FP Newspapers Inc.

Management's Discussion and Analysis 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 15, 2020

Management's discussion and analysis, prepared as at May 15, 2020, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three and twelve months ended December 30, 2019. This review is based on financial information contained in the financial statements and accompanying notes for the year ended December 30, 2019.

Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

The financial statements, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS). The following information provides analysis of the operations and financial position of FPI and FP Canadian Newspapers Limited Partnership ("FPLP") and should be read in conjunction with the financial statements and accompanying notes.

This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risks and uncertainties set out below under the heading "Caution Regarding Forward-Looking Statements". The reader is cautioned not to place undue reliance on forward-looking statements.

Further information relating to FPI is available at **www.sedar.com** or on FPI's website at **www fpnewspapers.com**.

FORMATION AND LEGAL ENTITIES

FPI, which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). The Fund was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an initial public offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP").

On December 31, 2010, the Fund completed its conversion from an income trust to a corporate structure pursuant to a plan of arrangement. Under the plan of arrangement, Unitholders of the Fund received, for each Unit of the Fund held, one common share of the resulting public corporation, FPI. The common shares of FPI commenced trading on the Toronto Stock Exchange on January 7, 2011 under the symbol "FP". Concurrently, the Fund's Units were delisted. Effective at the close of market on November 21, 2016 the Company delisted from trading on the Toronto Stock exchange and effective at the opening of business on November 22, 2016, the common shares of FPI commenced trading on the TSX Venture Exchange under the same "FP" symbol.

FPI owns securities entitling it to 49% of the distributable cash of FPLP.

FPLP is a limited partnership formed on August 9, 1999. Effective November 29, 2001, FPLP acquired the business assets and assumed certain liabilities of the Winnipeg Free Press and the Brandon Sun. On July 13, 2004, FPLP acquired the business assets and liabilities of Canstar Community News ("Canstar"). On February 28, 2011, FPLP acquired the business assets and assumed certain liabilities of a commercial printing and publishing business operating under the name Derksen Printers based in Steinbach, Manitoba.

FP NEWSPAPERS INC.

A summary of selected financial information of FPI for the last three years is as follows:

$ in thousands except per share amounts	2019	2018	2017
Revenue	2,176	1,187	1,847
Net income (loss)	1,444	(1,965)	(1,700)
Net income (loss) per share	0.209	(0.285)	(0.246)
Total assets	5,727	5,230	7,146
Total long-term liabilities	661	578	835

Revenue for the year ended December 30, 2019 was $2.2 million compared to $1.2 million in 2018. The increase was primarily the result of higher equity earnings from FPI's investment in FPLP. Net income for the year ended December 30, 2019 was $1.4 million compared to a net loss of $2.0 million in 2018. A non-cash write-down of $3.1 million was recorded in the twelve months ended December 30, 2018, 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. Excluding the non-cash write-down of the equity investment in FPLP in 2018, FPI reported net income of $1.1 million for the year ended December 30, 2018. The increase in the 2019 net income is primarily due to an increase in the equity share of the net earnings of FPLP, with details of this increase disclosed in the FPLP section of this report. For the year ended December 30, 2019, FPI recorded a current income tax expense of $0.2 million and a deferred income tax expense of $0.4 million compared to a current income tax expense of $0.2 million and a deferred income tax recovery of $0.3 million in 2018. The deferred income tax expense is primarily from the deferral of taxes from amounts owing from the general partners of FPLP who have agreed to pay FPLP for their respective shares of the refundable tax credit for qualifying Canadian Journalism Organizations and timing differences between FPLP's year end and FPI's year end. Other comprehensive loss for 2019 was $0.8 million compared to other comprehensive income of $0.2 million in 2018. 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.

As at December 30, 2019, FPI had 6,902,592 shares outstanding.

SUMMARY OF QUARTERLY RESULTS

A summary of FPI's quarterly revenue, net (loss) earnings and net (loss) earnings per share for the years ended December 30, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
	In thousands of dollars (except per share amounts)		
Revenue			
Quarter 1	$ 121	$ (53)	$ 305
Quarter 2	852	435	802
Quarter 3	177	65	150
Quarter 4	1,026	740	590
Net income (loss)			
Quarter 1	$ 54	$ (84)	$ 186
Quarter 2[(1)]	636	(2,463)	566
Quarter 3	67	22	71
Quarter 4[(1)]	687	560	(2,523)
Net income (loss) per share			
Quarter 1	$ 0.008	$ (0.012)	$ 0.027
Quarter 2[(1)]	0.092	(0.357)	0.082
Quarter 3	0.010	0.003	0.010
Quarter 4[(1)]	0.100	0.081	(0.365)

[(1)] A non-cash write-down of $3.1 million was recorded in the second quarter of 2018 and a non-cash write-down of $2.9 million was recorded in the fourth quarter of 2017. 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 income experienced by FPLP.

FPI reported net income of $0.7 million for the three months ended December 30, 2019, compared to net income of $0.6 million for the same period in 2018.

