MANAGEMENT'S DISCUSSION AND ANALYSIS

March 9, 2016

Management's discussion and analysis, prepared as at March 9, 2016, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three and twelve months ended December 30, 2015. This review is based on financial information contained in the consolidated financial statements and accompanying notes for the year ended December 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 financial statements, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS). The following information provides analysis of the operations and financial position of FPI and FP Canadian Newspapers Limited Partnership ("FPLP") and should be read in conjunction with the financial statements and accompanying notes.

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 the 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.

As a result, 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 selected financial information of FPI for the last three years is as follows:

	2015	**2014**	**2013**
	$ in thousands except per share amounts		
Revenue	3,906	5,734	6,980
Net (loss) earnings	(23,776)	4,047	4,896
Net (loss) earnings per share	(3.445)	0.586	0.709
Total assets	17,574	43,588	45,448
Total long-term liabilities	174	-	692
Dividends declared	1,104	3,658	4,142
Dividends declared per share	0.160	0.530	0.600

Revenue for the year ended December 30, 2015 was $3.9 million compared to $5.7 million in 2014. The decrease was primarily the result of lower equity earnings from FPI's investment in FPLP. A non-cash write-down of $18.6 million was recorded in the second quarter of 2015 and $7.8 million was recorded in the fourth quarter of 2015 based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to continued declines in revenue and earnings experienced by FPLP. The write-downs resulted in a net loss of $23.8 million for the year ended December 30, 2015. Excluding the non-cash write-down of the equity investment in FPLP, FPI reported net earnings of $2.7 million for the year ended December 30, 2015, compared to net earnings of $4.0 million for 2014. The decrease in net earnings is primarily 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. For the year ended December 30, 2015, FPI recorded a current income tax expense of $0.6 million and a deferred income tax expense of $0.5 million compared to a current income tax expense of $1.5 million and a deferred income tax recovery of $0.1 million in 2014. The change in deferred income tax expense is primarily due to FPI's share of FPLP's timing differences primarily relating to FPLP's change in its pension obligation. Other comprehensive loss for 2015 was $0.7 million compared to other comprehensive loss of $1.8 million in 2014. The change in other comprehensive (loss) results from FPI's equity share of FPLP's recognition of remeasurements gains and losses related to its defined benefit pension plan.

Cash dividends declared to shareholders for the year ended December 30, 2015 were as follows:

Record Date	Payment Date Amount	per share
March 31, 2015	April 30, 2015	$0.08
June 30, 2015	July 31, 2015	$0.08
		$0.16

In response to the uncertainty regarding print revenues, FPI's Board of Directors on August 14, 2015, determined not to declare further dividends at this time. FPCN General Partner Inc., as managing general partner of FPLP, determined that FPLP will continue to make distributions required for income taxes of its limited and general partners and for administrative costs. The Board feels that at this time it is in the best interest of shareholders 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 dividend policy on a quarterly basis.

As at December 30, 2015, FPI had 6,902,592 shares outstanding.

DISTRIBUTABLE CASH ATTRIBUTABLE TO FPI(2)

From commencement of the Fund on May 28, 2002 until December 30, 2015, cumulative distributable cash attributable to FPI(2) totalled $13.95 per share. During that period FPI declared cash dividends to shareholders of $12.71 per share, resulting in a cumulative-from-inception payout ratio of 91.1%. Because FPI made an allowance for maintenance capital spending of FPLP in an amount estimated to be sufficient to maintain the productive capacity of the business when calculating distributable cash attributable to FPI(2), and because cumulative dividends declared were less than the cumulative distributable cash attributable to FPI(2), FPI believes there is no economic "return of capital".

HISTORICAL DIVIDENDS PAID ANALYSIS

	2015	2014	2013
	In thousands of dollars		
Cash provided by operating activities	$ 1,502	$ 3,449	$ 4,016
Net (loss) earnings	(23,776)	4,047	4,896
Dividends paid during the period	1,656	3,451	4,142
(Shortfall) of cash provided by operating activities over dividends paid	$ (154)	$ (2)	$ (126)
(Shortfall) excess of net (loss) earnings over dividends paid	$ (25,432)	$ 596	$ 754

The shortfall of net earnings over dividends paid in 2015 resulted primarily from a non-cash write-down in the carrying value of FPI's investment in FPLP. On August 14, 2015, FPI's Board of Directors determined not to declare further dividends at this time.

SUMMARY OF QUARTERLY RESULTS

A summary of FPI's quarterly revenue, net (loss) earnings and net (loss) earnings per share for the years ended December 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
	In thousands of dollars (except per share amounts)		
Revenue			
Quarter 1	$ 606	$ 809	$ 1,424
Quarter 2	1,367	1,638	2,109
Quarter 3	526	1,052	1,234
Quarter 4	1,407	2,235	2,213
Net (loss) earnings			
Quarter 1	$ 399	$ 545	$ 974
Quarter 2	(17,655)	1,148	1,499
Quarter 3	331	738	864
Quarter 4	(6,851)	1,616	1,559
Net (loss) earnings 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	(0.993)	0.234	0.226

A non-cash write-down of $18.6 million was recorded in the second quarter of 2015 and a write-down of $7.8 million was recorded in the fourth quarter of 2015 based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to continued declines in revenue and earnings experienced by FPLP.

Excluding the non-cash write-down of the equity investment in FPLP, FPI reported net earnings of $1.0 million for the three months ended December 30, 2015, compared to net earnings of $1.6 million for the same period in 2014.

Lower levels of revenue, net earnings and net earnings per share in the first and third quarters of 2015 are due to lower EBITDA(1) of FPLP.

