Corp (formerly CanWest Global Communications Corp) and the Fund. The transaction was approved by the unitholders in July 2007. The Partnership purchased for cancellation the 55.0 million Partnership units held indirectly by the Fund for \$495.0 million. In

addition, the Partnership reimbursed the Fund for its costs in connection with the transaction. See note 5 to the interim consolidated financial statements of the Partnership.

KEY FACTORS AFFECTING OPERATING RESULTS

We earn revenues primarily from advertising and circulation from our newspaper operations. Newspaper advertising revenues are a function of the volume, or lineage, of advertising sold and rates charged. Circulation revenues are derived from home-delivery subscriptions for newspapers and single-copy sales at retail outlets and vending machines and are a function of the number of newspapers sold and the average price per copy.

For the nine months ended May 31, 2008 our newspaper advertising revenues increased 2% as compared to the same period in the previous year, primarily due to growth in online and newspaper advertising. For the remainder of the fiscal year, we expect to achieve modest growth in advertising revenues driven mainly by online advertising and increased subscription revenue from FPInfomart.

We expect revenues for our digital media division to experience continued growth for the remainder of the year as a result of growing demand for online advertising solutions.

Our principal operating expenses are salaries, newsprint and distribution expenses, which comprised 52%, 12% and 15%, respectively, of our operating expenses in fiscal 2007.

Our operating results are particularly sensitive to variations in the cost and availability of newsprint. Newsprint is a commodity, the price of which varies considerably from time to time as a result of supply shortfalls, among other factors. In recent years, the price of newsprint has generally increased as a result of various factors, including consolidation in the newsprint industry, which has reduced the number of suppliers, and declining newsprint supply as a result of mill closures and conversions to other grades of paper. We purchase our newsprint from a number of Canadian suppliers and typically are able to negotiate fixed pricing for intervals from six months to a year. We take advantage of the purchasing power that comes with the large volume of newsprint that we purchase as well as our proximity to paper mills across Canada to minimize our cost of newsprint. Changes in newsprint prices can significantly affect our operating results. A \$50 per tonne increase or decrease in the price of newsprint would be expected to affect our operating expenses by approximately \$7 million on an annualized basis.

We expect our expenses to increase moderately in balance of the fiscal year. We expect salary costs to increase due to normal wage escalation and the challenging labour market in Western Canada and higher insert volumes will contribute to increased insert revenue and distribution costs. Newsprint prices decreased in fiscal 2007 and for the first half of fiscal 2008. We expect newsprint prices to continue to increase over the next year.

Seasonality

Our revenue has experienced, and is expected to continue to experience, significant seasonality due to seasonal advertising patterns and seasonal influences on people's media consumption habits. Typically, our revenue is lowest during the fourth quarter of our fiscal year, which ends in August, and highest during the first quarter of our fiscal year, which ends in November, primarily as a result of holiday-related advertising. These seasonal variations may lead to increased borrowing needs at certain points within the year. As a result, we may be required to use amounts available under the Senior Secured Credit Facilities to mitigate the impact of short-term fluctuations in cash flow.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires our management to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities. Our management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

There are no significant changes in our accounting policies or estimates since August 31, 2007 and as described in our Management's Discussion and Analysis for the year ended August 31, 2007, except as described below:

Accounting Changes

Effective September 1, 2007, the Partnership adopted CICA Handbook Sections 1530, "Comprehensive Income", 3251, "Equity", 3855, "Financial Instruments – Recognition and Measurement", 3861, "Financial Instruments – Disclosure and Presentation" and 3865, "Hedges". The adoption of these new standards resulted in changes in accounting of financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening deficit and opening accumulated other comprehensive loss (AOCL). The Partnership adopted these standards at the beginning of the year retroactively and, in accordance with the transitional provisions, the prior period balances have not been restated. The principal changes in the accounting for financial instruments due to the adoption of these accounting standards are described below.

Comprehensive Income

Section 1530 introduces comprehensive income, which represents the change in an entity's net assets that results from transactions, events and circumstances related to sources other than the entity's partners. Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI is comprised of revenue, expenses, gains and losses that in accordance with GAAP are recognized in comprehensive income, but excluded from net income such as the effective portion of gains and losses on derivatives designated as cash flow hedges.

Equity

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530. Upon adoption of these standards, the Partnership has presented an interim consolidated statement of comprehensive income for changes in these items during the period. Cumulative changes in OCI are included in AOCL, which is presented as a new category within the Partnership's deficiency on its consolidated balance sheet.

Financial Instruments – Recognition and Measurement and Financial Instruments – Disclosure and Presentation

These new standards prescribe when a financial instrument is to be recognized and derecognized from the balance sheet and at what amount these financial instruments should be recognized. It also specifies how financial instrument gains and losses are accounted for. Under these new standards, all financial assets are classified as held-for-trading, held-to-maturity, loans and receivables or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities. In addition, an entity has the option to designate financial assets or liabilities as held-for-trading or financial assets as available-for-sale on initial recognition or upon adoption of these standards, even if the financial instrument was not acquired or incurred for the purpose of selling or repurchasing it in the near term.

All financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. After initial recognition, financial instruments are measured at their fair values, except for financial assets classified as held-to-maturity or loans and receivables and other financial liabilities, which are measured at amortized cost using the effective interest method. Financial assets classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Amortization related to financial assets classified as held-to-maturity or loans and receivables and other financial liabilities are recorded in net earnings using the effective interest method. Gains and losses related to financial assets and financial liabilities classified as held-for-trading are recorded in net earnings in the period in which they arise. If a financial asset is classified as available-for-sale, the cumulative unrealized gain or loss is recognized in AOCL and recognized in net earnings upon the sale or other-than-temporary impairment.

Upon adoption, the Partnership's financial assets and financial liabilities were classified as follows:

- Cash is classified as held-for-trading. Changes in fair value for the period related to foreign exchange translation are recorded as foreign exchange gains (losses) in net earnings.
- Accounts and other receivables are considered loans and receivables and are initially recorded at fair value and subsequently measured at amortized cost. Amounts due to (from) related parties are initially recorded at carrying amount or exchange amount, as appropriate, and are subsequently recorded at amortized cost. Interest income is recorded in net earnings, as applicable.
- Revolving credit facilities, accounts payable and accrued liabilities, and term credit facilities are considered other financial liabilities and are initially recorded at fair value and subsequently measured at amortized cost. Interest expense is recorded in net earnings, as applicable.

The fair value of the short term financial assets and liabilities, which include cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to the short nature of these financial assets and liabilities.

The fair value of long term debt is estimated by discounting future cash flows using currently available rates for debt of similar terms and maturity or using market prices for publicly traded debt. Long term debt has a carrying value of \$1,264.2 million (August 31, 2007 - \$1,338.7 million) and a fair value of \$1,230.8 million (August 31, 2007 - \$1,332.8 million). The fair value of other long term liabilities approximates their carrying value.

The fair value of foreign currency and interest rate swaps are based on the amount at which they could be settled based on estimated current market rates. The foreign currency and interest rate swaps had a carrying value of \$122.9 million (August 31, 2007 - \$14.1 million) and a fair value of \$122.9 million (August 31, 2007 - \$31.2 million).

The new standards require all derivative financial instruments to be measured at fair value on the consolidated balance sheet, even when they are part of an effective hedging relationship. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is bifurcated from the host contract and accounted for as a derivative in the consolidated balance sheet, and measured at fair value. Upon adoption, entities have the option to recognize as an asset or liability all embedded derivative instruments that are required to be bifurcated from their host contracts or to select the beginning of a fiscal year ending no later than March 31, 2004 as its transition date for embedded derivatives. The Partnership has selected September 1, 2002 as its transition date for embedded derivatives. As at September 1, 2007, the Partnership did not have any material outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

Upon adoption, entities have the option to expense transaction costs in the period incurred or to continue to defer transaction costs relating to term credit facilities as a reduction of the long-term debt and amortize them to net earnings using the effective interest method. The Partnership has elected to continue to defer such transaction costs.

As at August 31, 2007, transaction costs relating to the term credit facilities consisted of net deferred financing costs of \$19.8 million. Accordingly, as at September 1, 2007, other assets were decreased by \$19.8 million and long-term debt was decreased by \$20.0 million and partners' opening deficit was decreased by \$0.2 million, to account for the measurement difference upon adoption of the effective interest rate method.

Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "*Hedging Relationships*", and the hedging guidance in Section 1651 "*Foreign Currency Translation*" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The Partnership has derivative contracts outstanding, to manage interest rate and foreign currency risks, where there is corresponding debt outstanding that qualifies for hedge accounting under the provisions of Section 3865. The Partnership has designated its hedging relationships as cash flow hedges. In a cash flow hedge, the effective portion of the change in fair value of foreign currency and interest rate swaps is recognized in OCI and reclassified to net earnings during the periods when the variability of the cash flows of the hedged items affects net earnings. Cash flow hedges, in an effective designated relationship, are recorded on the balance sheet as hedging derivative instruments and cash flows are classified in the same categories as the hedged item. The ineffective portion is recognized in net earnings as interest expense. When payments are made on the underlying instruments, the realized portions of the amounts previously recognized in AOCL are reclassified to interest expense. When the hedging item ceases as a result of maturity, termination or cancellation, then the amounts previously recognized in AOCL are reclassified to net earnings during the periods when the variability in the cash flows of the hedged items affects net earnings. Gains and losses on the foreign currency and interest rate swaps are reclassified immediately to net earnings when the hedged items are extinguished. On adoption, as at September 1, 2007, hedging derivative instruments were increased by \$31.2 million, long term debt was decreased by \$14.1 million, and opening AOCL was increased by \$17.1 million to measure the foreign currency and interest rate swaps at fair value on the consolidated balance sheet and the effective portion of the hedging relationship in AOCL.

