NEWS RELEASE

FP Newspapers Inc. reports second quarter 2019 results

Winnipeg, August 29, 2019 – FP Newspapers Inc. ("FPI") announces financial results for the quarter ended June 30, 2019. 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 $0.6 million for the three months ended June 30, 2019, compared to a net loss of $2.5 million for the same period last year.

Second quarter operating results of FPLP

FPLP's revenue for the three months ended June 30, 2019 was $17.0 million, a decrease of $0.4 million or 2.3% from the same three months in the prior year. FPLP's print advertising revenues for the three months ended June 30, 2019 were $9.1 million, a $0.6 million or 6.4% decrease compared to the same period last year. FPLP's largest advertising revenue category, display advertising including colour, was $4.8 million, a decrease of $0.3 million or 5.8% from the same period in the prior year, primarily due to decreased spending in the local and national automotive, national retail and real estate categories, partly offset by increased spending in the telecommunication category. Classified advertising revenues for the second quarter decrease d by $0.1 million or 8.9% compared to the same period last year, primarily due to lower spending in the real estate and employment categories, partly offset by higher revenues in the obituary category. Flyer distribution revenues decreased by $0.2 million or 6.1% compared to the second quarter in 2018, primarily due to a decrease in flyer volumes, partially offset by slightly higher rates.

Circulation revenues for the three months ended June 30, 2019 were unchanged from the second quarter of 2018, primarily due to an increase in print subscription prices and increased digital subscription revenue, offset by decreases in print unit sales. Digital advertising revenues for the second quarter increased by 12.2%, primarily due to increased digital design services revenues and increased revenues from web ads and mobile ads. Commercial services revenue increased by $0.1 million primarily due to revenue from additional commercial print contracts at the Winnipeg Free Press.

Operating expenses for the three months ended June 30, 2019 were $15.1 million, a decrease of $1.2 million or 7.3% compared to the same quarter last year. Employee compensation costs for the second quarter decreased by $0.8 million or 10.9% from the same period in the prior year, primarily due to a $0.5 million tax credit for six months from the federal government's previously announced support for Canadian journalism as well as staff reductions from voluntary resignations and retirements. Newsprint expense for FPLP's own publications for the second quarter decreased by $0.2 million or 11.7% compared to the same period in the prior year, primarily due to lower printing volumes, partly offset by higher newsprint prices. Newsprint for commercial use decreased by 10.2% due to lower volumes, partially offset by higher prices. Delivery expenses for the three months ended June 30, 2019 decreased by $0.4 million or 11.0%, primarily due to the cost savings related to the initiatives implemented to improve delivery route efficiency. Other expenses increased by $0.1 million or 2.8%.

EBITDA(1) for the three and six months ended June 30, 2019 was $2.6 million and $3.8 million compared to $1.8 million and $2.7 million for the same periods last year, an increase of 42.7% and 39.4%, respectively. EBITDA(1) margin for the three and six months ended June 30, 2019 was 15.5% and 11.7%, compared to 10.6% and 8.2% 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, 2019 decreased by $0.1 million, primarily due to the lower level of debt outstanding.

FPLP's net income was $1.7 million and $2.0 million for the three and six months ended June 30, 2019, compared to a net loss of $5.5 million and $5.6 million for the same periods last year. Excluding the $6.4 million impairment charge relating to goodwill and intangible assets in the second quarter of 2018, FPLP's net earnings were $0.9 million and $0.8 million for the three and six months ended June 30, 2018.

Outlook

While total revenue continued to decline in the first six months of 2019, the decline wasn't as steep as we were experiencing in recent years. So far in the third quarter we are seeing total revenue declines at similar levels to the six month results ended June 30, 2019.

The federal support for journalism tax credit which was formally established in the second quarter will continue to help our overall financial results in the second half of 2019 versus the prior year as our estimated full year support is $1.0 million.