RESULTS OF OPERATIONS OF FPLP

A summary of selected financial information of FPLP for the last three years is as follows:

	2015	2014	2013
	In thousands of dollars		
Revenue	89,026	99,039	106,272
Net (loss) earnings (*)	(31,232)	11,699	14,242
Total assets (*)	93,064	142,763	140,060
Total long-term liabilities(**)	45,325	56,712	51,401

*The reduction in net (loss) earnings and total assets results primarily from FPLP recording an impairment charge relating to its goodwill of $23.2 million during the second quarter of 2015 and $16.0 million during the fourth quarter of 2015, primarily due to continued declines in revenue and earnings.

**The reduction of long-term liabilities in 2015 from 2014 results from $6.3 million of principal repaid on the renewal of the long-term debt agreement in January 2015. The increase in long-term liabilities in 2014 compared to 2013 is primarily due the long-term equipment financing completed during 2014 and a decrease in the discount rate used to calculate the defined benefit pension obligation.

SUMMARY OF ANNUAL RESULTS

Revenue:

A summary of annual revenue by major category is as follows:

	2015	2014
	In thousands of dollars	
Print advertising	$ 54,627	$ 63,524
Print circulation	24,972	25,334
Commercial printing	4,853	5,268
Digital	3,647	3,850
Other	927	1,063
	$ 89,026	$ 99,039

FPLP's revenue for the twelve months ended December 31, 2015 was $89.0 million, a decrease of $10.0 million or 10.1% from the prior year. Print advertising revenues for the year ended December 31, 2015 were lower by 14.0% compared to last year. FPLP's largest print advertising revenue category, display advertising including colour, was $32.6 million, a decrease of $6.3 million or 16.2% from the prior year, primarily due to decreased spending in the automotive, telecommunications and national grocery and department store categories. Classified advertising revenues for the 2015 year decreased by $1.1 million or 12.3% compared to last year, primarily due to lower spending in the automotive, employment and real estate categories. Flyer distribution revenues were $13.9 million, a decrease of $1.4 million or 9.5% from 2014, primarily due to a decrease in flyer volumes, resulting from Target department stores exiting the market and consolidations of large national retailers.

Print circulation revenues for the year ended December 31, 2015 decreased by $0.4 million or 1.4%, with lower unit sales offsetting increased revenue from higher subscription and single copy rates. Commercial printing revenues for 2015 decreased by $0.4 million, which is primarily attributable to the loss of a major commercial print contract. Digital revenues for 2015 decreased by $0.2 million or 5.3%, primarily due a reduction in classified advertising revenues and decreased advertising on our mobile apps. Other revenue decreased by $0.1 million, primarily due to non-recurring revenue related to the publication of the City Beautiful book.

Operating Expenses:

Operating expenses by major category are as follows:

	2015	2014
	In thousands of dollars	
Employee compensation, excluding restructuring charges	$ 37,742	$ 40,186
Newsprint – own use	5,923	7,091
Newsprint – commercial printing	1,299	1,532
Delivery	14,736	15,998
Other	15,221	16,151
Depreciation and amortization	4,293	4,363
	79,214	85,321
Restructuring charges	495	369
	$ 79,709	$ 85,690

Operating expenses for the year ended December 31, 2015 were $79.7 million, a $6.0 million or 7.0% decrease from last year. Employee compensation costs, excluding restructuring charges, for the year decreased by $2.4 million or 6.1%, primarily due to employee reductions in 2015, partially offset by increased pension expense due to lower discount rates from the previous year. Restructuring charges for the year ending December 31, 2015 were $0.5 million, of which $0.4 million were for voluntary and involuntary severance payments for employees and $0.1 million was a charge for the closing of a rented delivery depot. Newsprint expense for FPLP's own publications for the year decreased by $1.2 million or 16.5%, primarily due to lower printing volumes mainly from fewer circulation copies and a lower newsprint price. Delivery costs decreased by $1.3 million or 7.9% primarily due to lower carrier costs from a reduced number of circulation subscriptions delivered and lower flyer volumes. Other expenses for the year decreased by $0.9 million or 5.8% compared to the prior year, primarily due to lower outside costs from reduced magazine printing and declining use of production supplies as a result of fewer printed pages.

EBITDA(1), excluding the goodwill impairment charge, for the year ended December 31, 2015 was $13.6 million compared to $17.7 million in 2014, a decrease of 23.2%. EBITDA(1) margin, excluding the goodwill impairment charge, for the twelve months ended December 31, 2015 was 15.3% compared to 17.9% in 2014.

For the year ended December 31, 2015, finance costs decreased by $0.4 million or 20.6% primarily due to the lower level of debt outstanding as a result of the $6.3 million principal repayment made on the renewal of the long-term debt agreement.

As a result of continued declines in revenue and earnings, FPLP recorded an aggregate impairment charge relating to its goodwill of $39.2 million. Excluding this impairment charge, FPLP's net earnings were $8.0 million for the year ended December 31, 2015, compared to net earnings of $11.7 million in the prior year.

Under IFRS, comprehensive income includes remeasurement gains and losses related to FPLP's defined benefit pension plan. These gains or losses are primarily related to changes in actuarial discount rate assumptions and returns of plan assets differing from expected interest income. The actuarial loss in 2015 was due to plan experience losses.

