NEWS RELEASE

FP Newspapers Inc. reports fourth quarter 2016 results

Winnipeg, March 17, 2017 – FP Newspapers Inc. (“FPI”) announces financial results for the quarter ended December 30, 2016. FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

Fourth quarter operating results of FPI

During the fourth quarter of 2016 FPI recorded a non-cash write-down of $4.9 million in the carrying value of its investment in FPLP, primarily due to continued declines in revenue and earnings experienced by FPLP. Excluding the non-cash write-down on the equity investment in FPLP, FPI had net earnings of $0.8 million for the three months ended December 30, 2016, compared to $1.0 million for the fourth quarter last year.

Fourth quarter operating results of FPLP

FPLP’s revenue for the three months ended December 31, 2016 was $20.9 million, a decrease of $2.2 million or 9.7% from the same three months in the prior year. Print advertising revenues for the three months ended December 31, 2016 were $12.3 million, a 14.8% decrease compared to the same quarter last year. FPLP’s largest print advertising revenue category, display advertising including colour, was $7.5 million, a decrease of $1.3 million or 15.3% from the same period in the prior year, primarily due to decreased spending in the automotive and government categories. Classified advertising revenues for the fourth quarter decreased by $0.3 million or 17.6% compared to the same period last year, primarily due to a decrease in the real estate and employment categories. Flyer distribution revenues for the fourth quarter were lower by $0.5 million or 12.6% than the same period last year, primarily due to a decrease in flyer volumes, with much of this decline the result of the consolidation of two large grocery chains and the reduction to one flyer program.

Circulation revenues for the fourth quarter increased by $0.1 million primarily due to higher subscription rates and new digital subscription revenues from the Winnipeg Free Press website, partially offset by lower unit sales. Commercial printing revenues for the fourth quarter were lower by $0.1 million or 5.6%, primarily attributable to lower page counts in recurring print contracts. Digital revenues for the fourth quarter decreased by $0.1 million or 14.6% compared to the same period last year, primarily due to a decrease in on-line web ad revenues on the Winnipeg Free Press website.

Operating expenses for the three months ended December 31, 2016 were $18.4 million, a $1.5 million or 7.5% decrease from the same quarter last year. Employee compensation costs, excluding restructuring charges, for the fourth quarter decreased by $0.9 million or 9.6%, primarily due to the voluntary and non-voluntary reductions of employees across all our business units. Restructuring charges of $0.1 million were incurred in the fourth quarter of 2016 relating to employee severance payments, compared to severance payments of $0.3 million in the same quarter last year. Newsprint expense for FPLP’s own publications for the quarter was virtually the same as the fourth quarter in 2015, primarily due to fewer circulation copies printed offset by a higher newsprint price. Delivery costs decreased by $0.2 million or 4.5% primarily due to lower circulation units and flyer volumes.

Due to continued declines in revenue and earnings, FPLP recorded an impairment charge relating to its goodwill of $10.0 million during the fourth quarter. Excluding the goodwill impairment charge, FPLP's net earnings were $2.1 million for the three months ended December 31, 2016, compared to $2.9 million for the same period last year.

EBITDA[1], excluding the goodwill impairment charge, for the three months ended December 31, 2016 was $3.4 million, a decrease of $0.8 million or 19.8% from the same period last year. EBITDA[1], excluding restructuring charges and excluding the goodwill impairment charge, decreased by $1.1 million or 23.6% versus the same quarter last year. EBITDA[1] margin, excluding the goodwill impairment charge, for the three months ending December 31, 2016 was 16.3%, compared to 18.4% in the same period last year.

Twelve month operating results of FPI

Revenue for the year ended December 30, 2016 was $2.4 million compared to $3.9 million in 2015. The decrease was primarily the result of lower equity earnings from FPI's investment in FPLP. A non-cash write-down of $11.1 million was recorded in the twelve months ended December 31, 2016, 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. In 2015 FPI recorded non-cash write-downs of $26.4 million. The write-downs resulted in a net loss of $9.5 million for the year ended December 30, 2016 compared to a net loss of $23.8 million for the year ended December 30, 2015. Excluding the non-cash write-downs of the equity investment in FPLP, FPI reported net earnings of $1.6 million for the year ended December 30, 2016, compared to net earnings of $2.7 million for 2015. 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, 2016, FPI recorded a current income tax expense of $0.1 million and a deferred income tax expense of $0.5 million compared to a current income tax expense of $0.6 million and a deferred income tax expense of $0.5 million in 2015. The 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 income for 2016 was $0.9 million compared to other comprehensive loss of $0.7 million in 2015. The change in other comprehensive income (loss) results from FPI's equity share of FPLP's recognition of remeasurements gains and losses related to its defined benefit pension plan.