During the three months ended May 31, 2008, the Partnership reclassified \$3.4 million from AOCL to net earnings. During the nine months ended May 31, 2008, the Partnership reclassified \$5.0 million from AOCL to net earnings. This amount has been recorded as a charge to interest expense and represents the effect of the swap on the Partnership's interest expense.

Impact upon adoption of new accounting standards

The following is a summary of the transition adjustments recorded in opening deficit and AOCL related to the adoption of these new accounting standards as at September 1, 2007.

| Deficit | Increase/ (Decrease) |
|---|---------------------------------|
| Change in accounting policy for transaction costs | <u><u>(248)</u></u> |
| Accumulated Other Comprehensive Loss | |
| Effective portion of unrealised loss on foreign currency and interest rate swaps designated as cash flow hedges | <u><u>17,122</u></u> |

Proposed Accounting Policies

Capital disclosures

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued CICA 1535, "*Capital Disclosures*", effective September 1, 2008, which requires that a company disclose information that enables users of its financial statements to evaluate its objectives, policies and procedures for managing capital including disclosures of any externally imposed capital requirements and the consequences for non-compliance. The Partnership is currently considering the impact of the adoption of such standards.

Inventories

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued CICA 3031, "*Inventories*", which must be applied by the Partnership for fiscal years beginning on or after January 1, 2008. CICA 3031 prescribes the measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost including allocation of overheads and other costs to inventory. Reversals of previous write-downs to net realizable value are permitted when there is a subsequent increase in the value of inventories. This accounting policy will not have a material impact on the Partnership.

Financial Instrument disclosures

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued CICA 3862, "*Financial Instrument – Disclosures*", and CICA 3863, "*Financial Instruments – Presentation*", which the Partnership must apply for its fiscal year beginning on September 1, 2008. These sections will replace existing Section 3861, "*Financial Instruments – Disclosure and Presentation*". Presentation standards are carried forward unchanged. CICA 3862 revises and enhances the current disclosure requirement related to financial instruments. The additional disclosures include disclosures relating to the designation of each financial asset, assets held-for-trading, assets pledged for liabilities or contingent liabilities, allowance for credit losses, where an instrument has both liability and equity components and multiple embedded derivatives, accounting policies and the basis of measurement used in preparing the financial statements and qualitative and quantitative disclosures related to risks arising from financial instruments. The Partnership is currently considering the impact of the adoption of such standards.

Goodwill and intangible assets

The Accounting Standards Board of the Institute of Chartered Accountants of Canada issued CICA 3064, "*Goodwill and intangible assets*", which the Partnership must apply for its fiscal year beginning September 1, 2009. CICA 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria when intangible assets can be recognized. CICA 3064 applies to internally generated intangible assets such as research and development activities and rights under licensing agreements. The section also indicates that expenditures not meeting the recognition criteria of intangible assets are expensed as incurred. The Partnership is currently considering the impact of the adoption of such standards.

STOCK OPTIONS AND RESTRICTED SHARE UNIT PLAN

In November 2007, the Board of Directors ("Board") of Canwest Global Communications Corp. ("Canwest Global"), the ultimate parent company of the Partnership, approved a new Stock Option

and Restricted Share Unit Plan (the "Plan") that will be settled through the issuance of shares of Canwest Global. The Plan provides for grants of stock options and restricted share units to employees of the Partnership and its affiliates and the issuance of Subordinate Voting Shares and Non-Voting Shares (together being "Shares") of Canwest Global upon the exercise of options or vesting of restricted share units. The Board has the authority to determine the manner in which the options granted pursuant to the Plan shall vest and other vesting terms applicable to the grant of options. Options may vest over a period of time ("Regular Options") and/or may vest conditionally upon the attainment of specified market thresholds ("Market Threshold Options") as determined by the Board. The Partnership accounts for this compensation based on charges from Canwest Global. In general, the options vest over four years and expire in seven years after the grant date.

On November 6, 2007, the Board granted 339,100 Regular Options and 70,800 Market Threshold Options to employees of the Partnership. All of these options vest over a four year period, expire on November 6, 2014 and were granted at an average exercise price of \$7.50 per option, the market trading value of the shares on that day. The fair value of the options granted was estimated using the binomial option pricing model with the assumptions of no dividend yield, an expected volatility of 28%, risk free interest rates of 4.2% and an expected life of 6 years. The total fair value of the Regular Options issued was \$0.9 million, an average of \$2.61 per option. The total fair value of the Market Threshold Options was \$0.2 million, an average of \$2.44 per option.

Eligible participants receive grants of Restricted Share Units ("RSU"), under the Plan, which are settled by the issuance of an equivalent number of Canwest Global Shares at the end of a three year term if the attainment of specified performance goals as determined by the Board have been met. Additional RSU's would be granted if Canwest Global declared dividends prior to the settlement date. On November 6, 2007, the Board granted 171,400 restricted share units to employees of the Partnership. The fair value at the time of issuance was \$7.50 per RSU.

The Partnership has recorded compensation expense of \$0.2 million with an offsetting credit to amounts due to affiliated companies for the three months ended May 31, 2008 and \$0.4 million with an offsetting credit to amounts due to affiliated companies for the nine months ended May 31, 2008.

