NEWS RELEASE

FP Newspapers Inc. reports second quarter 2018 results

Winnipeg, August 23, 2018 – FP Newspapers Inc. (“FPI”) announces financial results for the quarter ended June 30, 2018. FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

Second quarter operating results of FPI

FPI reported a net loss of $2.5 million for the three months ended June 30, 2018, compared to net earnings of $0.6 million for the same period last year. The decline was primarily due to a non-cash write-down of the equity investment in FPLP in the second quarter of 2018. Excluding the non-cash write-down in the equity investment in FPLP in 2018 the net earnings were $0.3 million.

Second quarter operating results of FPLP

FPLP’s revenue for the three months ended June 30, 2018 was $17.4 million, a decrease of $1.4 million or 7.6% from the same three months in the prior year. FPLP’s print advertising revenues for the three months ended June 30, 2018 were $9.7 million, a $1.1 million or 10.4% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was $5.1 million, a decrease of $0.9 million or 15.5% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, government and national retail categories. Classified advertising revenues for the second quarter decreased by $0.1 million or 5.2% compared to the same period last year, primarily due to lower spending in the real estate and employment categories, partly offset by the obituary category. Flyer distribution revenues decreased by $0.1 million or 3.2% compared to the second quarter in 2017, primarily due to a decrease in flyer volumes.

Circulation revenues for the three months ended June 30, 2018 were unchanged from the second quarter of 2017, with lower unit sales offsetting increased revenue from higher print subscription rates and new digital subscription revenues from the Winnipeg Free Press website. Digital revenues for the second quarter increased by 5.5%, primarily due to an increase in on-line web ads. Commercial services revenue decreased by $0.3 million due to the loss of the Metro printing contract, as well as both fewer page counts printed for recurring customers as well as non-recurring print jobs.

Operating expenses for the three months ended June 30, 2018 were $16.2 million, a decrease of $0.6 million or 3.8% compared to the same quarter last year. Employee compensation costs for the second quarter decreased by $0.2 million or 2.2% from the same period in the prior year, primarily due to voluntary resignations and retirements not replaced. Newsprint expense for FPLP’s own publications remained at relatively the same level compared the prior year. Newsprint expense for commercial use decreased by $0.1 million due primarily to lower volumes. Delivery expenses for the three months ended June 30, 2018 decreased by $0.1 million or 3.4%, primarily due to the cost savings related to the initiatives implemented to improve delivery route efficiency. Other expenses decreased by $0.2 million or 5.3%, primarily due to the replacement of third party services by internal resources.

EBITDA[1] for the three and six months ended June 30, 2018 was $1.8 million and $2.7 million compared to $2.7 million and $4.4 million for the same periods last year, a decrease of 31.8% and 33.1%, respectively. EBITDA[1] margin for the three and six months ended June 30, 2018 was 10.6% and 8.2%, compared to 14.4% and 11.9% in the same periods last year. The changes in EBITDA[1] were due to the revenue and operating expense paragraphs above.

FPLP's net loss was $5.5 million and $5.6 million for the three and six months ended June 30, 2018, compared to net earnings of $1.6 million and $2.3 million for the same periods last year. Excluding the $6.4 million impairment charge relating to goodwill and intangible assets in the second quarter of 2018, FPLP's net earnings were $0.9 million and $0.8 million for the three and six months ended June 30, 2018.

Outlook

Print advertising revenue year-over-year declines continued in the second quarter but were not as steep as experienced during the first quarter of the year. So far into the third quarter we're experiencing print advertising revenue declines at slightly lower percentage levels than experienced in the second quarter.

On August 14 the Winnipeg city carriers voted in favour of a one year extension to the term of the collective agreement which expired on June 30, 2018. No other changes were made to the agreement.