Twelve month operating results of FPLP

FPLP's revenue for the twelve months ended December 31, 2016 was $80.5 million, a decrease of $8.5 million or 9.6% from the prior year. Print advertising revenues for the year ended December 31, 2016 were lower by $7.5 million or 13.7% compared to last year. FPLP's largest print advertising revenue category, display advertising including colour, was $27.5 million, a decrease of $5.0 million or 15.5% from the prior year, primarily due to decreased spending in the automotive, government and telecommunications categories. Classified advertising revenues for the 2016 year decreased by $1.1 million or 14.0% compared to last year, primarily due to lower spending in the employment and real estate categories. Flyer distribution revenues were $12.6 million, a decrease of $1.3 million or 9.2% from 2015, primarily due to a decrease in flyer volumes, with much of this decline the result of the consolidation of two large grocery chains and the reduction to one flyer program.

Circulation revenues for the year ended December 31, 2016 increased by $0.1 million or 0.3%, primarily due to higher subscription rates and new digital subscription revenues from the Winnipeg Free Press website, partially offset by lower unit sales. Commercial printing revenues for 2016 decreased by $0.1 million and digital revenues for 2016 decreased by $0.9 million or 25.9%, primarily due to on-line advertising revenue declines on the Winnipeg Free Press website and other digital offerings.

Operating expenses for the year ended December 31, 2016 were $74.4 million, a $5.3 million or 6.6% decrease from last year. Employee compensation costs, excluding restructuring charges, for the year decreased by $3.4 million or 9.1%, primarily due to employee reductions in 2016. Restructuring charges for the year ending December 31, 2016 were $0.4 million, for voluntary and involuntary severance payments for employees. Newsprint expense for FPLP's own publications for the year decreased by $0.3 million or 5.7%, primarily due to lower printing volumes mainly from fewer circulation copies, partially offset by a higher newsprint price. Delivery costs decreased by $0.5 million or 3.5% 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 $0.8 million or 5.0% compared to the prior year, primarily due to lower outside costs and declining use of production supplies as a result of lower printed pages.

As a result of continued declines in revenue and earnings, FPLP recorded an aggregate impairment charge relating to its goodwill of $22.7 million during the year ended December 31, 2016. Excluding this impairment charge, FPLP's net earnings were $4.8 million for the year ended December 31, 2016, compared to net earnings of $8.0 million in the prior year, excluding the $ 39.2 million impairment charge relating to goodwill recorded in 2015.

EBITDA[(1)], excluding goodwill impairment charges, for the year ended December 31, 2016 was $10.2 million compared to $13.6 million in 2015, a decrease of 24.8%. EBITDA[(1)] margin, excluding the goodwill impairment charge, for the twelve months ended December 31, 2016 was 12.7% compared to 15.3% in 2015, excluding the goodwill impairment charge.

For the year ended December 31, 2016, finance costs decreased by $0.1 million or 9.3% primarily due to the lower level of debt outstanding as a result of the $3.0 million principal repayment made on the long-term debt during the first two quarters of 2016.

Outlook

REVENUE

We expect the declining print advertising revenue trend that's been experienced for the past number of years will continue in 2017. Forecasting the level of decline is extremely difficult. Print ad revenues for the first two months of 2017 are showing a 15.0% decline versus the same period last year. Large display advertising spending reductions by a relatively few national accounts resulted in these large revenue declines historically with automotive, telecommunication, grocery and department stores being the major contributing categories. Retail consolidations and a continuing shift of advertising spending to digital advertising primarily through high traffic social media and search engine websites have also been major contributing factors. Print classified revenues continued to decline primarily resulting from the shift to digital options which has been ongoing for a number of years. The insert delivery business was negatively impacted in 2016 by the consolidation in the grocery category which resulted in the elimination of one recurring weekly flyer program. At the end of 2016 a new large western Canadian grocery chain opened 3 stores in Winnipeg and started a weekly flyer delivery program which will provide new revenue in this category for 2017. The opening of a new outlet store mall in south Winnipeg in the summer/fall of 2017 will offer opportunities for new advertising revenue customers.

