NEWS RELEASE

FP Newspapers Inc. reports fourth quarter 2017 results

Winnipeg, March 8, 2018 – FP Newspapers Inc. (“FPI”) announces financial results for the quarter ended December 30, 2017. FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

Fourth quarter operating results of FPI

Excluding a non-cash write-down of the equity investment in FPLP, FPI reported net earnings of $0.4 million for the three months ended December 30, 2017, compared to net earnings of $0.7 million for the same period in 2016. A non-cash write-down of $2.9 million was recorded in the fourth quarter of 2017. A non-cash write-down of $6.2 million was recorded in the second quarter of 2016 and a write-down of $4.9 million was recorded in the fourth quarter of 2016. These write-downs were 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.

Fourth quarter operating results of FPLP

FPLP’s revenue for the three months ended December 31, 2017 was $18.0 million, a decrease of $2.8 million or 13.6% from the same three months in the prior year. Print advertising revenues for the three months ended December 31, 2017 were $10.3 million, a 16.5% decrease compared to the same quarter last year. FPLP’s largest print advertising revenue category, display advertising including colour, was $5.8 million, a decrease of $1.7 million or 22.4% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, financial and retail categories. Classified advertising revenues for the fourth quarter decreased by $0.1 million or 3.5% compared to the same period last year, primarily due to a decrease in the real estate and employment categories, partially offset by an increase in obituary revenues. Flyer distribution revenues for the fourth quarter were lower by $0.3 million or 9.3% than the same period last year, primarily due to a decrease in flyer volumes, partly offset by slightly higher average rates.

Circulation revenues for the fourth quarter decreased by $0.4 million or 6.2%, from the same period last year, with lower unit sales offsetting increased revenue from higher print subscription rates and new digital subscription revenues from the Winnipeg Free Press digital offerings. Commercial printing revenues for the fourth quarter were lower by $0.1 million or 10.9%, primarily attributable to lower page counts in recurring print contracts and the loss of the Metro printing contract at the end of November. Digital revenues for the fourth quarter decreased by $0.2 million or 24.8% compared to the same period last year, primarily due to a decrease in on-line web ad revenues.

Operating expenses for the three months ended December 31, 2017 were $16.6 million, a $1.9 million or 10.2% decrease from the same quarter last year. Employee compensation costs, excluding restructuring charges, for the fourth quarter decreased by $0.7 million or 8.3%, primarily due a reduced number of employees across all our business units. Newsprint expense for FPLP’s own publications for the quarter was $0.2 million or 15.3% lower than the fourth quarter in 2016, primarily due to lower volumes printed. Delivery costs decreased by $0.3 million or 9.7% primarily due to lower circulation units and flyer volumes.

Due to continued declines in primarily advertising revenue and earnings, FPLP recorded an impairment charge relating to its goodwill of $6.0 million during the fourth quarter of 2017, compared to an impairment charge relating to its goodwill of $10.0 million in the fourth quarter of 2016. Excluding the goodwill impairment charge, FPLP's net earnings were $1.2 million for the three months ended December 31, 2017, compared to $2.1 million for the same period last year.

EBITDA[(1)], excluding the goodwill impairment charge, for the three months ended December 31, 2017 was $2.2 million, a decrease of $1.2 million or 34.3% from the same period last year. EBITDA[(1)] margin, excluding the goodwill impairment charge, for the three months ending December 31, 2017 was 12.4%, compared to 16.3% in the same period last year.