COMBINED CONSOLIDATED OPERATING RESULTS

Results of Operations for the Three Months Ended May 31, 2008

The following table summarizes the operating results for the three months ended May 31, 2008.

| <i>(unaudited)</i> | Three months ended | |
|-----------------------------|--------------------|----------------|
| | May 31, 2008 | May 31, 2007 |
| | \$000 | \$000 |
| Revenue: | | |
| Newspapers | 301,963 | 300,435 |
| Interactive | 8,273 | 7,892 |
| Inter-segment elimination | (660) | (652) |
| | <u>309,576</u> | <u>307,675</u> |
| Segment operating expenses: | | |
| Newspapers | 220,807 | 224,349 |
| Interactive | 6,930 | 7,370 |
| Inter-segment elimination | (660) | (652) |
| | <u>227,077</u> | <u>231,067</u> |
| Segment operating profit: | | |
| Newspapers | 81,156 | 76,086 |
| Interactive | 1,343 | 522 |
| | <u>82,499</u> | <u>76,608</u> |
| Corporate allocations | (1,100) | (1,206) |
| EBITDA ⁽¹⁾ | <u>81,399</u> | <u>75,402</u> |
| Net Earnings | <u>40,435</u> | <u>53,540</u> |

(1) See "Reconciliation of Non GAAP Financial Measures".

Revenue. Revenue increased \$1.9 million, or 1%, to \$309.6 million for the three months ended May 31, 2008 as compared to \$307.7 million for the three months ended May 31, 2007. Newspaper revenues increased \$1.5 million, or 1%, and digital media revenues increased \$0.4 million, or 5%.

Operating expenses before amortization expenses. Operating expenses before amortization expenses decreased 0.4%, to \$228.2 million for three months ended May 31, 2008 as compared to \$232.3 million for the three months ended May 31, 2007. Newspaper expenses decreased \$3.5 million, or 2%, and digital media expenses decreased \$0.4 million, or 6%. Decreased newspaper expenses are primarily the result of lower newsprint prices and a restructuring related to newspaper workflow that is further described in the newspaper results section of this report.

EBITDA. EBITDA increased \$6.0 million or 8% for the three months ended May 31, 2008 to \$81.4 million as compared to \$75.4 million for the three months ended May 31, 2007. EBITDA excluding restructuring expenses was \$82.0 million in the current quarter compared to \$75.4 million for the same period in the prior year, an increase of \$6.7 million or 9%.

Amortization. Amortization expenses were \$11.6 million for the three months ended May 31, 2008 compared to \$12.6 million for the same period in the prior year. Amortization costs were reduced by \$0.5 million in amortization of property and equipment and the elimination of amortization of

deferred financing costs as a result of the change in accounting policy for financial instruments. Under this policy, financing costs are offset against the related debt and are amortized using the effective interest method. For the three months ended May 31, 2007 amortization of deferred financing was \$0.4 million.

Interest expense. Interest expense for the three months ended May 31, 2008 was primarily related to advances under the Senior Secured Credit Facilities, the Senior Subordinated Unsecured Credit Facility and the Senior Subordinated Unsecured Notes. The interest expense recorded in the period for the three months ended May 31, 2007 was primarily related to advances under the Secured Credit Facility. Interest expense was \$26.8 million for the three months ended May 31, 2008 as compared to \$10.1 million for the three months ended May 31, 2007. The increase in interest is due principally to the increased debt resulting from the Privatization Transaction. See note 5 to the interim consolidated financial statements of the Partnership.

Income taxes. The income tax provision was \$3.4 million for the three months ended May 31, 2008 as compared to \$1.4 million for the three months ended May 31, 2007. The Partnership itself is not a taxable entity. Income and capital taxes are payable only by our corporate subsidiaries. While a substantial portion of our business is transacted through a corporate entity, the taxable earnings of the corporate entity are expected to be minimal on an annual basis as a consequence of interest payable by the corporate entity to the Partnership on inter-company notes payable.

Net earnings. Net earnings decreased 24% to \$40.4 million for the three months ended May 31, 2008 as compared to \$53.5 million for the three months ended May 31, 2007. This decrease was primarily due to increased interest expenses resulting from increased debt levels upon completion of the Privatization transaction.

Newspapers

Revenue. Revenue for the newspapers segment increased \$1.5 million, or 1%, to \$302.0 million for the three months ended May 31, 2008 as compared to \$300.4 million for the three months ended May 31, 2007.

Linage increased for the quarter by 2%, offset by a decline in the average line rate relative to the prior year. National and Classified revenues decreased by 2% and 1%, respectively, and Retail increased by 1% compared to the prior year. Newspaper online revenue grew 13% in the quarter relative to the same period in the prior year. Insert revenues were flat to the prior year as declines in insert volumes were offset by increased rates. A 4% decrease in circulation volume was offset by increases in per copy pricing, resulting in circulation revenue that was flat to the same period in the prior year.