RESULTS OF OPERATIONS OF FPLP

A summary of selected financial information of FPLP for the last three years is as follows:

	2019	2018	2017
		In thousands of dollars	
Revenue	63,820	67,021	71,949
Net income (loss)(*)	4,427	(3,935)	(2,234)
Total assets (*)	36,953	39,028	51,333
Total long-term liabilities(**)	1,725	19,614	28,463

* The net (loss) and reduction in total assets in 2018 and 2017 results primarily from FPLP recording an impairment charge relating to its goodwill and intangible assets of $6 4 million in the second quarter of 2018 and $6 0 million during the fourth quarter of 2017, primarily due to continued declines in revenue and earnings

**The reduction in long-term liabilities in 2019 results primarily from the long-term debt agreement expiring January 31, 2020 Effective January 31, 2020, FPLP completed a long-term debt renewal agreement with HSBC Bank Canada, which extended the term of the loan to January 31, 2023 The reduction in long-term liabilities in 2018 is a result of voluntary repayments of principal on the term loan in November of 2018

SUMMARY OF ANNUAL RESULTS

Revenue:

A summary of annual revenue by major category is as follows:

	2019	2018
	In thousands of dollars	
Print advertising	$ 33,172	$ 36,683
Circulation	24,509	24,347
Commercial printing	3,380	3,279
Digital advertising	2,227	2,155
Other	532	557
	$ 63,820	$ 67,021

FPLP’s revenue for the year ended December 31, 2019 was $63.8 million, a decrease of $3.2 million or 4.8% from the prior year. Print advertising revenues for the year ended December 31, 2019 were lower by $3.5 million or 9.6% compared to last year. FPLP’s largest print advertising revenue category, display advertising including colour, was $17.2 million, a decrease of $2.2 million or 11.3% from the prior year, primarily due to decreased spending in the local and national automotive, government and retail categories, partially offset by a slight increase in the telecommunications category. Classified advertising revenues for the 2019 year decreased by $0.5 million or 8.6% compared to last year, primarily due to lower spending in the employment, obituary and real estate categories. Flyer distribution revenues were $10.5 million, a decrease of $0.8 million or 7.1% from 2018, primarily due to a decrease in flyer volumes, partly offset by slightly higher rates.

Circulation revenues for the year ended December 31, 2019 were $24.5 million, an increase of $0.2 million or 0.7% compared to 2018 as a result of an increase in print subscription prices and increased digital subscription units, partially offset by decreases in print unit sales. Commercial services revenues increased by $0.1 million compared to 2018 and digitall advertising revenues and other revenue for 2019 remained at relatively the same level compared to 2018.

Operating Expenses:

Operating expenses by major category are as follows:

	2019	2018
		In thousands of dollars
Employee compensation, excluding restructuring charges	$ 27,667	$ 29,934
Newsprint – own use	4,333	4,975
Newsprint – commercial printing	888	873
Delivery	11,140	12,254
Other	12,426	12,561
Depreciation and amortization	2,839	2,881
	59,293	63,478
Restructuring charges	198	139
Pension curtailment gain	(833)	-
	$ 58,658	$ 63,617

Operating expenses for the year ended December 31, 2019 were $58.7 million, a $5.0 million or 7.8% decrease from last year. Employee compensation costs, excluding restructuring charges, for the year decreased by $2.3 million or 7.6%, primarily due to a $1.1 million tax credit for 2019 from the federal government's previously announced support for Canadian journalism program as well as staff reductions from voluntary resignations and retirements. Restructuring charges for the year ending December 31, 2019 were $0.2 million, $0.1 million lower than the prior year and represented voluntary and involuntary severance payments for employees. On December 31, 2019, as a result of the CAAT Pension Plan merger (see "Pension Plans" section of Critical Accounting Estimates on page 12 of this report), the FPLP Plans were amended to cease all service accruals on this date. As a result of this amendment during the year ended December 31, 2019, FPLP recognized a non-cash curtailment gain of $0.8 million. Newsprint expense for FPLP's own publications for the year decreased by $0.6 million or 12.9%, primarily due to lower printing volumes, partly offset by a slightly higher average newsprint price. Newsprint expense for commercial use remained at relatively the same level compared to 2018. Delivery costs decreased by $1.1 million or 9.1% primarily due to cost savings related to the initiatives implemented to improve delivery route efficiency, together with savings from lower print circulation units delivered. Other expenses for the year decreased by $0.1 million or 1.1% compared to the prior year.

EBITDA[(1)], excluding goodwill and intangible assets impairment charges, for the year ended December 31, 2019 was $8.0 million compared to $6.3 million in 2018, an increase of 27.3%. EBITDA[(1)] margin, excluding the goodwill and intangible assets impairment charge, for the year ended December 31, 2019 was 12.5% compared to 9.4% in 2018.

For the year ended December 31, 2019, finance costs decreased by $0.3 million or 28.4% primarily due to the lower level of debt outstanding.

FPLP's net income was $4.4 million for the year ended December 31, 2019, compared to net loss of $3.9 million in the prior year. As a result of continued declines in revenue and earnings, FPLP recorded a non-cash impairment charge relating to its goodwill and intangible assets of $6.4 million during the year ended December 31, 2018. Excluding this impairment charge, FPLP's net income was $2.4 million for the year ended December 31, 2018.

Under IFRS, comprehensive income includes remeasurement gains and losses related to FPLP's defined benefit pension plan. These gains or losses are primarily related to changes in actuarial discount rate assumptions and returns on plan assets differing from expected investment income. The actuarial loss in 2019 was due to a decrease in the discount rate used for accounting purposes, partly offset by higher than expected returns on plan assets.

SUMMARY OF FOURTH QUARTER RESULTS

Revenue:

A summary of revenue for the three months ended December 31, 2019 and 2018 by major category is as follows:

	Three months ended	
	December 31, 2019	**December 31, 2018**
	In thousands of dollars	
Print advertising	$ 8,517	$ 9,854
Circulation	6,168	6,169
Commercial printing	866	858
Digital advertising	533	636
Other	143	134
	$ 16,227	$ 17,651

FPLP's revenue for the three months ended December 31, 2019 was $16.2 million, a decrease of $1.4 million or 8.1% from the same three months in the prior year. Print advertising revenues for the three months ended December 31, 2019 were $8.5 million, a 13.6% decrease compared to the same quarter last year. FPLP's largest print advertising revenue category, display advertising including colour, was $4.3 million, a decrease of $1.1 million or 20.5% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, government, telecommunications and retail categories. Classified advertising revenues for the fourth quarter decreased by $0.1 million or 6.8% compared to the same period last year, primarily due to a decrease in the real estate, employment and obituary categories. Flyer distribution revenues for the fourth quarter decreased by $0.2 million or 5.0% compared to the same period last year, primarily due to decreased flyer volumes, partly offset by slightly higher average rates.