Newsprint price decreases of just over five percent were announced at the end of the second quarter and took effect on July 1, 2019. If the new prices remain in effect for the third and fourth quarters we will see an overall price reduction of just under 5 percent compared to the same six months last year.

During the third quarter we'll continue working on negotiations for a long term financing facility as the current agreement expires on January 30, 2020. Since December 2014 when the present five year agreement was effective, FPLP has repaid $36.5 million of debt principal on both the general facility and equipment lease financing facilities. With the equipment financing loans completely repaid and total net debt standing at $13.3 million as of June 30, 2019, we feel our balance sheet and continued generation of operating cash flows puts us in a strong position to close a favorable re-financing agreement before the expiration of the existing agreement.

Due diligence work continues on the potential transfer of the Winnipeg defined benefit pension plan to the CAAT DBPlus pension plan. Customized merger details are being prepared for each plan member and member presentations will be held during the third quarter. A member vote is planned to take place in the fourth quarter and if members vote in favour of the transfer they will be members of the CAAT plan as early as January 1, 2020. Final transfer of the current plan's assets would happen at a later date subject to the required regulatory approval.

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 April 17, 2019, 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 62% 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 7,600 copies. Canstar Community News publishes weekly with an average circulation of approximately 200,000 copies. The businesses employ approximately 370 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 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, 2019 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, 2019	2018	Six Months Ended June 30, 2019	2018
Equity interest from FP Canadian Newspapers Limited Partnership Class A limited partner units	$ 850	$ 434	$ 970	$ 380
Write-down of investment in FP Canadian Newspapers Limited Partnership Class A limited partner units	-	(3,112)	-	(3,112)
Administration expenses	(38)	(46)	(74)	(84)
Other income	2	1	3	2
Net income (loss) before income taxes	814	(2,723)	899	(2,814)
Current income tax (expense)	(141)	(86)	(174)	(89)
Deferred income tax (expense) recovery	(37)	346	(35)	356
Net income (loss) for the year	**636**	**$ (2,463)**	**690**	**$ (2,547)**
Items that will not be reclassified to net income (loss):				
Equity interest of other comprehensive (loss) income from FP Canadian Newspapers Limited Partnership	(1,352)	430	(967)	374
Deferred income tax recovery (expense)	365	(116)	262	(101)
Comprehensive (loss) for the year	**(351)**	**$ (2,149)**	**$ (15)**	**$ (2,274)**
Weighted average number of Common Shares outstanding	6,902,592	6,902,592	6,902,592	6,902,592
Net income (loss) per share – basic and diluted	$ 0.092	$ (0.357)	$ 0.100	$ (0.369)

FP Canadian Newspapers Limited Partnership

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

(unaudited, in thousands of Canadian dollars)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue				
Print advertising	$ 9,078	$ 9,700	$ 17,095	$ 18,511
Circulation	6,242	6,224	12,126	11,970
Commercial printing	912	766	1,751	1,632
Digital advertising	626	558	1,228	1,032
Promotion and services	113	127	264	300
TOTAL REVENUE	16,971	17,375	32,464	33,445
Employee compensation	6,789	7,620	14,050	15,259
Newsprint and other paper	1,410	1,523	2,725	2,911
Delivery	2,854	3,205	5,574	6,235
Other	3,244	3,157	6,270	6,278
Depreciation and amortization	715	715	1,436	1,463
Restructuring charge	40	24	40	29
Operating income before impairment	1,919	1,131	2,369	1,270
Impairment of goodwill and intangible assets	-	(6,350)	-	(6,350)
OPERATING INCOME (LOSS)	1,919	(5,219)	2,369	(5,080)
Other income	12	25	28	46
Finance costs	(196)	(271)	(418)	(541)
NET INCOME (LOSS) FOR THE PERIOD	$ 1,735	$ (5,465)	$ 1,979	$ (5,575)
Items that will not be reclassified to net earnings:				
Remeasurements for defined benefit pension plan	(2,759)	877	(1,973)	763
COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	$ (1,024)	$ (4,588)	$ 6	$ (4,812)