Operating expenses. Operating expenses for the newspapers segment decreased \$3.5 million, or 2%, to \$220.8 million for the three months ended May 31, 2008 as compared to \$224.3 million for the three months ended May 31, 2007. Editorial and production workflow changes implemented earlier in fiscal 2008 resulted in permanent staff reductions, and offset normal inflationary increases in payroll. Newsprint cost per tonne decreased 12% for the three months ended May 31, 2008. Newsprint consumption decreased 4% for the three months as compared to the same period in the prior year.

Segment operating profit. Operating profit for the newspapers segment increased \$5.1 million, or 7%, to \$81.2 million for the three months ended May 31, 2008 as compared to \$76.1 million for the three months ended May 31, 2007.

Digital Media

Revenue. Revenue for the digital media segment increased \$0.4 million, or 5%, to \$8.3 million for the three months ended May 31, 2008 as compared to \$7.9 million for the three months ended May 31, 2007. This increase was due to a 10% increase in FPIInfomart subscription revenue, offset by declines in canada.com revenues.

Operating expenses. Operating expenses of the digital media segment decreased \$0.4 million, or 6%, to \$6.9 million for the three months ended May 31, 2008 as compared to \$7.4 million for the three months ended May 31, 2007. The decrease was spread across a range of expense categories.

Segment operating profit. Operating profit for the digital media segment increased \$0.8 million to \$1.3 million for the three months ended May 31, 2008 as compared to \$0.5 million for the three months ended May 31, 2007 primarily as a result of lower operating expenditures.

Results of Operations for the Nine months Ended May 31, 2008

The following table summarizes the operating results for the nine months ended May 31, 2008.

| <i>(unaudited)</i> | Nine months ended | |
|-----------------------------|-------------------|----------------|
| | May 31, 2008 | May 31, 2007 |
| | \$000 | \$000 |
| Revenue: | | |
| Newspapers | 901,122 | 880,268 |
| Interactive | 25,301 | 24,006 |
| Inter-segment elimination | (2,019) | (2,175) |
| | <u>924,404</u> | <u>902,099</u> |
| Segment operating expenses: | | |
| Newspapers | 667,630 | 658,295 |
| Interactive | 18,545 | 21,308 |
| Inter-segment elimination | (2,019) | (2,175) |
| | <u>684,156</u> | <u>677,428</u> |
| Segment operating profit: | | |
| Newspapers | 233,491 | 221,973 |
| Interactive | 6,756 | 2,698 |
| | <u>240,247</u> | <u>224,671</u> |
| Corporate allocations | (3,282) | (3,598) |
| EBITDA ⁽¹⁾ | <u>236,965</u> | <u>221,073</u> |
| Net Earnings (Loss) | <u>119,478</u> | <u>153,852</u> |

(1) See "Reconciliation of Non GAAP Financial Measures".

Revenue. Revenue increased \$22.3 million, or 3%, to \$924.4 million for the nine months ended May 31, 2008 as compared to \$902.1 million for the nine months ended May 31, 2007. Newspaper revenues increased \$20.9 million, or 2%, and digital media revenues increased \$1.3 million, or 5%.

Operating expenses before amortization expenses. Operating expenses before amortization expenses increased 1%, to \$687.4 million for nine months ended May 31, 2008 as compared to \$681.0 million for the nine months ended May 31, 2007. Newspaper expenses increased \$9.3 million, or 1%, and digital media expenses decreased \$2.7 million, or 13%. Increased newspaper expenses are primarily the result of restructuring expenses totaling \$10.7 million for the nine months ended May 31, 2008. This restructuring is related to Newspaper workflow changes and is further described in the newspaper results section of this report.

EBITDA. EBITDA increased \$15.9 million or 7% for the nine months ended May 31, 2008 to \$237.0 million as compared to \$221.1 million for the nine months ended May 31, 2007. EBITDA excluding restructuring expenses was \$247.7 million for the nine months ended May 31, 2008 compared to \$221.1 million for the same period in the prior year, an increase of \$26.6 million or 12%.

Amortization. Amortization expenses were \$34.8 million for the nine months ended May 31, 2008 compared to \$38.6 million for the same period in the prior year. Decreased amortization costs were due to a reduction of \$2.6 million in amortization of property and equipment and the elimination of amortization of deferred financing costs as a result of the change in accounting policy for financial instruments. Under this policy, financing costs are offset against the related debt and are amortized using the effective interest method. For the nine months ended May 31, 2007, amortization of deferred financing costs was \$1.2 million.

Interest expense. Interest expense for the nine months ended May 31, 2008 was primarily related to advances under the Senior Secured Credit Facilities, the Senior Subordinated Unsecured Credit Facility and the Senior Subordinated Unsecured Notes. The interest expense recorded in the period for the nine months ended May 31, 2007 was primarily related to advances under the Secured Credit Facility. Interest expense was \$81.5 million for the nine months ended May 31, 2008 as compared to \$31.0 million for the nine months ended May 31, 2007. The increase in interest is due principally to the increased debt resulting from the Privatization Transaction. See note 5 to the interim consolidated financial statements of the Partnership.