Circulation revenues for the three months ended December 31, 2019 remained at relatively the same level compared to 2018 as a result of an increase in print subscription prices and increased digital subscription revenue, offset by decreases in print unit sales. Commercial services revenues remained at relatively the same level compared to 2018. Digital advertising revenues for the three months ended December 31, 2019 decreased by $0.1 million or 16.2%, primarily due to a decrease in internet web ad revenues. Other revenue remained at relatively the same level compared to 2018.

Operating Expenses:

	Three months ended	
	December 31, 2019	**December 31, 2018**
	In thousands of dollars	
Employee compensation	$ 6,631	$ 7,346
Newsprint – own use	1,054	1,307
Newsprint – commercial printing	226	232
Delivery	2,843	3,049
Other	3,232	3,233
Depreciation and amortization	695	708
	$ 14,681	$ 15,875
Restructuring charge	118	28
Pension curtailment gain	(833)	-
	$ 13,966	$ 15,903

Operating expenses for the three months ended December 31, 2019 were $14.7 million, a $12 million or 7.5% decrease from the same quarter last year. Employee compensation costs, excluding restructuring charges, for the fourth quarter decreased by $0.7 million or 9.7%, primarily due to a $0.3 million tax credit for the fourth quarter from the federal government's previously announced support for Canadian journalism program as well as staff reductions from voluntary resignations and retirements. Restructuring charges for the three months ended December 31, 2019 were $0.1 million, $0.1 million higher than the prior year and represented voluntary and involuntary severance payments to employees. On December 31, 2019, as a result of the CAAT Pension Plan merger (see "Pension Plans" section of Critical Accounting Estimates on page 12 of this report), the FPLP Plans were amended to cease all service accruals on this date. As a result of this amendment during the quarter ended December 31, 2019, FPLP recognized a non-cash curtailment gain of $0.8 million. Newsprint expense for FPLP's own publications for the three months ended December 31, 2019 decreased by $0.3 million or 19.4%, primarily due to lower printing volumes and lower newsprint prices. Newsprint expense for commercial use remained at relatively the same level compared to the same period in 2018. Delivery costs for the three months ended December 31, 2019 decreased by $0.2 million or 6.8% primarily due to cost savings related to the initiatives implemented to improve delivery route efficiency in addition to fewer printed copies being delivered.

EBITDA[(1)], for the three months ended December 31, 2019 was $3.0 million, an increase of $0.5 million or 20.2% from the same period last year. EBITDA[(1)] margin, for the three months ending December 31, 2019 was 18.2%, compared to 13.9% in the same period last year.

FPLP's net income was $2.1 million for the three months ended December 31, 2019, compared to $1.5 million for the same period last year.

QUARTERLY SUMMARY

Newspaper publishing is, to a certain extent, a seasonal business, with a higher proportion of revenues and operating income occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA[(1)] and net earnings (loss) of FPLP by quarter for 2019, 2018, and 2017 were as follows:

	2019	2018	2017
		In thousands of dollars	
Revenue			
Quarter 1	$ 15,493	$ 16,070	$ 18,218
Quarter 2	16,971	17,375	18,795
Quarter 3	15,129	15,925	16,893
Quarter 4	16,227	17,651	18,043
	63,820	$ 67,021	$ 71,949
EBITDA[(1)]			
Quarter 1	$ 1,171	$ 887	$ 1,704
Quarter 2[(*)] [(**)]	2,634	1,846	2,706
Quarter 3[(*)]	1,240	1,096	1,362
Quarter 4[(*)]	2,956	2,456	2,241
	8,001	$ 6,285	$ 8,013
Net Income (Loss)			
Quarter 1	$ 244	$ (110)	$ 621
Quarter 2[(*)] [(**)]	1,735	(5,465)	1,637
Quarter 3[(*)]	360	132	305
Quarter 4[(*)]	2,088	1,508	(4,797)
	4,427	$ (3,935)	$ (2,234)

(*) Goodwill and intangibles impairment charges of $6.4 million were recorded in the second quarter of 2018 and $6.0 million in the fourth quarter of 2017. These goodwill and intangibles impairment charges were recorded primarily due to continued declines in revenues and income.

(**) A reduction in compensation costs in the amount of $0.3 was recorded in the third and fourth quarters, respectively and $0.5 million was recorded in the second quarter of 2019 for the estimated support under the federal government’s Canadian journalism labour tax credit program, which was formally approved in the second quarter of 2019.

FINANCIAL CONDITION OF FPLP

LIQUIDITY AND CAPITAL RESOURCES OF FPLP

Cash and cash equivalents at December 31, 2019 was $4.4 million compared to $4.3 million at December 31, 2018. Cash and cash equivalents may be used to reduce debt, to fund future capital expenditures, to pay future distributions (including future income taxes payable by the partners), or for other strategic initiatives or general purposes. During the year ended December 31, 2019, operating activities provided $5.1 million, investing activities used $0.1 million and $4.9 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP’s operating requirements, capital expenditures, required principal and interest payments under FPLP’s credit facility and finance lease obligations and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management’s current expectations.

The Company's most significant financial obligation related to its long-term debt which matured on January 31, 2020. Effective January 31, 2020 FPLP completed a long-term debt renewal agreement with HSBC Bank Canada (Note 7 to the 2019 Annual Consolidated Financial Statements of FPLP).

CASH FLOW FROM OPERATING ACTIVITIES

During the year ended December 31, 2019, cash generated from operating activities was $5.1 million, compared to $5.6 million for 2018. The change in cash generated from operating activities is primarily due to an increase in pension funding requirements in 2019, partially offset by an increase in net income in 2019.