SUMMARY OF FOURTH QUARTER RESULTS

Revenue:

A summary of revenue for the three months ended December 31, 2015 and 2014 by major category is as follows:

	Three months ended	
	December 31, 2015	December 31, 2014
	In thousands of dollars	
Print advertising	$ 14,476	$ 16,858
Print circulation	6,288	6,325
Commercial printing	1,264	1,449
Digital	856	1,132
Other	242	420
	$ 23,126	$ 26,184

FPLP's revenue for the three months ended December 31, 2015 was $23.1 million, a decrease of $3.1 million or 11.7% from the same three months in the prior year. Print advertising revenues for the three months ended December 31, 2015 were $14.5 million, a 14.1% decrease compared to the same quarter last year. FPLP's largest print advertising revenue category, display advertising including colour, was $8.8 million, a decrease of $1.6 million or 15.4% from the same period in the prior year, primarily due to decreased spending in the department store, telecommunications, automotive and national retail categories. Classified advertising revenues for the fourth quarter decreased by $0.3 million or 16.0% compared to the same period last year, primarily due to a decrease in the real estate, employment and obituary categories. Flyer distribution revenues for the fourth quarter were $0.4 million or 10.2% lower than the same period last year, primarily due to a decrease in flyer volumes as a result of Target department stores exiting from the market and consolidation of national retail businesses.

Print circulation revenues for the fourth quarter were virtually unchanged compared to 2014, with subscriber rate increases offsetting lower unit sales. Commercial printing revenues for the quarter were lower by $0.2 million or 12.8%, primarily attributable to the loss of two major commercial print jobs at the Winnipeg Free Press. Digital revenues for the fourth quarter decreased by $0.3 million or 24.4% compared to the same period last year, primarily due to a decrease in on-line web ads together with lower mobile app revenues.

Operating Expenses:

	Three months ended	
	December 31, 2015	December 31, 2014
	In thousands of dollars	
Employee compensation	$ 9,071	$ 9,604
Newsprint – own use	1,505	1,799
Newsprint – commercial printing	339	396
Delivery	3,783	4,110
Other	3,850	4,013
Depreciation and amortization	1,067	1,102
	$ 19,615	$ 21,024
Restructuring charge	325	177
	$ 19,940	$ 21,201

Operating expenses for the three months ended December 31, 2015 were $19.9 million, a $1.3 million or 5.9% decrease from the same quarter last year. Employee compensation costs, excluding restructuring charges, for the fourth quarter decreased by $0.5 million or 5.6%, primarily due to the voluntary and non-voluntary reductions of employees across all our business units. Restructuring charges of $0.3 million were incurred in the fourth quarter of 2015 relating to employee severance payments. Compensation expense was also higher due to an increase in the defined benefit pension expense due primarily to a lower discount rate used in determining the expense for accounting purposes. Newsprint expense for FPLP's own publications for the quarter decreased by $0.3 million, primarily due to fewer circulation copies printed and a lower newsprint price. Delivery costs decreased by $0.3 million or 8.0% primarily due to lower circulation units and flyer volumes.

EBITDA[(1)], excluding the goodwill impairment charge, for the three months ended December 31, 2015 was $4.3 million, a decrease of $1.8 million or 30.1% from the same period last year. EBITDA[(1)], excluding restructuring charges and excluding the goodwill impairment charge, decreased by $1.7 million or 26.9% versus the same quarter last year. EBITDA[(1)] margin, excluding the goodwill impairment charge, for the three months ending December 31, 2015 was 18.4%, compared to 23.2% in the same period last year.

Finance costs for the three months ended December 31, 2015 decreased $0.1 million primarily due to the lower level of debt outstanding and lower interest rates on our variable rate loan.

Due to continued declines in revenue and earnings, FPLP recorded an impairment charge relating to its goodwill of $16.0 million. Excluding the goodwill impairment charge, FPLP's net earnings were $2.9 million for the three months ended December 31, 2015, compared to $4.6 million for the same period last year.

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
	In thousands of dollars		
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	23,126	26,184	28,090
	$ 89,026	$ 99,039	$ 106,272
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	4,253	6,085	5,935
	$ 13,610	$ 17,712	$ 20,002
Net (Loss) 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(*)	(13,128)	4,560	4,514
	$ (31,232)	$ 11,699	$ 14,242

(*) Goodwill impairment charges of $23.2 million in the second quarter and $16.0 million in the fourth quarter were recorded primarily due to continued declines in revenue and earnings.

FINANCIAL CONDITION OF FPLP

LIQUIDITY AND CAPITAL RESOURCES OF FPLP

Cash and cash equivalents at December 31, 2015 was $10.7 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 payable by the partners), to reduce debt, to fund future capital expenditures, or for other strategic initiatives or general purposes. During the year ended December 31, 2015, operating activities provided $11.1 million, cash flows used in investing activities were $1.2 million and $15.5 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures, required principal repayments under FPLP's credit facility and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

CASH FLOW FROM OPERATING ACTIVITIES

During the year ended December 31, 2015, cash generated from operating activities was $11.1 million, compared to $15.7 million for 2014. The decrease in cash generated from operating activities is primarily due to lower earnings for the year and an increase in pension funding requirements resulting from lower discount rates used in the funding calculation.

INVESTING ACTIVITIES

Capital asset additions were $1.2 million for the year ended December 31, 2015, compared to $1.0 million for the prior year. Maintenance capital expenditures in 2015 were primarily for the completion of the replacement of the building cooling system at our Winnipeg facility to comply with legislative regulations and technology hardware and software upgrades across all business units.

FINANCING ACTIVITIES

Financing activities used $15.5 million of cash in 2015, compared to $8.7 million in 2014. Of this change, $6.3 million relates to the repayment of long-term debt principal in the first quarter of the year when the term loan was renewed. Distributions to partners of FPLP for the year ended December 31, 2015 totalled $6.3 million, compared to $10.2 million last year. 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. During 2014 FPLP generated proceeds from equipment finance leases totalling $4.0 million.