Income taxes. The income tax provision was \$3.7 million for the nine months ended May 31, 2008 as compared to \$2.1 million for the nine months ended May 31, 2007. The Partnership itself is not a taxable entity. Income and capital taxes are payable only by our corporate subsidiaries. While a substantial portion of our business is transacted through a corporate entity, the taxable earnings of the corporate entity are expected to be minimal on an annual basis as a consequence of interest payable by the corporate entity to the Partnership on inter-company notes payable.

Net earnings. Net earnings decreased 22% to \$119.5 million for the nine months ended May 31, 2008 as compared to \$153.9 million for the nine months ended May 31, 2007. This decrease was primarily due to increased interest expenses resulting from increased debt levels upon completion of the Privatization transaction.

Newspapers

Revenue. Revenue for the newspapers segment increased \$20.9 million, or 2%, to \$901.1 million for the nine months ended May 31, 2008 as compared to \$880.3 million for the nine months ended May 31, 2007.

Linage increased by 3% relative to the prior year, offset by a 2% decline in the average line rate. Retail and classified categories showed revenue growth of 2% and 1%, respectively, as compared to the prior year. National revenues were flat to the prior year for the nine months ended May 31, 2008. Newspaper online revenue increased 18% in the nine month period ended May 31, 2008.

compared to the same period in the prior year. Insert revenues grew 1% relative to the prior year primarily due to rate increases. A 5% decrease in circulation volume was more than offset by increases in per copy pricing, resulting in a 1% increase in circulation revenue.

Operating expenses. Operating expenses for the newspapers segment increased \$9.3 million, or 1%, to \$667.6 million for the nine months ended May 31, 2008 as compared to \$658.3 million for the nine months ended May 31, 2007. Restructuring costs totaling \$10.7 million recorded during the nine months ended May 31, 2008 are related to editorial and production workflow changes that will result in permanent staff reductions and savings of approximately \$10 million on an annualized basis. Costs excluding restructuring expenses increased by 1% for the nine months ended May 31, 2008 compared to the prior year. Reductions in newsprint costs partially offset inflationary increases in payroll and higher distribution costs. Newsprint cost per tonne decreased 16% for the nine months ended May 31, 2008. Newsprint consumption decreased 2% for the nine months as compared to the prior nine months.

Segment operating profit. Operating profit for the newspapers segment increased \$11.5 million, or 5%, to \$233.5 million for the nine months ended May 31, 2008 as compared to \$222.0 million for the nine months ended May 31, 2007. Excluding the \$10.7 million impact of restructuring expenses, operating profit for the newspapers segment increased \$22.2 million or 10%.

Digital Media

Revenue. Revenue for the digital media segment increased \$1.3 million, or 5%, to \$25.3 million for the nine months ended May 31, 2008 as compared to \$24.0 million for the nine months ended May 31, 2007. This increase was primarily due to growth in FPInfomart revenue, combined with a slight increase in revenues on canada.com.

Operating expenses. Operating expenses of the digital media segment decreased \$2.8 million, or 13%, to \$18.5 million for the nine months ended May 31, 2008 as compared to \$21.3 million for the nine months ended May 31, 2007. This decrease in expenses occurred across a range of items with the largest reductions occurring in marketing expenditures.

Segment operating profit. Operating profit for the digital media segment increased \$4.1 million, or 150%, to \$6.8 million for the nine months ended May 31, 2008 as compared to \$2.7 million for the nine months ended May 31, 2007.

CONSOLIDATED QUARTERLY FINANCIAL RESULTS

| <i>(unaudited)</i> | 2008 | | | 2007 | | | | 2006 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | 309,576 | 283,001 | 331,827 | 284,264 | 307,675 | 277,973 | 316,451 | 274,401 |
| Net earnings | 40,435 | 30,136 | 48,907 | 48,376 | 53,540 | 39,768 | 60,544 | 46,476 |
| Cash flow from operating activities | 64,489 | 49,735 | 43,371 | 69,541 | 79,861 | 66,033 | 51,490 | 76,383 |

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are debt servicing, capital expenditures and distributions to holders of Partnership units. We believe that our ongoing cash flows from operations and availability under the Senior Secured Credit Facilities will be sufficient to allow us to meet our ongoing requirements for capital expenditures, investments in working capital and distributions to Canwest. However, our needs may change and, in such event, our ability to satisfy our obligations will be dependent upon future financial performance, which in turn will be subject to financial, tax, business and other factors, including factors beyond our control.

Our management reviews acquisition and investment opportunities in the normal course of business and may, if a suitable opportunity arises, make selected acquisitions and investments to implement its business strategy. The funding for any such acquisitions or investments would come from cash flows from operations, amounts available under revolving term credit facilities or new debt financing facilities. Similarly, our management reviews opportunities to dispose of non-core assets and may, if suitable opportunities arise, sell certain non-core assets.

Sources of Cash

Our principal sources of liquidity are cash flows from operating activities. For the nine months ended May 31, 2008, our cash flows from operating activities were \$157.6 million compared to \$197.4 million in the same period in the prior year. The decline in operating cash flow was due to increased interest expense resulting from the Privatization Transaction partially offset by improved operating results.