INVESTING ACTIVITIES

Capital asset additions were $0.1 million for the year ended December 31, 2019, unchanged from the prior year. Maintenance capital expenditures in 2019 were primarily for computer software improvements and computer network firewall upgrades.

FINANCING ACTIVITIES

Financing activities used $4.9 million of cash in 2019, compared to $7.9 million in 2018. Repayment of long-term debt principal in 2019 was $3.5 million and $7.0 million in 2018. Principal repayments of lease obligations were $0.7 million in 2019 and $0.8 million in 2019. A distribution to partners of FPLP of $0.6 million was made during 2019, of which $0.3 million was paid to FPI as holder of Class A limited partner units to fund FPI's income taxes and administration costs for the 2019 year.

CONTRACTUAL OBLIGATIONS

A summary of FPLP's undiscounted contractual obligations by period is as follows:

		Payments Due by Period			
	Total	**Less than 1 year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
		In thousands of dollars			
Long-term debt	$ 15,557	$ 15,557	$ -	$ -	$ -
Mortgage loan	809	92	717	-	-
Finance leases	170	108	62	-	-
Other contractual commitments	438	309	127	2	-
Total contractual obligations	$ 16,974	$ 16,066	$ 906	$ 2	$ -

The long-term debt agreement has a maturity date of January 31, 2020 and on this date FPLP completed a long-term debt renewal agreement with HSBC Bank Canada. As part of the renewal agreement FPLP repaid $2.0 million of principal bringing the outstanding principal to $13.5 million. The loan includes annual principal repayments of $1.0 million due on June 1 along with a cash sweep to be paid no later than 90 days after the end of each fiscal year. The cash sweep is equal to 20% of FPLP's annual distributable cash as defined in the agreement. The new loan agreement matures on January 31, 2023. Similar to the original facility, the renewal facility includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. The maximum leverage ratio is 3.0 to 1 as long as the outstanding loan balance is at or above $10.0 million and below this level there is no requirement to maintain a specified leverage ratio. The fixed charge coverage ratio cannot fall below 2.0 to 1 while the loan balance is at or above $10.0 million and reduces to 1.5 to 1 when the outstanding loan balance falls below $10.0 million. The ratio calculations are defined in the agreement and measured quarterly on a trailing 12 month basis. The loan is secured by all of the assets of the businesses other than the Derksen Printers land and building and additionally a mortgage registered on FPLP's Winnipeg land and building. The variable interest rate is based on a grid determined by the trailing 12 month leverage ratio.

FPLP sponsors registered defined benefit and defined contribution pension plans. As at December 31, 2019, the defined benefit plan assets totalled $58.5 million and were invested in a diversified portfolio of Canadian and International equity securities, as well as Canadian bonds and real estate. The valuation as at December 31, 2018 established the contributions FPLP had to make under the defined benefit pension plan for the 2019 year. On December 31, 2019, as a result of the CAAT Pension Plan merger, the FPLP Plans were amended to cease all service accruals on this date (see "Pension Plans" section of Critical Accounting Estimates on page 11 of this report).

PRODUCTIVE CAPACITY MAINTENANCE STRATEGY

The key sources of revenue of FPLP are dependent upon our ability to sell and publish display and classified advertising, both in our newspapers and on our websites, our ability to distribute advertising flyers, and our ability to produce and distribute newspapers. The key capital assets used in these activities are premises, computer hardware and software, printing presses and distribution-related machinery. The available capital assets are used by our staff to deliver the products and services which results in revenue to FPLP.

It is the complex interaction of asset utilization, staffing levels and contracted services which ultimately determine our productive capacity on any given day, but there is no single measure which would accurately portray the productive capacity of the business. Generally speaking, we manage the business to ensure there is excess capacity available that would allow us to comfortably increase the volume of advertising, circulation and flyer distribution to take advantage of market opportunities.

FPLP's strategy is to maintain a reasonable level of excess productive capacity to at least ensure we are able to produce and distribute products and services at the current peak volumes. This is accomplished by conducting capital and non-capital preventive maintenance programs for machinery and equipment, performing repairs when necessary, evaluating new technologies as they become available, and investing in new technologies when appropriate.

DEBT MANAGEMENT STRATEGY

Effective January 31, 2020 FPLP completed a long-term debt renewal agreement with HSBC Bank Canada. As part of the renewal agreement FPLP repaid $2.0 million of principal bringing the outstanding principal to $13.5 million. The loan includes annual principal repayments of $1.0 million due on June 1, 2020, 2021 and 2022 along with a cash sweep to be paid no later than 90 days after the end of each fiscal year. The cash sweep is equal to 20% of FPLP's annual distributable cash as defined in the agreement. There was no cash sweep payment requirement for the 2019 year, primarily due to an optional principal repayment of $2.5 million made during the first quarter of 2019. The new loan agreement matures on January 31, 2023.

Due to the economic impact of the COVID-19 virus, our mortgage lender extended an offer to defer principal and interest payments for six months and FPLP accepted this offer. At the end of the 6 month period, the accrued interest will be added to the outstanding principal of the mortgage. Payments will resume on the same frequency for the same amount and amortization will be extended accordingly.

The capital assets with the most significant estimated replacement costs are buildings and printing presses, which have very long expected remaining useful lives. The ability to refinance the core debt at maturity will be dependent upon many factors, including the future EBITDA[(1)] of FPLP and the general conditions in the commercial lending market at the relevant time.

