



FP Newspapers Inc. reports first quarter 2017 results

Winnipeg, May 10, 2017 – FP Newspapers Inc. (“FPI”) (TSXV: FP) announces financial results for the quarter ended March 31, 2017. FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

First quarter operating results of FPI

FPI reported net earnings of \$0.2 million for the three months ended March 31, 2017, compared to net earnings of \$0.3 million for the same period last year.

First quarter operating results of FPLP

FPLP’s revenue for the three months ended March 31, 2017 was \$18.2 million, a decrease of \$1.4 million or 7.3% from the same three months in the prior year. FPLP’s print advertising revenues for the three months ended March 31, 2017 were \$10.3 million, a \$1.3 million or 11.5% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was \$5.9 million, a decrease of \$1.2 million or 17.2% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, financial and retail categories, partly offset by increased spending in the travel category. Classified advertising revenues for the first quarter decreased by \$0.3 million or 16.8% compared to the same period last year, primarily due to lower spending in the real estate and employment categories. Flyer distribution revenues increased by \$0.2 million or 7.0% compared to the first quarter in 2016, primarily due to an increase in flyer volumes and higher rates.

Operating expenses for the three months ended March 31, 2017 were \$17.3 million, a decrease of \$1.2 million or 6.6% compared to the same quarter last year. Employee compensation costs for the first quarter decreased by \$0.8 million or 9.0% from the same period in the prior year, primarily due to a reduction in the number of employees across all of our business units. Newsprint expense for FPLP’s own publications for the first quarter decreased by \$0.1 million or 5.6% compared to the same period in the prior year, primarily due to lower volumes. Delivery expenses for the three months ended March 31, 2017 decreased by \$0.2 million or 6.0%, primarily due to the cost savings related to the consolidation of the carrier depots.

FPLP’s net earnings were \$0.6 million for the three months ended March 31, 2017, compared to \$0.8 million for the same period last year.

EBITDA(1) for the three months ended March 31, 2017 was \$1.7 million compared to \$2.2 million for the same period last year, a decrease of 22.1%. EBITDA(1) margin for the three months ended March 31, 2016 was 9.4%, compared to 11.1% in the same period last year.

Finance costs for the three months ended March 31, 2017 decreased slightly, primarily due to the lower level of debt outstanding.

Outlook

The print advertising market will continue to be challenging going forward. To date in the second quarter, print advertising revenues are trending at similar year over year levels that were seen in the first quarter. On May 3, The Outlet Collection Winnipeg opened and is Manitoba's first pure outlet shopping destination. The new facility offers more than 570,000 square feet of shopping featuring over one hundred popular outlet brands. Winnipeg Free Press and Canstar Community News advertising sales staff will be making every effort to generate new advertising partnerships in the coming months.

The pension solvency relief measures finalized in early April will provide significant cash flow relief for the remainder of the year. Since we were required to comply with higher pre-relief funding levels for the first four months of the year, company past service contributions for the months of April through December will total \$0.2 million compared to \$2.7 million for the same 8 month period last year.

A committee made up of senior managers at the Winnipeg Free Press, Unifor representatives and unionized departmental employees has been formed and has held a series of meetings to discuss the pressures the continued revenue declines are having on the business and what changes might be possible to help deal with these pressures. The meetings have included discussions around possible changes to the current collective bargaining agreement for inside workers at the Winnipeg Free Press which is scheduled to end on June 30, 2018. The Committee has agreed on a tentative agreement and unionized employees will be holding a ratification vote on Saturday May 13, 2017.

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.**Unaudited Condensed Statements of Earnings and Comprehensive Income (Loss)**

(in thousands of Canadian dollars except per share amounts)

	Three Months Ended March 31,	
	2017	2016
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	\$ 305	\$ 391
Administration expenses	(30)	(52)
Net income before income taxes	275	339
Current income tax (expense)	(16)	(59)
Deferred income tax (expense)	(73)	(30)
Net earnings for the period	\$ 186	\$ 250
Items that will not be reclassified to net income:		
Equity interest of other comprehensive income (loss) from FP Canadian Newspapers Limited Partnership	10	(834)
Deferred income tax recovery (expense)	(2)	225
Comprehensive income (loss) for the year	\$ 194	\$ (359)
Weighted average number of Common Shares outstanding	6,902,592	6,902,592
Net earnings per share – basic and diluted	\$ 0.027	\$ 0.036

FP Canadian Newspapers Limited Partnership**Unaudited Condensed Consolidated Earnings Statements and Statements of Comprehensive income (Loss)**

(in thousands of Canadian dollars)

	Three Months Ended March 31,	
	2017	2016
Revenue		
Print advertising	\$ 10,332	\$ 11,670
Circulation	5,982	6,027
Commercial Printing	1,134	1,105
Digital	572	612
Promotion and services	198	228
TOTAL REVENUE	\$ 18,218	\$ 19,642
Employee compensation	8,016	8,806
Newsprint and other paper	1,538	1,597
Delivery	3,252	3,459
Other	3,520	3,587
Depreciation and amortization	791	1,065
Restructuring charge	188	4
OPERATING INCOME	913	1,124
Other income	21	18
Finance costs	(313)	(345)
NET EARNINGS FOR THE YEAR	\$ 621	\$ 797
Items that will not be reclassified to net earnings:		
Remeasurements for defined benefit pension plan	20	(1,702)
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 641	\$ (905)