As of May 31, 2008, our cash position reflected cash on hand of \$5.8 million (August 31, 2007 – \$10.7 million) and availability under the existing Senior Secured Credit Facilities of \$161.4 million.

Uses of Cash

Acquisitions

In November 2007, we purchased 100% of the shares of a group of community newspapers in Windsor, Ontario for a cash consideration of \$2.7 million and recorded a preliminary amount of \$2.0 million of goodwill as a result of the acquisition.

In April 2008 we acquired certain assets of a community newspaper in British Columbia, composed primarily of the rights to the masthead and a limited number of employees for a cash consideration of \$0.7 million. Upon acquisition, we folded the newspaper into one of its existing community newspapers.

Capital Expenditures

For the nine months ended May 31, 2008, our capital expenditures were \$26.9 million compared with \$11.7 million for the same period in the prior year. Capital expenditures increased in the quarter ended May 31, 2008 and will continue to increase in the coming year as we recently approved some significant investment projects in online and newspaper technologies.

Distributions

To the extent permissible in accordance with limitations under the notes and the Senior Secured Credit Facilities, we intend to distribute a significant portion of our cash flows from operating activities to Canwest. Distributions paid to Canwest for the nine months ended May 31, 2008 were \$128 million.

Distributions paid to the Fund and to Canwest for the nine months ended May 31, 2007 were \$148.8 million (\$304.5 million for the year ended August 31, 2007, including a \$105 million distribution paid to Canwest upon closing of the Privatization Transaction). After completion of the privatization transaction, the Fund ceased to exist.

Debt

(unaudited)

| | May 31, 2008 | August 31, 2007 |
|---|--------------|-----------------|
| | \$000 | \$000 |
| Senior Secured Credit Facilities | 802,085 | 841,170 |
| Senior Subordinated Unsecured Notes | 387,943 | 422,480 |
| Senior Subordinated Unsecured Credit Facility | 74,132 | 75,000 |
| | 1,264,160 | 1,338,650 |
| Effect of foreign currency swap | - | 14,100 |
| Long term debt | 1,264,160 | 1,352,750 |
| Less portion due within one year | 4,629 | 5,000 |
| Long-term portion | 1,259,531 | 1,347,750 |

On July 13, 2007, the Partnership entered into a new \$1,015 million Senior Secured Credit Facility, consisting of a \$250 million revolving term facility, a \$265 million non-revolving term loan facility and a US\$466 million term loan. On closing of the privatization transaction, \$115 million was drawn under the revolver, and the non-revolving term loan and the term loan facilities were fully drawn. In addition, the Partnership entered into a \$75 million Senior Subordinated Unsecured Credit Facility and issued \$429 million (US\$400 million) in Senior Subordinated Unsecured Notes. The proceeds were used to finance the privatization, pay expenses of the financing, pay costs associated with the termination of the Performance Unit Plan, pay a \$105 million distribution to Canwest and repay the existing \$825 million term loan, net of a gain of approximately \$22.5 million on the early termination of the interest rate swap contract. See note 5 to the interim consolidated financial statements of the Partnership.

As of May 31, 2008, we had obligations under capital leases of \$10.0 million, including the current portion of \$2.9 million (August 31, 2007 - \$12.5 million and \$2.5 million, respectively).

FINANCIAL INSTRUMENTS

We have entered into a 7 year foreign currency interest rate swap contract related to our Senior Secured Credit Facility that fixes the interest rate on an initial notional amount of US\$466 million, resulting in an effective interest rate of 7.495% and a fixed currency exchange of US \$1: 1.0725. We have also entered into a US\$400 million foreign currency interest rate swap with respect to the Senior Subordinated Unsecured Notes resulting in a fixed interest rate of 9.0936% and a fixed currency exchange rate of US \$1: 1.0725 until 2015. Under our Senior Secured Credit Facilities, we are required to maintain a fair value of foreign currency interest rate swaps below a prescribed threshold of \$250 million.

GUARANTEES AND OFF BALANCE SHEET ARRANGEMENTS

We do not have any significant guarantees or off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Partnership's obligations under firm contractual arrangements, including commitments for future payments under capital lease arrangements, operating lease arrangements, purchase commitments and other long-term liabilities are not materially different from those discussed in our Management's Discussion and Analysis for the year ended August 31, 2007.

RELATED PARTY TRANSACTIONS

We have entered into various transactions with management and other related parties which we believe are on substantially comparable terms as those that we could have obtained with unrelated parties on an arm's length basis. All agreements between us and the Canwest group of companies have been done and will continue to be done on a cost recovery basis. The following discussion relates to our accounts for our related party transactions and provides a description of our related party agreements.