DEBT COVENANTS

Similar to the original facility, the renewal facility includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement (Note 7 of the FPLP Annual Financial Statements). The maximum leverage ratio is 3.0 to 1 as long as the outstanding loan balance is at or above $10.0 million and below this level there is no requirement to maintain a specified leverage ratio. The fixed charge coverage ratio cannot fall below 2.0 to 1 while the loan balance is at or above $10.0 million and reduces to 1.5 to 1 when the outstanding loan balance falls below $10.0 million. The ratio calculations are defined in the agreement and measured quarterly on a trailing 12 month basis. The loan is secured by all of the assets of the businesses other than the Derksen Printers land and building and additionally a mortgage registered on FPLP's Winnipeg land and building. The variable interest rate is based on a grid determined by the trailing 12 month leverage ratio. At December 31, 2019 FPLP is in compliance with all covenants.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

At December 30, 2019 there are no derivative contracts in place or off-balance sheet arrangements entered into by FPI.

CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk arises from cash and cash equivalents and outstanding accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks, or Canadian subsidiaries of large international banks, and we do not expect the counterparties to fail to meet their obligations.

As we are in the business of publishing newspapers, in both print and electronic formats, and performing printing services for third parties, included in accounts receivable are amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. We do not hold collateral as security for these balances. Our credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third-party printing clients. We manage credit risk on a customer-by-customer basis and establish a reasonable allowance for uncollectible amounts with this allowance netted against the accounts receivable on the balance sheet. The adequacy of the allowance is reviewed on a regular basis and is estimated based on past experience, specific risks associated with the customers and other relevant information.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FPLP's variable interest rate term loan exposes the business to cash flow interest rate risk since the borrowings are in the form of prime-rate loans or bankers' acceptances with an available term of between 30 and 180 days. FPLP's fixed rate finance leases and mortgage loan expose the business to fair value interest rate risk.

We do not have a formal interest rate risk policy but management reviews the pricing of interest-rate swap contracts and would make a recommendation to the Board of Directors if there was a compelling case to purchase a swap contract.

For the year ended December 31, 2019, if interest rates on FPLP's term loan had been 1.0% higher or lower than actually were in effect, with all other variables held constant, interest expense would have been $0.1 million higher or lower (2018 $0.2 million).

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We believe that we have access to sufficient capital through existing cash balances, future internally generated cash flows and external sources (bank credit markets, debt capital markets and government wage subsidy programs) to meet current spending forecasts. Trade payables are due within one year.

RELATED PARTY TRANSACTIONS

In 2019 FPLP purchased the majority of its newsprint from Alberta Newsprint Company ("ANC"), a joint venture owned equally by a limited partnership controlled by Ronald Stern (former Chairman of the Board and Director of FPLP), and West Fraser Mills Ltd. ANC, also supplies newsprint to a number of other newspaper publishing operations in both Canada and the United States. Total newsprint purchases from ANC based on actual invoice prices in 2019 were $3.8 million, compared to $4.6 million for the same period last year. While there is no formal contractual obligation in place with respect to future newsprint purchases, selection of a supplier or suppliers will continue to be made by management based on criteria approved by the Audit Committee of FPLP, which reviews newsprint purchasing details with management on a quarterly basis.

SUBSEQUENT EVENT

The COVID-19 pandemic is affecting economic and financial markets and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. Reactions and responses to COVID-19 continue to evolve and change, with implications far reaching. COVID-19 impacts the daily operations and economics of FPLP's business. FPLP has implemented protective measures including restrictions on the movement of people, work from home arrangements for personnel, closure to the public and limiting the number of people in meetings.

While advertising revenues started to decline in March, the full impact of the shut-down of the economy was not felt until the second quarter. In efforts to help mitigate the impact of significantly lower advertising revenue, most of FPLP's employees have either seen a reduction in their rate of compensation or accepted a temporary layoff. The availability of support through government funding measures have been announced and applications have been made for this assistance.

Due to the economic impact of the COVID-19 pandemic, FPLP's mortgage lender extended an offer to defer principal and interest payments for six months and FPLP accepted this offer. At the end of the 6-month period, the accrued interest will be added to the outstanding principal of the mortgage. Payments will resume on the same frequency for the same amount and amortization will be extended accordingly.

The duration and ultimate impact of the COVID-19 outbreak on FPLP is unknown at this time. While FPLP is addressing the current challenges, it is not possible to reliably estimate the length and severity of these developments and the impact on the liquidity, financial results and condition of FPLP in future periods.

DISCLOSURE CONTROLS AND PROCEDURES

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design and effectiveness of FPI's and FPLP's disclosure controls and procedures as of December 30, 2019 and December 31, 2019, respectively, and have concluded that FPI's and FPLP's disclosure controls and procedures were reasonably adequate and effective to ensure that material information relating to FPI and FPLP is recorded, processed, summarized and reported within the time periods specified, and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of FPI's and FPLP's internal control over financial reporting as of December 30, 2019 and December 31, 2019, respectively, and based on that assessment concluded that FPI's and FPLP's internal controls over financial reporting were effective. No material changes were made in FPI's and FPLP's internal controls over financial reporting during the year ended December 30, 2019 and December 31, 2019, respectively, that have materially affected, or are reasonably likely to materially affect, FPI's and FPLP's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

FPLP

Valuation of Intangible Assets and Goodwill
FPLP has estimated the fair value of its cash generating units ("CGUs") and goodwill CGUs, based on historical and expected operating plans, economic conditions and general outlook for the industry and geographic market in which FPLP operates. Significant unfavourable changes to these factors could result in a material impairment of the fair value and/or life of these assets.

In performing the annual impairment testing of goodwill and indefinite life intangibles, a number of assumptions and estimates are made. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between knowledgeable, willing parties. FPLP uses the fair value less cost to dispose method, which is based on applying market multiples to FPLP's EBITDA.

Had different assumptions or valuation techniques been used in performing the impairment testing, the carrying value of finite life and indefinite life intangibles may have been different. FPLP considers the assumptions and techniques used to be reasonable.