Twelve month operating results of FPI

Revenue for the year ended December 30, 2017 was $1.9 million compared to $2.4 million in 2016. The decrease was primarily the result of lower equity earnings from FPI's investment in FPLP. A non-cash write-down of $2.9 million was recorded in the twelve months ended December 31, 2017, 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 2016 FPI recorded non-cash write-downs of $11.1 million. The write-downs resulted in a net loss of $1.7 million for the year ended December 30, 2017 compared to a net loss of $9.5 million for the year ended December 30, 2016. Excluding the non-cash write-downs of the equity investment in FPLP, FPI reported net earnings of $1.3 million for the year ended December 30, 2017, compared to net earnings of $1.6 million for 2016. 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, 2017, FPI recorded a current income tax expense of $0.3 million and a deferred income tax expense of $0.2 million compared to a current income tax expense of $0.1 million and a deferred income tax expense of $0.5 million in 2016. 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 loss for 2017 was $0.9 million compared to other comprehensive income of $0.9 million in 2016. 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, 2017 was $72.0 million, a decrease of $8.5 million or 10.6% from the prior year. Print advertising revenues for the year ended December 31, 2017 were lower by $6.7 million or 14.2% compared to last year. FPLP's largest print advertising revenue category, display advertising including colour, was $22.3 million, a decrease of $5.2 million or 18.8% from the prior year, primarily due to decreased spending in the local and national automotive, financial and retail categories. Classified advertising revenues for the 2017 year decreased by $0.9 million or 12.2% compared to last year, primarily due to lower spending in the employment and real estate categories. Flyer distribution revenues were $11.9 million, a decrease of $0.7 million or 5.7% from 2016, primarily due to a decrease in flyer volumes.

Circulation revenues for the year ended December 31, 2017 decreased by $0.7 million or 2.8%, primarily due to lower print unit sales, partly offset by higher print subscription rates and new digital subscription revenues from the Winnipeg Free Press digital content platforms. Commercial printing revenues for 2017 decreased by $0.4 million, primarily attributable to lower page counts in recurring print contracts. Digital revenues for 2017 decreased by $0.5 million or 19.3%, 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, 2017 were $67.1 million, a $7.4 million or 9.9% decrease from last year. Employee compensation costs, excluding restructuring charges, for the year decreased by $3.3 million or 9.6%, primarily due to a reduction in the number of employees across all of our business units. Restructuring charges for the year ending December 31, 2017 were $0.4 million, virtually unchanged from the prior year and represented voluntary and involuntary severance payments for employees. Newsprint expense for FPLP's own publications for the year decreased by $0.6 million or 11.5%, primarily due to lower printing volumes. Delivery costs decreased by $1.2 million or 8.2% primarily due to cost savings related to the consolidation of the carrier depots and route realignments to improve efficiency. Other expenses for the year decreased by $1.1 million or 7.4% compared to the prior year, primarily due to the loss of outside national account commission costs with these efforts assumed by existing staff.

As a result of continued declines in revenue and earnings, FPLP recorded an aggregate impairment charge relating to its goodwill of $6.0 million during the year ended December 31, 2017. Excluding this impairment charge, FPLP's net earnings were $3.8 million for the year ended December 31, 2017, compared to net earnings of $4.8 million in the prior year, excluding the $22.7 million impairment charge relating to goodwill recorded in 2016.

EBITDA(1), excluding goodwill impairment charges, for the year ended December 31, 2017 was $8.0 million compared to $10.2 million in 2016, a decrease of 21.7%. EBITDA(1) margin, excluding the goodwill impairment charge, for the twelve months ended December 31, 2017 was 11.1% compared to 12.7% in 2016.

For the year ended December 31, 2017, finance costs decreased by $0.1 million or 5.8% primarily due to the lower level of debt outstanding as a result of the $10.0 million principal repayments made on the long-term debt during 2017.