CONTRACTUAL OBLIGATIONS

A summary of FPLP's undiscounted contractual obligations by period is as follows:

		Payments Due by Period			
	Total	Less than 1 year	1-3 Years	4-5 Years	After 5 Years
		In thousands of dollars			
Long-term debt	$ 42,704	$ 3,375	$ 13,082	$ 26,247	$ -
Mortgage loan	782	782	-	-	-
Finance leases	4,217	1,814	1,760	643	-
Operating leases	353	155	139	59	-
Other contractual commitments	2,412	678	1,105	509	120
Total contractual obligations	$ 50,468	$ 6,804	$ 16,086	$ 27,458	$ 120

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 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 March 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.

During 2014 FPLP entered into a five-year non-cancellable finance lease agreement to complete the financing of the purchase of the Winnipeg plant's press conveyor and the high capacity inserting line projects.

FPLP sponsors registered defined benefit and defined contribution pension plans. As at December 31, 2015, the defined benefit plan assets totalled $40.9 million and were invested in a diversified portfolio of Canadian and International equity securities, as well as Canadian bonds and real estate.

The most recent actuarial valuation for the defined benefit plan was performed as at December 31, 2014. This valuation established the contributions FPLP had to make under the defined benefit pension plan from January 1, 2015 until December 31, 2015, the next valuation date.

HISTORICAL DISTRIBUTIONS PAID ANALYSIS

	2015	**2014**	**2013**
	In thousands of dollars		
Cash provided by operating activities	$ 11,137	$ 15,700	$ 13,747
Net (loss) earnings	(31,232)	11,699	14,242
Distributions paid	6,270	10,213	19,040
Excess (shortfall) of cash provided by operating activities over distributions paid	$ 4,867	$ 5,487	$ (5,293)
Excess (shortfall) of net earnings over distributions paid	$ (37,502)	$ 1,486	$ (4,798)

The shortfall of net earnings over distributions paid in 2015 is a result of an aggregate non-cash impairment charge relating to FPLP's goodwill of $39.2 million during 2015, as a result of revenue declines due to economic factors including the uncertainty of the print advertising market and the rapidly evolving digital advertising market. In 2013, distributions paid exceeded both FPLP's net earnings and cash provided by operating activities as a special one-time distribution of $7.0 million, or $0.50 per partnership unit, was paid in February 2013, of which $3.5 million was paid to FPI as holder of Class A limited partner units. This distribution was paid to fund FPI's 2011 and 2012 income taxes payable, which were due by February 28, 2013. Starting in the first quarter of 2011, following FPI's conversion from an income trust to a corporation, FPLP included a reserve to fund these taxes owing in its calculation of distributable cash(2). FPLP does not use net earnings as a basis for determining the level of distributions to Unitholders. Distributions are determined in accordance with the LP Agreement. Because amortization charged as an expense in calculating net earnings in accordance with GAAP exceeds capital expenditures charged as a reduction of distributable cash in all periods, this result is not unexpected.

RESERVES RELATED TO DISTRIBUTABLE CASH ATTRIBUTABLE TO FPI(2)

Under the terms of the LP Agreement, the managing general partner of FPLP is required to determine reserves which are necessary or desirable to withhold from any distributions to partners, including among other things for capital expenditures, income taxes and operating expenses. A summary of the reserves for the years ended December 31, 2015 and 2014 is as follows:

Reserve for future maintenance capital

	2015	**2014**
	In thousands of dollars	
Reserve – beginning of year	$1,500	$1,500
Increase in reserve	-	-
Reserve – end of year	$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

	2015	**2014**
	In thousands of dollars	
Reserve - beginning of year	$ -	$ -
Increase in reserve	1,200	-
Reserve at end of year	$ 1,200	$ -

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.

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.

PRODUCTIVE CAPACITY MAINTENANCE STRATEGY

The key sources of revenue of FPLP are dependent upon our ability to sell and publish display and classified advertising, both in our newspapers and on our websites, our ability to distribute advertising flyers, and our ability to produce and distribute newspapers. The key capital assets used in these activities are premises, computer hardware and software, printing presses and distribution-related machinery. The available capital assets are used by our staff to deliver the products and services which result in revenue to FPLP.

It is the complex interaction of asset utilization, staffing levels and contracted services which ultimately determine our productive capacity on any given day, but there is no single measure which would accurately portray the productive capacity of the business. Generally speaking, we manage the business to ensure there is excess capacity available that would allow us to comfortably increase the volume of advertising, circulation and flyer distribution to take advantage of market opportunities.

FPLP's strategy is to maintain a reasonable level of excess productive capacity to at least ensure we are able to produce and distribute products and services at the current peak volumes. This is accomplished by conducting capital and non-capital preventive maintenance programs for machinery and equipment, performing repairs when necessary, evaluating new technologies as they become available, and investing in new technologies when appropriate.

DEBT MANAGEMENT STRATEGY

Under the HSBC credit facility, as renewed on January 8, 2015, FPLP is required to make principal repayments of $1.0 million 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 March 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.

The capital assets with the most significant estimated replacement costs are buildings and printing presses, which have very long expected remaining useful lives. The ability to refinance the core debt at maturity will be dependent upon many factors, including the future EBITDA(1) of FPLP and the general conditions in the commercial lending market at the relevant time.

DEBT COVENANTS

The HSBC credit facility (see note 6 to the 2015 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 prior to January 31, 2018 and 3.0 to 1.0 after that, 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. At December 31, 2015 FPLP is in compliance with all covenants.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

At December 30, 2015 there are no derivative contracts in place or off-balance sheet arrangements entered into by FPI.

CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk arises from cash and cash equivalents and outstanding accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks, or Canadian subsidiaries of large international banks, and we do not expect the counterparties to fail to meet their obligations.

As we are in the business of publishing newspapers, in both print and electronic formats, and performing printing services for third parties, included in accounts receivable are amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. We do not hold collateral as security for these balances. Our credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third-party printing clients. We manage credit risk on a customer-by-customer basis and establish a reasonable allowance for uncollectible amounts with this allowance netted against the accounts receivable on the balance sheet. The adequacy of the allowance is reviewed on a regular basis and is estimated based on past experience, specific risks associated with the customers and other relevant information.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FPLP's variable interest rate term loan exposes the business to cash flow interest rate risk since the borrowings are in the form of prime-rate loans or bankers' acceptances with an available term of between 30 and 180 days. FPLP's fixed rate finance leases and mortgage loan expose the business to fair value interest rate risk.

We do not have a formal interest rate risk policy but management reviews the pricing of interest-rate swap contracts and would make a recommendation to the Board of Directors if there was a compelling case to purchase a swap contract.

For the year ended December 31, 2015, if interest rates on FPLP's term loan had been 1.0% higher or lower than actually were in effect, with all other variables held constant, interest expense would have been $0.4 million higher or lower (2014 $0.5 million).

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We believe that we have access to sufficient capital through existing cash balances, future internally generated cash flows and external sources (bank credit markets and debt capital markets) to meet current spending forecasts. Trade payables are due within one year.

RELATED PARTY TRANSACTIONS

In 2015 FPLP purchased the majority of its newsprint from Alberta Newsprint Company ("ANC"), a joint venture owned equally by a limited partnership controlled by Ronald Stern (Chairman of the Board and Director of FPLP), and West Fraser Mills Ltd. ANC, also supplies newsprint to a number of other newspaper publishing operations in both Canada and the United States. Total newsprint purchases from ANC based on actual invoice prices in 2015 were $5.5 million, compared to $3.9 million for the same period last year. While there is no formal contractual obligation in place with respect to future newsprint purchases, selection of a supplier or suppliers will continue to be made by management based on criteria approved by the Audit Committee of FPLP, which reviews newsprint purchasing details with management on a quarterly basis.

DISCLOSURE CONTROLS AND PROCEDURES

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design and effectiveness of FPI's and FPLP's disclosure controls and procedures as of December 30, 2015 and December 31, 2015, respectively, and have concluded that FPI's and FPLP's disclosure controls and procedures were reasonably adequate and effective to ensure that material information relating to FPI and FPLP is recorded, processed, summarized and reported within the time periods specified, and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of FPI's and FPLP's internal control over financial reporting as of December 30, 2015 and December 31, 2015, respectively, and based on that assessment concluded that FPI's and FPLP's internal controls over financial reporting were effective. No material changes were made in FPI's and FPLP's internal controls over financial reporting during the year ended December 30, 2015 and December 31, 2015, respectively, that have materially affected, or are reasonably likely to materially affect, FPI's and FPLP's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

FPLP

Valuation of Intangible Assets and Goodwill
FPLP has estimated the fair value of its cash generating units ("CGUs") and goodwill CGUs, based on historical and expected operating plans, economic conditions and general outlook for the industry and geographic market in which FPLP operates. Significant unfavourable changes to these factors could result in a material impairment of the fair value and/or life of these assets.

In performing the annual impairment testing of goodwill and indefinite life intangibles, a number of assumptions and estimates are made. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between knowledgeable, willing parties. FPLP uses the higher of fair value less cost to dispose and value-in-use. Value-in-use calculations are based on management's expectations covering a five-year period discounted using a pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rate that does not exceed the long-term average growth rate for the newspaper industry. Management's fair value less cost to dispose assessment is based on applying market multiples to FPLP's EBITDA.

Had different assumptions or valuation techniques been used in performing the impairment testing, the carrying value of finite life and indefinite life intangibles and goodwill may have been different. FPLP considers the assumptions and techniques used to be reasonable.

Pension Plans
FPLP has a defined benefit pension plan and multiple defined contribution pension plans. The defined benefit pension plan requires actuarial assumptions which include discount rates, rate of compensation increases, mortality assumptions, and other demographic assumptions. A change in the discount rate used in the valuation of the pension obligations could result in a significant increase or decrease in the value of the obligations, which impacts the funded status of the plans as well as the net benefit cost in subsequent years. At December 31, 2015, a 0.5% decrease in the discount rate would increase our defined benefit obligations by $4.2 million, and a 0.5% increase in the discount rate would decrease our defined benefit obligations by $3.7 million. At December 31, 2015, a 0.5% increase in salary assumption would increase our defined benefit obligations by $0.5 million and a 0.5% decrease in salary assumption would decrease our defined benefit obligations by $0.4 million.

The funding for the defined benefit pension plan is based on actuarial valuation reports which are filed with the provincial pension commission. The last actuarial valuation report was completed as of December 31, 2014, and the next required valuation report is as of December 31, 2015.