Pension Plans
FPLP has a defined benefit pension plan and multiple defined contribution pension plans. The defined benefit pension plan requires actuarial assumptions which include discount rates, rate of compensation increases, mortality assumptions, and other demographic assumptions. A change in the discount rate used in the valuation of the pension obligations could result in a significant increase or decrease in the value of the obligations, which impacts the funded status of the plans as well as the net benefit cost in subsequent years. At December 31, 2019, a 0.5% decrease in the discount rate would increase our defined benefit obligations by $5.0 million, and a 0.5% increase in the discount rate would decrease our defined benefit obligations by $4.4 million. At December 31, 2019, a 0.5% increase in salary assumption would increase our defined benefit obligations by $0.3 million and a 0.5% decrease in salary assumption would decrease our defined benefit obligations by $0.1 million. The funding for the defined benefit pension plan is based on actuarial valuation reports which are filed with the Manitoba provincial pension commission.

On September 26, 2019 FPLP entered into an agreement with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Pension Plan"), a multi-employer defined benefit plan, to merge FPLP's defined benefit pension and Winnipeg defined contribution plan ("FPLP's Plans") with the CAAT Pension Plan. Effective December 29, 2019, FPLP received approval from FPLP's Plan members and effective January 1, 2020 FPLP became a participating employer under the CAAT Pension Plan and all members of the FPLP Plans began accruing benefits under the DBplus provisions of the CAAT Pension Plan. DBplus is a defined benefit pension plan with a fixed contribution rate for members, matched dollar for dollar by employers. The merger remains subject to consent from the Manitoba Office of the Superintendent – Pension Commission and the Financial Services Regulatory Authority of Ontario. Following the consent of the regulatory bodies to the transfer of assets, the CAAT Pension Plan will assume the defined benefit obligation of the FPLP Plans accrued prior to the effective date and FPLP will recognize a gain or loss on settlement. The CAAT Plan has determined the assets of the defined benefit portion of FPLP's plan will exceed the obligations being assumed by approximately $1.1 million and the excess will be used to subsidize future contributions for both the employees and FPLP.

FPI

Valuation of Investment in FPLP
Annually, FPI evaluates whether impairment exists in its investment in FPLP. FPI completed its impairment assessment by comparing its recoverable amount to its carrying value. Under the fair value less cost to dispose approach, FPI estimates fair value by multiplying earnings before interest, income taxes, depreciation, amortization and other non-recurring costs by multiples based on market comparables.

FPI's assumptions are affected by current market conditions which may affect expected revenues of FPLP. In addition, while FPLP continues to implement cost savings initiatives, operating costs may increase more significantly than expected. FPI has made certain assumptions which may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future impairment assessments of FPI's investment in FPLP.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies followed in the financial statements are consistent with those of the previous financial year.

Accounting Policies

The following is an overview of new accounting standards FPLP has adopted in the current fiscal year end.

IFRS 16 – Leases
IFRS 16, *Leases* replaces IAS 17, *Leases* and related interpretations. On adoption of IFRS 16 FPLP recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.48%.

In accordance with the transitional provisions, FPLP has not restated comparative information for 2018 for right-of-use-assets and lease liabilities. The presentation of right-of-use assets and lease liabilities on the balance sheet will be within property plant and equipment assets and lease obligation liabilities respectively. The adoption of the standard resulted in an increase to property, plant and equipment assets of $0.2 million and lease obligation liabilities of $0.2 million on the Consolidated Balance Sheet as of January 1, 2019.

Prior to January 1, 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.IFRS 16, *Leases* replaces IAS 17, Leases and related interpretations.

The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

BUSINESS RISKS AND UNCERTAINTIES

REVENUE

Print advertising revenues, which account for approximately 52% of total revenue, are historically dependent upon general economic conditions, the specific spending plans of high-volume advertisers and the readership levels of the printed products. Advertising revenues will be significantly lower as a result of the economic shutdown from the COVID-19 pandemic (see "outlook" section on page 16 of this report). A shift from newspaper and/or flyer advertising to digital or other media advertising has and is likely to continue to adversely affect total revenue. Digital competition is not limited to platforms that provide news and includes providers of search engine marketing, display advertising, digital classifieds, social media, mobile advertising and video advertising. A change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry, national retailers, employment advertisers and the consolidation of retailers, could adversely affect total revenue. A significant decline in the readership of our printed products would adversely affect print advertising revenues.

DECLINE IN OVERALL USAGE OF NEWSPAPERS AND FLYER DELIVERY

FPI and FPLP could be materially adversely affected if the usage of newspapers or flyer distribution declines significantly. For example, increased usage of the internet by consumers to find news or flyers could result in a decline in their use of newspapers and flyer distribution. Such declines could impair FPLP's ability to maintain or increase FPLP's advertising prices, cause businesses that purchase advertising in FPLP's newspapers and flyer distribution to reduce or discontinue their purchases, and discourage businesses that do not already purchase advertising in FPLP's newspapers and flyer distribution from doing so.

Any of the factors that may contribute to a decline in usage of FPLP's newspapers and flyer distribution could impair FPLP's revenues and have a material adverse effect on our business.

EXPENSES

Newspaper publishing is both capital and labour-intensive and, as a result, newspapers have relatively high fixed-cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Employee compensation is our single largest expense category accounting for approximately 47% of FPLP's total operating expenses. The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. On June 1, 2019 the unionized employees of the Winnipeg Free Press and Canstar Community News and contract delivery drivers of the Winnipeg Free Press ratified the terms of a new collective bargaining agreement. The new contract runs to June 30, 2021 and carries forward much of the same language as the expiring contract. Wage levels which have been frozen since July 2017 continue to remain unchanged through the term of this new contract. Wage concession language previously agreed to in 2017 which includes an 8% (4% for staff hired after 2017) wage reduction if certain free cash levels are not achieved remains in place. The collective agreements include clauses governing all aspects of the employer/employee relationship and include limitations on FPLP's ability to sub-contract work to independent third parties. Strikes, lockouts, or other labour disruptions could restrict FPLP's ability to service its customers and consequently materially adversely affect its revenues. The free cash calculation is to be completed quarterly on a rolling twelve month basis and at December 31, 2019 was determined to be $1.0 million.