During *Winnipeg Free Press* collective bargaining sessions held in 2017 it was agreed that an eight percent salary reduction (four percent for employees hired after June 30, 2013) would be triggered if free cash, as defined during the negotiations and calculated quarterly on a trailing twelve month basis, falls below a threshold level of $0.8 million. The free cash calculation for the twelve months ending June 30, 2018 was $0.9 million and based on anticipated continued revenue declines exceeding expense reductions the threshold level will be reached at the next measurement date of September 30, 2018 which would result in an eight percent salary reduction taking effect on January 1, 2019. The estimated annualized savings in expenses if these reductions are required to be implemented is $1.9 million.

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 or on SEDAR 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", "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, the availability of an extension on refinancing of FPLP's term loan facilities, 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 in our Annual Management Discussion and Analysis dated March 8, 2018 which is available at www.sedar.com.

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 10,050 copies. Canstar Community News publishes weekly with an average circulation of approximately 200,000 copies. The businesses employ approximately 410 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 and 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 that used by other issuers and, accordingly, EBITDA as calculated by FPLP may not be comparable to similar measures used by other issuers. FPLP's method of calculating EBITDA is detailed in the Management's Discussion and Analysis for the quarter ended June 30, 2018 on FPI's website www.fpnewspapers.com or on SEDAR at www.sedar.com.

For further information please contact:

Daniel Koshowski, CFO
FP Newspapers Inc.
Phone (204) 771-1897

FP Newspapers Inc.

Condensed Statements of Earnings (Loss) and Comprehensive (Loss)

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	$ 434	$ 802	$ 380	$ 1,107
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(3,112)	-	(3,112)	-
Administration expenses	(46)	(35)	(84)	(65)
Other income	1	-	2	-
Net (loss) earnings before income taxes	(2,723)	767	(2,814)	1,042
Current income tax (expense)	(86)	(159)	(89)	(175)
Deferred income tax recovery (expense)	346	(42)	356	(115)
Net (loss) earnings for the period	**$ (2,463)**	**$ 566**	**$ (2,547)**	**$ 752**
Items that will not be reclassified to net earnings:				
Equity interest of other comprehensive earnings (loss) from FP Canadian Newspaper Limited Partnership	430	(1,071)	374	(1,061)
Deferred income tax recovery (expense)	(116)	289	(101)	287
Comprehensive (loss) for the period	**$ (2,149)**	**$ (216)**	**$ (2,274)**	**$ (22)**
Weighted average number of Common Shares outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net (loss) earnings per share – basic and diluted	$ (0.357)	$ 0.082	$ (0.369)	$ 0.109

FP Canadian Newspapers Limited Partnership

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

(unaudited, in thousands of Canadian dollars)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue				
Print advertising	$ 9,700	$ 10,825	$ 18,511	$ 21,157
Circulation	6,224	6,224	11,970	12,206
Commercial printing	766	1,036	1,632	2,170
Digital	558	528	1,032	1,100
Promotion and services	127	182	300	380
TOTAL REVENUE	17,375	18,795	33,445	37,013
Operating expenses				
Employee compensation	7,620	7,791	15,259	15,807
Newsprint and other paper	1,523	1,568	2,911	3,106
Delivery of newspapers	3,205	3,318	6,235	6,570
Other	3,157	3,341	6,278	6,861
Depreciation and amortization	715	788	1,463	1,579
Restructuring charge	24	71	29	259
Operating income before impairment	1,131	1,918	1,270	2,831
Impairment of goodwill and intangible assets	(6,350)	-	(6,350)	-
OPERATING (LOSS) INCOME	(5,219)	1,918	(5,080)	2,831
Other income	25	20	46	41
Finance costs	(271)	(301)	(541)	(614)
NET (LOSS) EARNINGS FOR THE PERIOD	$ (5,465)	$ 1,637	$ (5,575)	$ 2,258
Items that will not be reclassified to net earnings:				
Remeasurements for defined benefit pension plan	877	(2,186)	763	(2,166)
COMPREHENSIVE (LOSS) EARNINGS FOR THE PERIOD	$ (4,588)	$ (549)	$ (4,812)	$ 92