FPI

Valuation of Investment in FPLP
Annually, FPI evaluates whether an impairment exists in its investment in FPLP. FPI completed its impairment assessment by comparing its recoverable amount (being the higher of fair value less cost to dispose and value in use) to its carrying value. Under the value-in-use approach, management estimates the discounted future cash flows for five years and a terminal value for FPI's investment in FPLP. The future cash flows are based on management's best estimates considering historical and expected operating plans, economic conditions, and general outlook for the industry and geographic market in which FPLP operates. The discount rates used by FPI are based on an industry-based debt/equity ratio and consider the risk free rate, risk premium and size premium for possible variations from management's projections. A terminal value is the value attributed to FPLP's operations beyond the projected period of 2020 using a perpetuity growth rate based on industry, revenue and operating income trends and growth prospects. Under the fair value less cost to dispose approach, FPI estimates fair value by multiplying earnings before interest, income taxes, depreciation, amortization and other non-recurring costs by multiples based on market comparables.

FPI's assumptions are affected by current market conditions which may affect expected revenues of FPLP. In addition, while FPLP continues to implement cost savings initiatives, operating costs may increase more significantly than expected. FPI has made certain assumptions which may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future impairment assessments of FPI's investment in FPLP.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies followed in the financial statements are consistent with those of the previous financial year except as described below.

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. 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's beginning on January 1, 2018, with earlier adoption permitted. FPLP is assessing the impact of adopting this standard on its financial statements.

IFRS 16 – Leases
IFRS 16, Leases replaces IAS 17, Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use

the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15, Revenue from Contracts with Customers.

BUSINESS RISKS AND UNCERTAINTIES

REVENUE

Print advertising revenues, which account for approximately 61% of total revenue, are historically dependent upon general economic conditions, the specific spending plans of high-volume advertisers and the readership levels of the printed products. A significant downturn in the national or regional economy, like the one which started in 2008, decreases advertising revenue earned by our newspapers. Similarly, a shift from newspaper and/or flyer advertising to digital or other media advertising has and is likely to continue to adversely affect total revenue. Digital competition is not limited to platforms that provide news and includes providers of search engine marketing, display advertising, digital classifieds, social media, mobile advertising and video advertising. A change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry, national retailers, employment advertisers and the consolidation of retailers, could adversely affect total revenue. A significant decline in the readership of our printed products would adversely affect print advertising revenues.

DECLINE IN OVERALL USAGE OF NEWSPAPERS AND FLYER DELIVERY

FPI and FPLP could be materially adversely affected if the usage of newspapers or flyer distribution declines significantly. For example, increased usage of the internet by consumers to find news or flyers could result in a decline in their use of newspapers and flyer distribution. Such declines could impair FPLP's ability to maintain or increase FPLP's advertising prices, cause businesses that purchase advertising in FPLP's newspapers and flyer distribution to reduce or discontinue their purchases, and discourage businesses that do not already purchase advertising in FPLP's newspapers and flyer distribution from doing so.

Any of the factors that may contribute to a decline in usage of FPLP's newspapers and flyer distribution could impair FPLP's revenues and have a material adverse effect on our business.

EXPENSES

Newspaper publishing is both capital and labour-intensive and, as a result, newspapers have relatively high fixed-cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Employee compensation is our single largest expense category accounting for approximately 47% of FPLP's total operating expenses. The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. The current five-year contracts with the Unifor union expire on June 30, 2018, in respect of the unionized employees and city delivery carriers of the Winnipeg Free Press and Canstar Community News unionized employees and on December 31, 2018 in respect of the Brandon Sun unionized employees. The collective agreements include clauses governing all aspects of the employer/employee relationship and include limitations on FPLP's ability to sub-contract work to independent third parties. Strikes, lockouts, or other labour disruptions could restrict FPLP's ability to service its customers and consequently materially adversely affect its revenues.

Newsprint and other paper is a significant cost for FPLP, accounting for $7.2 million in 2015. Newsprint costs can vary widely from time to time, but over the past five years have been relatively stable. A $10 per tonne increase or decrease in the price of newsprint would have an approximately $0.1 million annualized change to our newsprint expense. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Over the last several years, FPLP has reduced costs in a number of ways. It will be increasingly difficult to continue to reduce costs from current levels. FPLP's ability to achieve cost savings may be impacted by the level of unionization at its businesses, existing third party suppliers and service providers and FPLP's ability to outsource additional components of its business operations in the future.

INTEREST RATE FLUCTUATIONS

FPLP is exposed to fluctuations in short-term interest rates as the amounts borrowed under the term loan facility are in the form of prime-rate loans or bankers' acceptances at varying interest rates. Furthermore, the interest rate spread above the prime-rate loans or bankers' acceptance rate varies based on the leverage ratio. FPLP is also exposed to fluctuations in long-term interest rates and credit spreads relative to the refinancing of its term loan obligation upon its maturity on January 31, 2020. The interest rate on new long-term debt issuances will be based on the prevailing market rates at the time of the refinancing. Increases in interest rates on new debt issuances may have a material adverse effect on our earnings.

FPLP monitors market conditions and the impact of interest rate fluctuations on its interest rate exposure. While there is no formal policy with respect to the use of interest rate swaps as a tool to manage interest rate risk, pricing of swap agreements is reviewed regularly and FPLP has used swap agreements historically when it was determined that these agreements were justified.

PENSION FUND OBLIGATIONS

FPLP has in place a defined benefit pension plan and defined contribution plans. The defined benefit pension plan was started when the Business was acquired by FPLP in November 2001. The plan text mirrored the predecessor plan.