Newsprint and other paper is a significant cost for FPLP, accounting for $5.2 million in 2019. Newsprint costs can vary widely from time to time, but over the past five years have been relatively stable. A $10 per tonne increase or decrease in the price of newsprint would have an approximately $0.1 million annualized change to our newsprint expense. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Over the last several years, FPLP has reduced costs in a number of ways. It will be increasingly difficult to continue to reduce costs from current levels. FPLP's ability to achieve cost savings may be impacted by the level of unionization at its businesses, existing third party suppliers and service providers and FPLP's ability to outsource additional components of its business operations in the future.

INTEREST RATE FLUCTUATIONS

FPLP is exposed to fluctuations in short-term interest rates as the amounts borrowed under the term loan facility are in the form of prime-rate loans or bankers' acceptances at varying interest rates. Furthermore, the interest rate spread above the prime-rate loans or bankers' acceptance rate varies based on the leverage ratio. FPLP is also exposed to fluctuations in long-term interest rates and credit spreads relative to the refinancing of its term loan obligation upon its maturity on January 31, 2023. The interest rate on new long-term debt issuances will be based on the prevailing market rates at the time of the refinancing. Increases in interest rates on new debt issuances may have a material adverse effect on our earnings.

FPLP monitors market conditions and the impact of interest rate fluctuations on its interest rate exposure. While there is no formal policy with respect to the use of interest rate swaps as a tool to manage interest rate risk, pricing of swap agreements is reviewed regularly and FPLP has used swap agreements historically when it was determined that these agreements were justified.

PENSION FUND OBLIGATIONS

FPLP has in place a defined benefit pension plan and defined contribution plans. The defined benefit pension plan was started when the Business was acquired by FPLP in November 2001. The plan text mirrored the predecessor plan. In December 2019 the defined benefit plan members voted to approve a January 1, 2019 merger of the plan with the Colleges of Applied Arts & Technologies ("CAAT Pension Plan") an Ontario registered jointly sponsored pension plan. Effective January 1, 2020 FPLP became a participating employer under the CAAT Pension Plan and all members of the FPLP defined benefit plan began accruing benefits under the DBplus provisions of the CAAT Pension Plan. DBplus is a defined benefit pension plan with a fixed contribution rate for members, matched dollar for dollar by employers. The merger remains subject to consent from the Manitoba Office of the Superintendent – Pension Commission and the Financial Services Regulatory Authority of Ontario. Following the consent of the regulatory bodies to the transfer of assets, the CAAT Pension Plan will assume the defined benefit obligation of the FPLP defined benefit plan accrued prior to the effective date and FPLP will recognize a gain or loss on settlement. The CAAT Plan has determined the assets of the defined benefit portion of FPLP's plan will exceed the obligations being assumed by approximately $1.0M and the excess will be used to subsidize future contributions for both the employees and FPLP.

On December 31, 2019, as a result of the CAAT Pension Plan merger, the FPLP defined benefit plan was amended to cease all service accruals on this date. Since as of the date of this report the merger has not received regulatory approval, the risks and uncertainties relating to the legacy defined benefit pension continue to be in effect. Manitoba provincial pension legislation requires that the funded status of defined benefit pension plans be determined on both a going-concern basis (which assumes the pension plan continues indefinitely) and a solvency basis (which assumes the plan is wound-up on the valuation date). Based on FPLP's most recent actuarial valuation, as of December 31, 2019, the plan had a funding surplus of $8.9 million ($6.2 million in 2018) on a going-concern basis and a funding shortfall of $8.9 million ($8.5 million shortfall in 2018) on a solvency basis. The actual funded status of the pension plan and FPLP's contribution requirements and accounting expense are dependent on many factors, some of which include regulatory developments, actuarial assumptions and methods used, changes in plan demographics and experience and changes in economic conditions such as the return on fund assets and changes in interest rates used for determining the present value of pension obligations. Changes in the above factors can result in significant changes to the determination of the reported pension expense and the level of required funding to the plan, which can produce volatility in FPLP's reported results and cash generated from operating activities of FPLP.

RELIANCE ON PRINTING FACILITIES

FPLP places considerable reliance on the functioning of its two printing operations, particularly the Winnipeg Free Press facility, which produces the Winnipeg Free Press, Brandon Sun and Canstar Community News newspapers and related products. In the event of a shutdown or disruption of one of its facilities, FPLP would attempt to mitigate potential damage by shifting production to the other facility or to a third-party printer. A shutdown or disruption of one of FPLP's facilities could result in FPLP being unable to print some publications, which could have a significant negative impact on FPLP's results.

INFORMATION TECHNOLOGY & OTHER MANUFACTURING SYSTEMS & EQUIPMENT

Our businesses rely on information technology and other critical manufacturing systems to help generate our revenue. There are critical risks associated with these systems including, but not limited to, unauthorized access, computer viruses, sabotage, power loss, system failures, human error and wear and tear on equipment. Our businesses and the revenue we generate could be significantly impacted by a disruption to these critical systems and equipment.

IMPAIRMENT

At December 30, 2019 the carrying value of FPI's investment in FPLP limited partnership units is $5.6 million. At December 31, 2019, FPLP has intangible assets of $2.5 million on its balance sheet. There are many factors which may affect the value of FPI's investment in FPLP and the intangible assets of FPLP, some of which include the state of the general and local economy, competition, technology, consumer consumption habits, brand equity and various contractual arrangements. If any of these factors impair the value of these assets, we are required to reduce the carrying value on the balance sheet and record a non-cash write-down in the statement of earnings.