Outlook

REVENUE

Print advertising revenues have declined for a number of years and while we continue to work hard to try to stabilize our largest revenue category, the pattern of advertisers shifting their advertising spend to digital offerings, largely on Facebook and Google, is likely to continue in 2018. Print ad revenues for the first two months of 2018 are showing a 12% decline versus the same period last year. Display advertising revenues represent our largest print revenue category and decreased by 18.8% in 2017 after falling by 15.5% in 2016. In 2017 decreased spending was experienced in all categories with the automobile category seeing the single largest decline. We are optimistic that upgrades in our national sales team will give us the best chance to slow the decline from our large national advertising customers. Print classified advertising continued to decline in 2017 but the fourth quarter decline of 3.5% was the lowest decline we've seen in some time. The classified revenue improvement has continued so far into the first quarter of 2018 with the first two months roughly at the same level as the prior year. Obituary classified revenue, which has remained relatively stable, is a larger portion of the total as other previously large verticals such as automobile and employment classified advertising have largely disappeared. Both our print obituary sections and our digital sections continue to offer an important source of record for the communities we serve. The Winnipeg Free Press Passages obituary website consistently generates 2.5 million page views per month. The insert delivery business in 2017 was once again the slowest declining print revenue source as advertisers continue to invest in their flyer print and deliver programs. The closure of Sears Canada in 2017 doesn't help this revenue category going forward but these losses will be partially offset by new revenues from big box hardware store Lowe's which opened its first Winnipeg location in the first quarter of 2018.

Print and digital circulation revenues, which account for approximately 34% of our overall revenues, are expected to be near 2017 levels as print 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 platforms across both desktop and mobile. As of February 2018 we have exceeded 7,000 "all access" digital subscribers an increase of approximately 25% compared to March of last year. The number of "read now pay later" accounts, for people who prefer to pay on a per story basis, stands at just over 7,100 an increase of just under 13% compared to this time last year. Digital revenue for individual articles on our digital website did grow by 64% in 2017 but is still less than $0.1 million overall. Newspapers digital advertising revenues continue to be impacted by the dominance of the large multi-national social media and search engine sites. In 2017 digital ad revenues were down by $0.5 million from the prior year and we are trying to keep these revenues relatively stable in 2018 with the help of improved resources in the digital sales area. The 2018 commercial print revenues will be impacted by the loss of the Metro printing contract at the end of November. In 2017 commercial printing revenues from this contract were $0.8 million with $0.2 million of this representing a newsprint recovery charge. Laurie Finley and his team at Derksen Printers are focused on trying to fill the revenue shortfall left from the cancelation of this contract.

OPERATING EXPENSES

Employee compensation is our single biggest expense and in 2017 accounted for 49% of our total operating expenses before depreciation and amortization. The Winnipeg collective bargaining agreement which was extended and modified during the year included a 0.75% increase effective July 1, 2017 and no further increases prior to the expiration of the contract on June 30, 2019. The Brandon Sun employees received a 1.5% increase effective January 1, 2018 and the contract expires on December 31, 2018. In 2018 we are planning to reduce employee compensation costs by approximately 2% through a combination of retirements and voluntary layoffs.

Delivery costs which account for approximately 21% of our operating expenses before depreciation and amortization are budgeted to decrease by approximately $0.6 million or just under 5% in 2018 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.

In addition to the 7% newsprint price increase effective October 1, 2017, a further 4% increase has been implemented effective March 1, 2018. If no further price changes are implemented during the year the 2018 full year price will be approximately 9% higher than the average 2017 price. Reduced volumes are expected resulting from both continued print circulation units and the loss of the Metro printing contract and overall we're anticipating newsprint expenses for 2018 will be relatively flat to 2017 levels.

Continued efforts to reduce expenses are expected to result in a decrease of other expenses in the 5% range. The non-renewal of a large sponsorship agreement which expires on June 30, 2018 together with reduced outside contracted printing costs are two of the major areas contributing to the expected overall decrease in this expense line. Management continues to focus on implementing as many cost reduction initiatives as possible in efforts to reduce the impact of lower advertising revenues.

CAPITAL INITIATIVES, FINANCE COSTS AND OTHER ITEMS

Maintenance capital spending for 2018 is being budgeted at $0.4 million, but we think this can be reduced if we need to respond to lower operating results. Capital projects planned all related to minor equipment upgrades mostly in the computer hardware and software categories.

Finance costs are forecasted to be slightly lower in 2018 primarily resulting from lower principal balances on our term debt partially offset by expected higher average interest rates. The term loan maximum principal balance is $20.0 million at January 31, 2020 so the minimum required principal repayments is $6.0 million prior to this date. Effective January 31, 2018 the maximum leverage ratio as defined in the loan agreement is reduced from 3.5x to 3.0x and the actual leverage ratio at December 31, 2017 was 2.55x.