Amounts Due (to)/From Affiliated Companies

Amounts due (to)/from affiliated companies consist of the following:

| <i>(unaudited)</i> | May 31, 2008 | August 31, 2007 |
|-------------------------------------|---------------------|------------------------|
| | \$000 | \$000 |
| Amounts due from related companies | 7,459 | 8,733 |
| Amounts due to related companies | (15,393) | (16,712) |
| Net amount due to related companies | (7,934) | (7,979) |

Amounts due (to)/from affiliated companies consist of related party trade balances arising from the provision of services under the service agreements described below, and amounts collected or paid on behalf of certain related parties.

The following table provides details on the related party transactions of the Partnership:

| <i>(unaudited)</i> | Nine months ended | |
|---|--------------------------|---------------------|
| | May 31, 2008 | May 31, 2007 |
| | (in millions) | |
| Revenue (expenses) recorded for the following activities: | | |
| Cross-promotional activities ⁽¹⁾ | | |
| - revenue earned on advertising services provided to other Canwest entities | 1.2 | 1.9 |
| Editorial content ⁽²⁾ | | |
| - cost recovery for content provided to other Canwest entities | 1.0 | 1.0 |
| Advisory, business and administrative services ⁽³⁾ | | |
| - Canwest Services | 12.3 | 11.9 |
| - Executive Advisory services and Partnership services | (3.3) | (3.6) |
| Sales and marketing services ⁽⁴⁾ | (2.0) | (10.5) |
| Printing and distribution services ⁽⁵⁾ | 10.5 | 11.0 |
| Occupancy costs ⁽⁶⁾ | 1.3 | 1.3 |

(1) The Partnership and other Canwest entities are involved in cross-promotional activities whereby the Partnership's entities provide advertising space in its newspaper and online media to other Canwest entities and the Partnership's entities are provided with advertising time or space by the Canadian Broadcasting Operations and the *National Post*. The Partnership entered into an agreement with the Canadian Broadcasting Operations and the *National Post*, under which these activities will be charged to the various entities.

(2) The Partnership, the *National Post*, and the Canadian Broadcasting Operations provide each other certain affiliation services related to editorial content. The *National Post* and the Canadian Broadcasting Operations contribute editorial content to the Partnership's online digital media services, and the *National Post* and Canadian Broadcasting Operations have access to the Partnership's editorial content, information and editorial services. For editorial content activities, the

Partnership, the *National Post*, and the Canadian Broadcasting Operations agreed to provide such services on a cost recovery basis.

(3) The Partnership provides a number of services (the “Canwest Services”) to other Canwest entities as follows:

- advisory services to the Canadian Broadcasting Operations and the *National Post* regarding corporate development, capital expenditures and other operational matters;
- business and administrative services to the Canadian Broadcasting Operations, *National Post* and other Canwest entities including information technology, human resources services, accounting and corporate development support services; and
- customer support services to the Canadian Broadcasting Operations and the *National Post*.

In addition, Canwest provides a number of services to the Partnership as follows:

- executive advisory services related to corporate development, strategic planning, capital allocation, financing, equity and debt holder relations, insurance and risk management, tax planning and certain operational matters (the “Executive Advisory Services”); and
- services related to legal, tax compliance, financial reporting, internal audit, investor and public relations, treasury, human resource management and capital asset management, (the “Partnership Services”).

The Partnership and Canwest entered into a Partnership Services Agreement, and Executive Advisory Services Agreement and a Canwest Services Agreement that outline the amount of the charges and the basis on which the charges are determined.

(4) The sales and marketing division of Canwest provides the Partnership with national advertising sales representation and charges a commission to the Partnership for sales made on its behalf. Since September 1, 2007, the national sales representation has been limited to online sales and newspaper sales are handled directly by the Partnership, resulting in the decreased sales commission paid to CanWest compared to the same period in the prior year.

(5) The Partnership performs printing and distribution services and provides certain facilities to the *National Post*.

(6) The Partnership leases space to the *National Post* and to Canadian Broadcast operations in its Toronto facility and charges rent in accordance with this agreement.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the internal controls over financial reporting that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following table provides a reconciliation of EBITDA to net earnings, the most closely comparable GAAP measure for the following periods.

| (unaudited) | Three months ended | | Nine months ended | |
|--|--------------------|--------------|-------------------|--------------|
| | May 31, 2008 | May 31, 2007 | May 31, 2008 | May 31, 2007 |
| | \$000 | \$000 | \$000 | \$000 |
| Net earnings for the period | 40,435 | 53,540 | 119,478 | 153,852 |
| (Recovery of)/Provision for income taxes | 3,386 | 1,400 | 3,748 | 2,115 |
| Foreign currency exchange gains | (99) | (162) | (415) | (186) |
| Interest expense, net | 26,805 | 10,105 | 81,530 | 30,983 |
| Other income | (732) | (762) | (2,194) | (2,287) |
| Gain on disposal of property and equipment | (1) | (7) | (14) | (720) |
| Gain on disposal of investment in joint | - | (1,318) | - | (1,318) |
| Amortization of deferred financing costs | - | 413 | - | 1,239 |
| Other amortization | 48 | 63 | 146 | 143 |
| Amortization of property and equipment | 11,557 | 12,130 | 34,686 | 37,252 |
| EBITDA | 81,399 | 75,402 | 236,965 | 221,073 |