LITIGATION & INSURANCE COVERAGE

The nature of our business has and will continue to expose us to litigation claims, primarily arising from the publication of our editorial content. While we have processes and controls in place in attempts to reduce these risks, and carry insurance coverage against claims of defamation, there is no assurance that our insurance coverage will cover a particular loss, nor can there be any assurance that our insurance coverage will not be exceeded by a specific claim. While FPLP maintains insurance coverage which it feels protects itself from certain material insurable risks, there is no assurance that such insurance will continue to be available on an economically feasible basis, nor can there be any assurance that amounts owing from insurers will be collected.

DEPENDENCE ON KEY PERSONNEL

Our businesses have and will continue to rely on the contribution of critical employees. A loss of a significant number of skilled managerial, editorial or technical personnel would have a negative effect on the quality of our products. FPLP's failure to recruit, train and retain such employees could have an adverse effect on its businesses.

REPUTATION

Our newspaper publications are well known and respected names in the markets we serve and have been for many years. Our reputation as a reliable trusted business partner is important for the continued success of our businesses. Damage to the reputation of any of our brands could have an adverse impact on the business and its future financial performance.

DEBT SERVICING

FPLP'S ability to make scheduled payments of interest and principal and to refinance its indebtedness when it becomes due in January 2023 will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, interest rate levels, competitive, business and other factors, many of which are beyond its control.

The risk factors detailed above represent what are considered to be the most prominent risk factors and are not an all-inclusive list of risk factors.

OUTLOOK

REVENUE

The COVID-19 Pandemic has resulted in a number of significant uncertainties throughout our businesses. While advertising revenues started to decline in March, the full impact of the shut-down of the economy was not felt until the start of the second quarter. Print Advertising revenues including flyer delivery represented approximately 52% of FPLP's total revenues in 2019. While print advertising revenues declined by approximately 16%, in the first quarter, they fell dramatically after the March 16 physical distancing directives were put into place in Manitoba. April print ad revenue levels were lower by roughly 50% compared to the same weeks last year. In large part from the efforts of the production and delivery department employees and contractors, print and digital circulation revenues are relatively stable and to date we have maintained our pre-COVID-19 publication schedule for each of our titles. Overall revenues were lower by between 30% and 35% in April compared to the prior year. Given the uncertainty around what the economic re-start will look like we are not able to provide any further guidance on full year expected revenue levels.

At the start of the pandemic we opened up our COVID-19 extended coverage free outside of our paywall. As expected, significant increases in traffic resulted with average total users up by about 60% compared to pre-crisis weeks this year. We are experiencing significant Digital subscription starts with 563 new starts in the first two weeks of April which represents a 229% increase over the same period last year. Our total digital subscriptions stand at just under 12,500 which is up by approximately 26% compared to this time last year.

OPERATING EXPENSES

In light of the pressing response needed in dealing with the economics of steep revenue losses, we announced in our April news release an agreement was reached with Winnipeg and Canstar employees to implement a temporary salary reduction of between 12% and 20% for staff depending on which pay grid they are on. In addition to these wage reductions, temporary layoffs and reduction of part time staffing hours were implemented as workloads permitted at each of our business units. The estimated monthly compensation savings from these changes to date is $0.4 million. FPLP does anticipate being eligible for the federal government's employee wage subsidy program for each of the three 4-week periods starting March 16. We estimate each of the 4-week subsidy payments to be in the range of $1.0 million. The previously announced merger of the Winnipeg defined benefit pension plan with the CAAT Pension Plan will lower FPLP's required pension funding by approximately $2.1 million with $0.8 million of this reduction generated from the company's use of its share of the excess assets calculated by CAAT to offset company contributions otherwise payable. The company's contributions to the CAAT pension plan will start in January 2021. The pension regulators in Manitoba and Ontario are still required to give formal approval prior to transferring the assets and liabilities to the CAAT plan. For 2020 we're estimating a similar level of support as we recorded in 2019 ($1.1 million) from the federal government's Canadian Journalism Labour Tax credit.

Newsprint expense will be lower partly as a result of lower average newsprint prices and partly due to fewer pages printed resulting from the advertising revenue decline. Delivery costs will be lower as flyer volumes decrease. On-going efforts to reduce other expenses will continue in-light-of the anticipated print revenue declines. The in-house re-assumption of the Winnipeg Free Press editorial page layout and copy-editing function in January has allowed for the cancellation of an outsourced service contract which we estimate will save us $0.4 million annually after factoring in new incremental in-house labour costs.

CAPITAL INITIATIVES, FINANCE COSTS AND OTHER ITEMS

Maintenance capital spending for 2020 was originally budgeted at $0.3 million, however in-light-of the economic uncertainty due to the COVID-19 outbreak, capital spending will be limited to emergency capital items only.

Finance costs are forecasted to be lower by approximately $0.3 million in 2020 primarily resulting from the combination of lower principal balances on our term debt and lower interest rates on our variable rate term loan. After the $2.0 million principal repayment at the end of January our term loan principal stands at $13.5 million.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis 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 management's discussion and analysis 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.

FOOTNOTES:

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's 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 is detailed below and 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.

	Three Months Ended December 31,		**Twelve Months Ended December 31,**	
	2019	**2018**	**2019**	**2018**
	In thousands of dollars			
Net income (loss) for the period	$ 2,088	$ 1,508	$ 4,427	$ (3,935)
Add (subtract):				
Depreciation and amortization	695	708	2,839	2,881
Impairment of intangible asses	6	-	6	6,350
Finance costs	179	269	781	1,091
Other income	(12)	(29)	(52)	(102)
EBITDA	**$ 2,956**	**$ 2,456**	**$ 8,001**	**$ 6,285**