Print and digital circulation revenues, which account for approximately 31% of our overall revenues, are expected to be near 2016 levels as subscription rate increases are expected to offset the long term trend of slowly declining print circulation unit sales. We have seen continued increases in Winnipeg Free Press "all Access" digital subscribers who pay $16.99/month for digital access to our Winnipeg products. As of March 2017 we currently have exceeded 5,600 "all access" digital subscribers and have over 6,300 "read now pay later" accounts. Both digital reader categories have shown steady growth since their launch in the latter half of 2015. A new iphone/ipad app will be introduced during the first quarter of 2017 which will improve the paid digital reader's experience. The introduction of a digital coupon book will also increase marketing efforts to try to keep existing and attract new customers. Newspapers Digital advertising revenues are increasingly being impacted by the dominance of the large multi-national social media and search engine sites. In 2016 digital ad revenues were down by $0.9 million and we are targeting to keep these revenues relatively stable in 2017. Our 2017 target is for small growth in commercial printing revenues after these revenues declined by 3% in 2016. Commercial printing revenues are largely generated by our Derksen Printing Plant in Steinbach.

OPERATING EXPENSES

Employee compensation is our single biggest expense and in 2016 accounted for 49% of our total operating expenses before depreciation and amortization. In 2017 we are planning to reduce employee compensation costs by a further $2.2 million or 6.5% through a combination of retirements and voluntary and involuntary layoffs.

Delivery costs which account for approximately 20% of our operating expenses before depreciation and amortization are budgeted to decrease by approximately $0.6 million in 2017 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 decreases of approximately 5% were announced and implemented during the first quarter of 2017 which together with continued expected lower volumes used should reduce this expense line by approximately $0.5 million in 2017.

We are forecasting other expenses to be relatively flat with increased costs relating to contracting out Winnipeg editorial copy editing work offset by reductions across most other expenses in this category.

CAPITAL INITIATIVES, FINANCE COSTS AND OTHER ITEMS

Maintenance capital spending for 2017 is being budgeted at $0.3 million, but we think this can be reduced if we need to respond to continued lower operating results. Capital projects planned are all related to minor equipment upgrades mostly in the computer hardware and software categories.

Finance costs are forecasted to be slightly lower in 2017, primarily resulting from lower principal balances on our long-term debt and the expiration of all but one of our finance leases during 2016. The 2016 required cash sweep principal repayment on our term loan is due by March 30, 2017 and while the required minimum payment is estimated at $0.5 million, we may decide to use a portion of our available cash on hand to increase this repayment 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. The debt facility does include a reduction of our leverage ratio from 3.5x to 3.0x effective January 2017 and at December 31, 2016 the leverage ratio stands at 2.7x. Principal repayments of our finance leases will decrease by approximately $1.0 million in 2017 compared to the 2016 level resulting from the expiration of four lease agreements in 2016.

An actuarial valuation which is required on our defined benefit pension plan as of December 31, 2016 will ultimately determine the required level of employer funding for 2016, but discount rates which increased at the end of 2016 will decrease the required 2017 company pension funding versus prior year levels. The Manitoba government passed pension funding relief measures on December 19, 2016. The funding relief provided to defined benefit plan sponsors allows for the amortization of solvency deficiencies over a ten year period compared to five years in the normal pension regulations. Solvency relief is only available if fewer than one third of members object to the proposal. We are in the process of completing the actuarial study to determine the solvency position of the plan at December 31, 2016 and then will move forward with the process to seek funding relief. While the December 31, 2016 actuarial study is required to precisely quantify the 2017 pension funding requirements, assuming funding relief is obtained, the 2017 funding could be in the region of $1.5 million lower than 2016 levels.

Given the on-going challenges that advertising revenue declines have put on our businesses we have recently formed a committee represented by management, union and employees to open up a dialogue on the significant challenges our businesses face and possible options for dealing with these challenges.

Additional Information

Additional information including financial statements and management's discussion and analysis can be found on the Company's website at www.fpnewspapers.com and in the disclosure documents filed by FP Newspapers Inc. with the securities regulatory authorities available at www.sedar.com.

Caution Regarding Forward-looking Statements

Certain statements in this news release 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.

In addition, although the forward-looking statements contained in this news release 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.

