NEWS RELEASE

FP Newspapers Inc. reports second quarter 2020 results

Winnipeg, August 27, 2020 – FP Newspapers Inc. ("FPI") announces financial results for the quarter ended June 30, 2020. 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 net income of $1.3 million for the three months ended June 30, 2020, compared to net income of $0.6 million for the same period last year.

Second quarter operating results of FPLP

FPLP's revenue for the three months ended June 30, 2020 was $11.9 million, a decrease of $5.1 million or 30.0% from the same three months in the prior year. FPLP's print advertising revenues for the three months ended June 30, 2020 were $5.0 million, a $4.1 million or 44.8% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $2.4 million, a decrease of $2.4 million or 49.6% from the same period in the prior year, primarily due to the business closures due to the COVID-19 pandemic. Classified advertising revenues for the second quarter decreased by $0.3 million or 20.8% compared to the same period last year, primarily due to COVID-19 business closures. Flyer distribution revenues decreased by $1.4 million or 49.5% compared to the second quarter in 2019, once again, primarily due the business closures as a result of COVID-19.

Circulation revenues for the three months ended June 30, 2020 were $5.9 million a decrease of $0.3 million or 5.4% from the second quarter of 2019, primarily due to slightly lower print home delivery volumes and lower single copy revenues due to the business closures resulting from the COVID-19 pandemic. Digital advertising revenues for the second quarter decreased by 33.0%, primarily due COVID-19 related business closures. Commercial services revenue decreased by $0.5 million primarily due to the cancellation of printing as a result of COVID-19 closures.

Operating expenses for the three months ended June 30, 2020 were $7.9 million, a decrease of $7.2 million or 47.7% compared to the same quarter last year. Employee compensation costs for the second quarter decreased by $5.3 million or 78.5% from the same period in the prior year, primarily the result of government support from the Canada Emergency Wage Subsidy ("CEWS"), the Federal Journalism Tax Credit Program, wage reductions implemented starting April 5, 2020 and lower staffing levels both in response to the dramatic and sudden decrease in advertising revenues as a result of the COVID-19 pandemic and the resulting business closures. Newsprint expense for FPLP's own publications for the second quarter decreased by $0.4 million or 31.4% compared to the same period in the prior year, primarily due to lower page counts as a result of the decrease in print advertising due to the COVID-19 pandemic in addition to slightly lower overall newsprint prices. Newsprint for commercial use decreased by 38.0% due to the decrease in commercial print jobs resulting from the business closures from the COVID-19 pandemic. Delivery expenses for the three months ended June 30, 2020 decreased by $0.4 million or 14.6%, primarily due to reduced flyer volumes as a result of the business closures from the COVID-19 pandemic. Other expenses decreased by $0.9 million or 26.7% as we reduced every possible expense in an effort to lessen the impact of lower advertising revenues resulting from the COVID-19 pandemic.

FPLP's revenue for the six months ended June 30, 2020 was $26.1 million, a decrease of $6.4 million or 19.6% from the same period in the prior year. Print advertising revenues for the six months ended June 30, 2020 were $11.8 million, a $5.3 million or 31.0% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $5.7 million, a decrease of $3.5 million or 37.9% from the same period in the prior year, primarily due to the business closures in the second quarter as a result of the COVID-19 pandemic. Classified advertising revenues for the six months ended June 30, 2020 were $2.5 million, a decrease of $0.4 million or 12.7% compared to the same period in 2019, primarily due to the COVID-19 business closures. Flyer distribution revenues decreased by $1.5 million or 29.0% compared to the first six months of 2019, primarily due to COVID-19 related business closures.

For the six months ended June 30, 2020, circulation revenues were $11.8 million, a decrease of $0.3 million or 2.8% from the same period of 2019, primarily due to slightly lower print home delivery volumes and lower single copy revenues in the second quarter due to the business closures resulting from the COVID-19 pandemic. Commercial services revenue decreased by $0.5 million primarily due to business closures in the second quarter due to COVID-19. Digital revenues for the first six months of 2020 decreased by $0.2 million or 20.2%, primarily due the business closures in the second quarter as a result of COVID-19.

Operating expenses for the six months ended June 30, 2020 were $21.7 million, a decrease of $8.3 million or 27.8% compared to the same period last year. Employee compensation costs for the six months decreased by $6.0 million or 43.0% from the same period in the prior year, primarily due to government support from CEWS, the Federal Journalism Tax Credit Program wage reductions and lower staffing levels implemented in the second quarter in response to the lower advertising revenues due to the COVID-19 pandemic. Newsprint expense for FPLP's own publications for the six months ended June 30, 2020 decreased by $0.6 million or 24.3% compared to the same period in the prior year, primarily due to lower page counts resulting from the print advertising decline from COVID-19 in addition to lower average newsprint prices. Newsprint for commercial use decreased by 22.0% due primarily to a decrease in commercial print jobs in the second quarter resulting from the business closures due to the COVID-19 pandemic. Delivery expenses for the six months ended June 30, 2020 decreased by $0.6 million or 10.3%, primarily due to the decrease in flyer delivery volumes resulting from the business closures due to COVID-19. Other expenses for the six months ending June 30, 2020 decreased by $0.9 million or 14.9% resulting from the cost reductions implemented during the second quarter to respond to the lower advertising revenues as a result of the COVID-19 business closures.