Provincial pension legislation requires that the funded status of defined benefit pension plans be determined on both a going-concern basis (which assumes the pension plan continues indefinitely) and a solvency basis (which assumes the plan is wound-up on the valuation date). Based on FPLP's most recent actuarial valuation, as of December 31, 2014, the plan had a funding surplus of $4.3 million (funding surplus of $3.5 million in 2013) on a going-concern basis and a funding shortfall of $11.0 million ($6.3 million shortfall in 2013) on a solvency basis. The actual funded status of the pension plan and FPLP's contribution requirements and accounting expense are dependent on many factors, some of which include regulatory developments, actuarial assumptions and methods used, changes in plan demographics and experience and changes in economic conditions such as the return on fund assets and changes in interest rates used for determining the present value of pension obligations. Changes in the above factors can result in significant changes to the determination of the reported pension expense and the level of required funding to the plan, which can produce volatility in FPLP's reported results and cash generated from operating activities and distributable cash[(2)] of FPLP.

RELIANCE ON PRINTING FACILITIES

FPLP places considerable reliance on the functioning of its two printing operations, particularly the Winnipeg Free Press facility, which produces the Winnipeg Free Press, Brandon Sun and Canstar Community News newspapers and related products. In the event of a shutdown or disruption of one of its facilities, FPLP would attempt to mitigate potential damage by shifting production to the other facility or to a third-party printer. A shutdown or disruption of one of FPLP's facilities could result in FPLP being unable to print some publications, which could have a significant negative impact on FPLP's results.

INFORMATION TECHNOLOGY & OTHER MANUFACTURING SYSTEMS & EQUIPMENT

Our businesses rely on information technology and other critical manufacturing systems to help generate our revenue. There are critical risks associated with these systems including, but not limited to, unauthorized access, computer viruses, sabotage, power loss, system failures, human error and wear and tear on equipment. Our businesses and the revenue we generate could be significantly impacted by a disruption to these critical systems and equipment.

IMPAIRMENT

At December 30, 2015 the carrying value of FPI's investment in FPLP limited partnership units is $16.6 million. At December 31, 2015, FPLP has goodwill with a carrying value of $32.1 million and intangible assets of $6.2 million on its balance sheet. There are many factors which may affect the value of FPI's investment in FPLP and the goodwill and intangible assets of FPLP, some of which include the state of the general and local economy, competition, technology, consumer consumption habits, brand equity and various contractual arrangements. If any of these factors impair the value of these assets, we are required to reduce the carrying value on the balance sheet and record a non-cash write-down in the statement of earnings.

LITIGATION & INSURANCE COVERAGE

The nature of our business has and will continue to expose us to litigation claims, primarily arising from the publication of our editorial content. While we have processes and controls in place in attempts to reduce these risks, and carry insurance coverage against claims of defamation, there is no assurance that our insurance coverage will cover a particular loss, nor can there be any assurance that our insurance coverage will not be exceeded by a specific claim. While FPLP maintains insurance coverage which it feels protects itself from certain material insurable risks, there is no assurance that such insurance will continue to be available on an economically feasible basis, nor can there be any assurance that amounts owing from insurers will be collected.

DEPENDENCE ON KEY PERSONNEL

Our businesses have and will continue to rely on the contribution of critical employees. A loss of a significant number of skilled managerial, editorial or technical personnel would have a negative effect on the quality of our products. FPLP's failure to recruit, train and retain such employees could have an adverse effect on its businesses.

REPUTATION

Our newspaper publications are well known and respected names in the markets we serve and have been for many years. Our reputation as a reliable trusted business partner is important for the continued success of our businesses. Damage to the reputation of any of our brands could have an adverse impact on the business and its future financial performance.

DEBT SERVICING

FPLP'S ability to make scheduled payments of interest and principal and to refinance its indebtedness when it becomes due in January 2020 will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, interest rate levels, competitive, business and other factors, many of which are beyond its control.

Additional risk factors are described in the Corporation's Annual Information Form dated March 9, 2016, which is available at www.sedar.com.

OUTLOOK

REVENUE

FPLP's print advertising revenues are expected to continue to face challenges in 2016 as a result of continued shifts in spending by advertisers. Print advertising revenues for the first two months of 2016 were approximately 10.0% lower than the previous year.

Print circulation revenues, which account for approximately 28% of our overall revenues, are expected to be near 2015 levels as subscription rate increases are expected to offset the long term trend of slowly declining print circulation unit sales. We have seen a lower level of decline in our city home delivery subscribers in recent months and while we have no way of knowing for sure, we believe the introduction of our digital paywall last year has helped slow the decline. A full year of readership revenues from both the Winnipeg Free Press monthly digital subscribers and single article purchases is budgeted to generate additional revenues of $0.5 million in 2016. In February 2016 there are approximately 4,000 "all Access" subscribers paying $16.99 per month for digital access to our Winnipeg products and we have planned to grow this to 4,400 by the end of the year. For single article digital sales we are charging $0.27 per article and also have approximately 4,000 registered accounts which we are planning to generate $0.1 million in revenue from in 2016. In addition to these digital only readership groups, at the end of February we have approximately 23,000 print subscribers who have registered to get access to the full digital suite of products.

Newspapers Digital advertising revenues are increasingly being impacted by the dominance of the large multi-national social media and search engine sites. After a number of years of increasing digital advertising revenues 2015 saw a small decline of $0.2 million or 5%. Our 2016 plan is to grow this revenue source back to the 2014 level or beyond by continually improving our digital product offerings and making small investments to promote both our desktop website and our mobile apps.

We are planning for a small 3% growth in commercial printing revenues which are largely generated by our Derksen Printing plant in Steinbach.

OPERATING EXPENSES

Employee compensation is our single biggest expense and in 2015 accounted for just over 50% of our total operating expenses before depreciation and amortization. The Winnipeg collective bargaining agreement includes a 0.5% increase effective July 1, 2016 and the same increase for Brandon employees is effective January 1, 2016. We are planning to reduce these costs by a further $2.7 million or approximately 7% in 2016 through a combination of retirements, voluntary and involuntary layoffs. Total full time equivalent employee counts which were lower by approximately 5% in 2015 from the previous year are planned to be down by a further 7% in 2016.