About FPI

FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership ("FPLP"). FPLP owns the Winnipeg Free Press, the Brandon Sun, and their related businesses, as well as the Canstar Community News division, the publisher of six community newspapers in the Winnipeg region, The Carillon in Steinbach with its related commercial printing operations and the Carberry News Express weekly publication. The Winnipeg Free Press publishes six days a week for delivery to subscribers and single copy sales, and publishes a single copy edition on Sundays. Vividata, a third party research firm, which measures newspaper readership across Canadian markets, estimates that weekly 78% of all Winnipeg adults read the print or digital edition of the Winnipeg Free Press. The Brandon Sun publishes six days a week, serving the region with an average circulation of approximately 10,500 copies. Canstar Community News publishes weekly with an average circulation of approximately 200,000 copies. The businesses employ approximately 425 full-time equivalent people in Winnipeg, Brandon, Steinbach and Carberry, Manitoba. Further information can be found at www.fpnewspapers.com and in disclosure documents filed by FP Newspapers Inc. with the securities regulatory authorities, available at www.sedar.com.

Non-IFRS financial measures

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's interim condensed consolidated statements of earnings, EBITDA is a useful supplemental measure as it is a measure used by many of FPLP's unitholders, creditors and analysts as a proxy for the amount of cash generated by FPLP's operating activities. EBITDA is not a recognized measure of financial performance under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of FPLP`s performance. FPLP's method of calculating EBITDA may differ from other issuers and, accordingly, EBITDA may not be comparable to measures used by other issuers. FPLP's method of calculating EBITDA is detailed in the Management's Discussion and Analysis for the year ended December 31, 2016 on FPI's website www.fpnewspapers.com or on SEDAR at www.sedar.com.

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FP Newspapers Inc.

Statements of (Loss) and Comprehensive (Loss)

(unaudited, in thousands of Canadian dollars except per share amounts)

	Three Months Ended December 30,		Twelve Months Ended December 30,	
	2016	2015	2016	2015
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	$ 1,051	$ 1,406	$ 2,377	$ 3,905
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(4,900)	(7,840)	(11,100)	(26,440)
Administration expenses	(79)	(63)	(222)	(217)
Other income	-	-	1	1
Net (loss) before income taxes	(3,928)	(6,497)	(8,944)	(22,751)
Current income tax recovery (expense)	(24)	333	(71)	(570)
Deferred income tax recovery (expense)	(196)	(687)	(476)	(455)
Net (loss) for the period	**$ (4,148)**	**$ (6,851)**	**$ (9,491)**	**$(23,776)**
Items that will not be reclassified to net earnings:				
Equity interest of other comprehensive (loss) from FP Canadian Newspapers Limited Partnership	2,382	(531)	1,192	(910)
Deferred income tax recovery	(644)	144	(322)	246
Comprehensive (loss) for the period	**$ (2,410)**	**$ (7,238)**	**$ (8,621)**	**$ (24,440)**
Weighted average number of Common Shares outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net (loss) per share – basic and diluted	$ (0.601)	$ (0.993)	$ (1.375)	$ (3.445)

FP Canadian Newspapers Limited Partnership

Consolidated Income (Loss) Statements and Statements of Comprehensive (Loss)

(unaudited, in thousands of Canadian dollars)

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2016	2015	2016	2015
Revenue				
Print advertising	$ 12,325	$ 14,476	$ 47,150	$ 54,627
Circulation	6,369	6,288	25,042	24,972
Commercial Printing	1,193	1,264	4,703	4,853
Digital	731	856	2,700	3,647
Promotion and services	263	242	910	927
TOTAL REVENUE	$ 20,881	$ 23,126	$ 80,505	$ 89,026
Employee compensation	8,197	9,071	34,322	37,742
Newsprint and other paper	1,808	1,844	6,877	7,222
Delivery	3,613	3,783	14,219	14,736
Other	3,765	3,850	14,458	15,221
Depreciation and amortization	972	1,067	4,159	4,293
Restructuring charge	86	325	393	495
OPERATING INCOME BEFORE IMPAIRMENT	2,440	3,186	6,077	9,317
Impairment of goodwill	(10,000)	(16,000)	(22,700)	(39,200)
OPERATING (LOSS)	(7,560)	(12,814)	(16,623)	(29,883)
Other income	18	17	75	86
Finance costs	(314)	(331)	(1,302)	(1,435)
NET (LOSS) FOR THE YEAR	$ (7,856)	$ (13,128)	$ (17,850)	$ (31,232)
Items that will not be reclassified to net earnings:				
Remeasurements for defined benefit pension plan	4,861	(1,082)	2,431	(1,856)
COMPREHENSIVE (LOSS) FOR THE YEAR	$ (2,995)	$ (14,210)	$ (15,419)	$ (33,088)