EBITDA(1) for the three and six months ended June 30, 2020 was $4.7 million and $5.7 million compared to $2.6 million and $3.8 million for the same periods last year, an increase of 77.2% and 49.9%, respectively. EBITDA(1) margin for the three and six months ended June 30, 2020 was 39.3% and 21.9%, compared to 15.5% and 11.7% in the same periods last year. The changes in EBITDA(1) were due to the revenue and operating expense paragraphs above.

Finance costs for the three and six months ended June 30, 2020 decreased by $0.1 million and $0.2 million respectively compared to the same periods in 2019, due to the lower level of debt outstanding and lower average interest rates.

FPLP's net income was $3.8 million and $4.1 million for the three and six months ended June 30, 2020, compared to net income of $1.7 million and $2.0 million for the same periods last year.

Outlook

Advertising revenue improvements we started to see as a result of provincial phased business re-opening rules have continued so far into the third quarter. Year-over-year monthly advertising revenues in July and August were improved from June levels and September bookings are on pace to be even better. On July 21, 2020 Manitoba Premier Brian Pallister announced the province would transition to phase four of its re-opening strategy. Phase 4 will include the resumption of live theatrical performances and movie theatre showings at a maximum of thirty percent of the site's capacity or up to five hundred people with physical distancing measures in place. Casinos will be able to reopen to thirty percent capacity with enhanced cleaning and distancing measures in place.

The Canada Emergency Wage Subsidy ("CEWS") program will continue to provide financial relief into the third and fourth quarters however the subsidy amount will be lower than what was received in the second quarter as advertising revenue levels are anticipated to improve as the province lifts restrictions and businesses re-open. The CEWS program, as drafted, is scheduled to provide financial support for companies negatively impacted by the pandemic and is set to run to November 21, 2020.

The Manitoba Pension Superintendent's office continues to work through the CAAT merger documentation submitted at the end of February. While there is no formal deadline, we are hoping the review can be completed and approvals received before the end of the 2020 year.

On July 1, 2020 a ten percent print home delivery price increase was implemented at the Free Press for all delivery schedules. The increase amounts to slightly over four dollars a month for our most popular delivery schedule readers who subscribe to the paper six-days per week. To date there has been virtually no negative reaction to the price increase as we have recorded only sixteen permanent stops as a result of the change.

COVID-19

While Manitoba has fared better to-date than many other Provinces, the short and long-term impact on the local and national economies is uncertain and is expected to remain this way for the unforeseeable future. The overall impact on our businesses as a result of COVID-19 cannot be predicted with any reliability. While we believe swift actions taken to reduce and defer costs together with meaningful direct support by the federal government has resulted in us being in a relatively stable financial position currently, this could deteriorate quickly if the overall economy does not improve or worsens from the present state.

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 May 15, 2020, 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. The businesses employ approximately 364 full-time equivalent people in Winnipeg, Brandon, Steinbach, 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, 2020 on FPI’s website www fpnewspapers.com or on SEDAR at www.sedar.com.

For further information please contact:

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FP Newspapers Inc.

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

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

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	$ 1,902	$ 850	$ 2,014	$ 970
Administration expenses	(33)	(38)	(76)	(74)
Other income	-	2	-	3
Net income before income taxes	1,869	814	1,938	899
Current income tax (expense)	(539)	(141)	(551)	(174)
Deferred income tax recovery (expense)	14	(37)	17	(35)
Net income for the period	**1,344**	**636**	**1,404**	**690**
Items that will not be reclassified to net income (loss):				
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	128	(1,352)	(1,467)	(967)
Deferred income tax (expense) recovery	(35)	365	396	262
Comprehensive income (loss) for the period	**$ 1,437**	**$ (351)**	**$ 333**	**$ (15)**
Weighted average number of Common Shares outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net income per share – basic and diluted	$ 0.195	$ 0.092	$ 0.203	$ 0.100

FP Canadian Newspapers Limited Partnership

Condensed Consolidated Statements of Income and Comprehensive Income (Loss)

(unaudited, in thousands of Canadian dollars)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenue				
Print advertising	$ 5,012	$ 9,078	$ 11,788	$ 17,095
Circulation	5,905	6,242	11,788	12,126
Commercial printing	446	912	1,297	1,751
Digital advertising	421	626	983	1,228
Promotion and services	99	113	245	264
TOTAL REVENUE	11,883	16,971	26,101	32,464
Operating expenses				
Employee compensation	1,460	6,789	8,005	14,050
Newsprint and other paper	918	1,410	2,024	2,725
Delivery	2,436	2,854	4,999	5,574
Other	2,377	3,244	5,337	6,270
Depreciation and amortization	666	715	1,347	1,436
OPERATING INCOME BEFORE RESTRUCTURING	4,026	1,959	4,389	2,409
Restructuring charge	(26)	(40)	(31)	(40)
OPERATING INCOME	4,000	1,919	4,358	2,369
Other (loss) income	(16)	12	(2)	28
Finance costs	(102)	(196)	(246)	(418)
NET INCOME FOR THE PERIOD	$ 3,882	$ 1,735	$ 4,110	$ 1,979
Items that will not be reclassified to net Income:				
Remeasurements for defined benefit pension plan	262	(2,759)	(2,995)	(1,973)
COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 4,144	$ (1,024)	$ 1,115	$ 6