Delivery costs which account for approximately 20% of our operating expenses before depreciation and amortization are budgeted to decrease by approximately $0.3 million in 2016 primarily due to a continuation of a slow decline in printed circulation copies delivered and stream-lining, consolidation and elimination of delivery routes and depots as opportunities arise across all our businesses.

Newsprint price increases were announced and implemented during the first quarter of 2016. We have tested lighter weight newsprint and will be switching to the lighter grade, which, combined with fewer circulation copies printed, will result in a reduction of newsprint expense in 2016.

We are forecasting a decrease in the other expense category in the 5% range from a variety of cost reductions put in place including the cancellation of some sponsorships, lower levels of contracted third party work and lower national commissions from lower anticipated revenue levels.

CAPITAL INITIATIVES, FINANCE COSTS AND OTHER ITEMS

Maintenance capital spending for 2016 is being budgeted at $0.8 million, but can be reduced if required. Our only committed capital projects are the completion of the Winnipeg advertising and editorial systems software upgrades which were started in the fourth quarter last year. Replacements of computer hardware, fleet vehicles and photo equipment will be done on an "as required" basis. Other minor software investments may be made if they are justified by an appropriate return.

Finance costs are forecasted to be lower by approximately $0.2 million primarily resulting from lower principal balances on our term debt and two expiring finance leases. The 2015 required cash sweep principal repayment on our term loan is due by March 30, 2016 and while the required minimum payment is estimated at $1.2 million, we may decide to use a portion of our available cash on hand to increase this amount. Under the terms of our term loan agreement, the maximum loan balance at January 31, 2018 is $30.0 million and $20.0 million at the end of the facility on January 31, 2020.

An actuarial valuation, which is required on our defined benefit pension plan as of December 31, 2015, will ultimately determine the required level of employer funding for 2016, but discount rates which declined at the end of 2015 will increase the required 2016 company pension funding. The actual increase will not be known until after completing the actuarial study during the second and third quarters of this year, but we are budgeting for increased annual funding in the $0.6 million range.

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 FPI or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the current general economic uncertainty, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws. Additional information about these and other factors is discussed under "Risk Factors" in FPI's Annual Information Form dated March 9, 2016, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon assumptions that management of FPI and FPLP believe to be reasonable, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, FPI and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

FOOTNOTES:

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's 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 December 31, 2015	2014	Twelve Months Ended December 31, 2015	2014
	In thousands of dollars			
Net earnings (loss) for the period	$ (13,128)	$ 4,560	$ (31,232)	$ 11,699
Add (subtract):				
Depreciation and amortization	1,067	1,102	4,293	4,363
Impairment of goodwill	16,000	-	39,200	-
Finance costs	331	466	1,435	1,807
Other income	(17)	(43)	(86)	(157)
EBITDA	**$ 4,253**	**$ 6,085**	**$ 13,610**	**$ 17,712**

(2) DISTRIBUTABLE CASH ATTRIBUTABLE TO FPI

FPI believes that in addition to the disclosure of cash flow from operations, distributable cash attributable to FPI is an important supplemental measure of cash flow because it provides investors with an indication of the amount of cash available for distribution to shareholders and because such calculations are required by the terms of the partnership agreement governing FPLP. Distributable cash attributable to FPI is not a defined term under IFRS, and it should not be construed as an alternative to using net earnings or the statements of cash flows as measures of profitability and cash flow. Readers are cautioned that distributable cash as calculated by FPI may not be comparable to similar measures presented by other issuers. FPI uses this measure as a factor to determine whether to adjust its monthly dividends to shareholders.

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
	In thousands of dollars			
Distributable cash of FPLP:				
EBITDA(1)	$ 4,253	$ 6,085	$ 13,610	$ 17,712
Other income (excluding non-cash gains or losses)	17	43	81	146
Finance costs on notes payable, term loan, mortgage loan, guarantee fee and finance leases, excluding accretion of related deferred financing costs	(322)	(455)	(1,399)	(1,761)
Principal repayment of term loan	-	-	(7,324)	(1,000)
Maintenance capital expenditures	(449)	(693)	(1,195)	(1,030)
Proceeds from sale of property, plant and equipment	-	-	5	10
Principal repayments on finance leases	(424)	(408)	(1,673)	(1,459)
Principal repayments on mortgage loan	(14)	(13)	(59)	(51)
Pension funding in excess of accounting expense	(469)	114	(2,148)	(911)
Reserve for cash sweep long-term debt repayment	75	-	(1,200)	-
Distributable cash of FPLP	**$ 2,667**	**$ 4,673**	**$ (1,302)**	**$ 11,656**

Distributable cash attributable to FPI:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
	In thousands of dollars (except per share amounts)			
49% attributable to FPI	$ 1,307	$ 2,290	$ (638)	$ 5,711
Administration expenses	(63)	(55)	(217)	(212)
Other income	-	-	1	1
Current income tax recovery (expense)	333	(373)	(570)	(1,523)
Distributable cash attributable to FPI	**$ 1,577**	**$ 1,862**	**$ (1,424)**	**$ 3,977**
Distributable cash attributable to FPI – per share	$ 0.228	$ 0.270	$ (0.206)	$ 0.576
Cash dividends declared by FPI – per share	-	$0.080	$ 0.16	$ 0.530
Payout ratio for the period	n/a	29.7%	n/a	92.0%