



FP Newspapers Inc. reports first quarter 2016 results

Winnipeg, May 10, 2016 – FP Newspapers Inc. (“FPI”) announces financial results for the quarter ended March 31, 2016. FPI is the successor to the business of the FP Newspapers Income Fund and owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”).

First quarter operating results of FPI

FPI had net earnings of \$0.3 million, or \$0.036 per share, during the three months ended March 31, 2016, compared to net earnings of \$0.4 million, or \$0.058 per share in the same quarter last year.

First quarter operating results of FPLP

FPLP’s revenue for the three months ended March 31, 2016 was \$19.6 million, a decrease of \$1.7 million or 7.8% from the same three months in the prior year. FPLP’s print advertising revenues for the three months ended March 31, 2016 were \$11.7 million, a \$1.3 million or 9.7% decrease compared to the same period last year. FPLP’s largest advertising revenue category, display advertising including colour, was \$7.1 million, a decrease of \$0.7 million or 8.9% from the same period in the prior year, primarily due to decreased spending in the local and national automotive and government categories, partly offset by increased spending in the financial category. Classified advertising revenues for the first quarter decreased by \$0.3 million or 14.9% compared to the same period last year, primarily due to lower spending in most categories. Flyer distribution revenues decreased by \$0.2 million or 8.1% compared to the first quarter in 2015, primarily due to a decrease in flyer volumes.

Print circulation revenues for the three months ended March 31, 2016 were virtually unchanged from the first quarter of 2015, with lower unit sales offsetting increased revenue from higher subscription and single copy rates. Digital revenues for the first quarter decreased by \$0.3 million or 33.9%, primarily due to a decrease in on-line web ads together with mobile product ad revenues.

Operating expenses for the three months ended March 31, 2016 were \$18.5 million, a decrease of \$1.2 million or 6.0% compared to the same quarter last year. Employee compensation costs for the first quarter decreased by \$0.8 million or 8.8% 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 9.9% compared to the same period in the prior year, primarily due to lower volumes. Newsprint expense for commercial printing and delivery expenses for the three months ended March 31, 2016 remained at relatively the same levels compared to last year. Other expenses decreased by \$0.1 million or 2.8% compared to the same quarter last year, primarily due to lower outside costs from lower levels of production supplies used.

FPLP’s net earnings were \$0.8 million for the three months ended March 31, 2016, compared to \$1.2 million for the same period last year.

EBITDA⁽¹⁾ for the three months ended March 31, 2016 was \$2.2 million compared to \$2.7 million for the same period last year, a decrease of 18.4%. EBITDA⁽¹⁾ margin for the three months ended March 31, 2016 was 11.1%, compared to 12.6% in the same period last year. The changes in EBITDA⁽¹⁾ were due to the factors described above.

Outlook

Advertising revenues early into the second quarter are trending at similar levels to what we experienced in the first quarter. A local sales consultant has been contracted to conduct an in-depth review of our resources, strategies and processes and assist us in identifying areas for improvement. We anticipate this review will carry on throughout the second quarter and possibly longer.

Brandon Sun Publisher Eric Lawson has accepted a Group Publisher Position in Nelson, British Columbia. We thank Mr. Lawson for his dedicated service and wish him much success in his new position. The senior management team in Brandon will be working closely with our Winnipeg senior managers as we work through determining the best structure and staffing going forward. Glenn Buffie, the General Manager of Derksen Printers in Steinbach, announced he is pursuing other opportunities and we will be working to fill his position as soon as the right replacement is identified. We extend our thanks to Mr. Buffie for his dedicated service.

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 under "Risk Factors" in FPI's Annual Information Form dated March 9, 2016, which is available at www.sedar.com.

In addition, although the forward-looking statements contained in this news release are based upon assumptions that management of FPI and FPLP believe to be reasonable, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, FPI and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

About FPI

FPI owns securities entitling it to 49% of the distributable cash of FP Canadian Newspapers Limited Partnership (“FPLP”). FPLP owns the Winnipeg Free Press, the Brandon Sun, and their related businesses, as well as the Canstar Community News division, the publisher of six community newspapers in the Winnipeg region, The Carillon in Steinbach with its related commercial printing operations and the Carberry News Express weekly publication. The Winnipeg Free Press publishes six days a week for delivery to subscribers and single copy sales, and publishes a single copy edition on Sundays. Vividata, a third party research firm, which measures newspaper readership across Canadian markets, estimates that weekly 75% 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 11,050 copies. Canstar Community News publishes weekly with an average circulation of approximately 200,000 copies. The businesses employ approximately 510 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.

Conference Call

FPI invites you to participate in a conference call on Wednesday, May 11, 2016 at 1:30 p.m. Eastern (12:30 p.m. Central) to discuss the first quarter results.

The dial-in number is 416-340-8530, or dial toll free at 800-766-6630. To ensure your participation, please dial in five minutes before the start of the conference call. Management’s presentation will be followed by a question and answer period.

For those unable to participate, the call will be available to listeners upon completion of the call until June 11, 2016. To hear the replay, dial 905-694-9451 or dial toll free at 800-408-3053. The replay code is 3031169.

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 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 quarter ended March 31, 2016 on FPI's website www.fpnewspapers.com or on SEDAR at www.sedar.com.

(2) Distributable Cash Attributable to FPI

FPI believes that in addition to the disclosure of cash flow from operations, distributable cash attributable to FPI is an important supplemental measure of cash flow because it provides investors with an indication of the amount of cash available for distribution to Shareholders and because such calculations are required by the terms of the partnership agreement governing FPLP. Distributable cash attributable to FPI is not a defined term under IFRS, and it should not be construed as an alternative to using net earnings or the statements of cash flows as measures of profitability and cash flow. Readers are cautioned that distributable cash as calculated by FPI may not be comparable to similar measures presented by other issuers. FPI uses this measure in reviewing dividend levels. FPLP's method of calculating distributable cash attributable to FPI is detailed in the Management's Discussion and Analysis for the quarter ended March 31, 2016 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 Earnings and Comprehensive Income**

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

	Three Months Ended March 31,	
	2016	2015
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	\$ 391	\$ 606
Administration expenses	(52)	(57)
Net earnings before income taxes	339	549
Current income tax (expense)	(59)	(175)
Deferred income tax (expense) recovery	(30)	25
Net earnings for the period	\$ 250	\$ 399
Items that will not be reclassified to net earnings:		
Equity interest of other comprehensive (loss) from FP Canadian Newspapers Limited Partnership	(834)	(379)
Deferred income tax recovery	225	102
Comprehensive (loss) income for the period	\$ (359)	\$ 122
Weighted average number of Common Shares outstanding	6,902,592	6,902,592
Net earnings per share – basic and diluted	\$ 0.036	\$ 0.058

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

	Three Months Ended March 31,	
	2016	2015
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Revenue		
Print advertising	\$ 11,670	\$ 12,926
Print circulation	6,027	6,048
Commercial printing	1,105	1,142
Digital	612	927
Promotion and services	228	257
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TOTAL REVENUE	19,642	21,300
Operating expenses		
Employee compensation	8,806	9,653
Newsprint and other paper	1,597	1,729
Delivery of newspapers	3,459	3,496
Other	3,587	3,692
Depreciation and amortization	1,065	1,081
Restructuring charge	4	46
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OPERATING INCOME	1,124	1,603
Other income	18	25
Finance costs	(345)	(392)
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NET EARNINGS FOR THE PERIOD	\$ 797	\$ 1,236
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Items that will not be reclassified to net earnings:		
Remeasurements for defined benefit pension plan	(1,702)	(773)
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COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	\$ (905)	\$ 463
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