The Pension Commission of Manitoba completed a review of the province's pension laws and in early January 2018 issued a number of recommendations. One of the recommendations is to replace the current solvency funding rules with a regime that requires enhanced going concern funding. Solvency funding would only be required if the plan's solvency ratio is below a threshold level of 85% and solvency funding required only until the solvency ratio has increased to at least the threshold level. The commission reported that reducing solvency funding was seen as a priority since it is placing a significant burden on plan sponsors. As of the most recent plan valuation at December 31, 2016 our defined benefit pension plan had a solvency ratio of 83.3%, just under this proposed threshold level. While an updated valuation at December 31, 2017 will be completed over the upcoming months, a reasonably strong return on assets together with reasonably stable interest rates in 2017 should leave us at or slightly above this 85% threshold level. If this is the case and the pension commission's proposals are adopted into law effective with the 2017 valuation, we would see a reduction in our required 2018 funding level of approximately $1.5 million compared to the 2017 funding level.

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 10,050 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 performance and 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, 2017 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,	
	2017	2016	2017	2016
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	$ 589	$ 1,051	$ 1,845	$ 2,377
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	(2,940)	(4,900)	(2,940)	(11,100)
Administration expenses	(19)	(79)	(123)	(222)
Other income	1	-	2	1
Net (loss) before income taxes	(2,369)	(3,928)	(1,216)	(8,944)
Current income tax (expense)	(129)	(24)	(277)	(71)
Deferred income tax (expense)	(25)	(196)	(207)	(476)
Net (loss) for the period	**$ (2,523)**	**$ (4,148)**	**$ (1,700)**	**$ (9,491)**
Items that will not be reclassified to net earnings:				
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	(570)	2,382	(1,276)	1,192
Deferred income tax recovery (expense)	154	(644)	344	(322)
Comprehensive (loss) for the period	**$ (2,939)**	**$ (2,410)**	**$ (2,632)**	**$ (8,621)**
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	$ (0.366)	$ (0.601)	$ (0.246)	$ (1.375)

FP Canadian Newspapers Limited Partnership
Consolidated Statements of (Loss) and Comprehensive (Loss)
(unaudited, in thousands of Canadian dollars)

	Three Months Ended December 31,		Twelve months Ended December 31,	
	2017	2016	2017	2016
Revenue				
Print advertising	$ 10,286	$ 12,325	$ 40,460	$ 47,160
Circulation	5,970	6,369	24,342	25,042
Commercial Printing	1,062	1,193	4,261	4,703
Digital	550	731	2,179	2,700
Promotion and services	175	263	707	910
TOTAL REVENUE	$ 18,043	$ 20,881	$ 71,949	$ 80,505
Employee compensation	7,518	8,197	31,020	34,322
Newsprint and other paper	1,557	1,808	6,112	6,877
Delivery	3,264	3,613	13,060	14,219
Other	3,410	3,765	13,390	14,458
Depreciation and amortization	764	972	3,117	4,159
Restructuring charge	53	86	354	393
OPERATING INCOME BEFORE IMPAIRMENT	1,447	2,440	4,896	6,077
Impairment of goodwill	(6,000)	(10,000)	(6,000)	(22,700)
OPERATING (LOSS)	(4,523)	(7,560)	(1,104)	(16,623)
Other income	29	18	96	75
Finance costs	(303)	(314)	(1,226)	(1,302)
NET (LOSS) FOR THE YEAR	**$ (4,797)**	**$ (7,856)**	**$ (2,234)**	**$ (17,850)**
Items that will not be reclassified to net earnings:				
Remeasurements for defined benefit pension plan	(1,165)	4,861	(2,604)	2,431
COMPREHENSIVE (LOSS) FOR THE YEAR	**$ (5,962)**	**$ (2,995)**	**$ (4,838)**	**$ (15,419)**