

# GLACIER MEDIA INC.

ANNUAL REPORT  
December 31, 2017

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## *2017 Management's Discussion & Analysis ("MD&A")*

### **Forward-Looking Statements**

In this MD&A, Glacier Media Inc. and its subsidiaries are referred to collectively as "Glacier", "us", "our", "we" or the "Company" unless the context requires otherwise.

The information in this report is as at March 28, 2018.

Glacier Media Inc.'s Annual Report, including this MD&A and the accompanying Report to Shareholders, contains forward-looking statements that relate to, among other things, our objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates and can generally be identified by the use of statements that include phrases such as "believe", "expected", "anticipate", "intend", "plan", "likely", "will", "may", "could", "should", "would", "suspect", "outlook", "estimate", "forecast", "objective", "continue" (or the negative thereof) or similar words or phrases. These forward-looking statements include, among other things, statements relating to our expectations regarding revenues, expenses, cash flows, future profitability and the effect of our strategic initiatives and restructuring, including our expectations to grow certain operations, to generate new revenues, to generate sufficient cash flow from operations to meet anticipated working capital, capital expenditures, and debt service requirements, to reduce debt levels and that reduced debt levels in investment entities will result in further distributions and cash flow to the Company. These forward-looking statements are based on certain assumptions, including continued economic growth and recovery and the realization of cost savings in a timely manner and in the expected amounts, which are subject to risks, uncertainties and other factors which may cause results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, and undue reliance should not be placed on such statements.

Important factors that could cause actual results to differ materially from these expectations include failure to implement or achieve the intended results from our strategic initiatives, the failure to reduce debt and the other risk factors listed in our Annual Information Form under the heading "Risk Factors" and in our annual MD&A under the heading "Business Environment and Risks", many of which are out of our control. These other risk factors include, but are not limited to, the ability of the Company to sell advertising and subscriptions related to its publications, foreign exchange rate fluctuations, the seasonal and cyclical nature of the agricultural and energy sectors, discontinuation of the Department of Canadian Heritage's Canada Periodical Fund's Aid to Publishers, general market conditions in both Canada and the United States, changes in the prices of purchased supplies including newsprint, the effects of competition in the Company's markets, dependence on key personnel, integration of newly acquired businesses, technological changes, tax risk, financing risk and debt service risk.

The forward-looking statements made in the Company's Annual Report, including this MD&A and the accompanying Report to Shareholders, relate only to events or information as of the date on which the statements are made. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

The Annual Report, this MD&A and the documents to which we refer herein should be read completely and with the understanding that our actual future results may be materially different from what we expect.

### **Basis of Discussion and Analysis**

The following management discussion and analysis of the financial condition and results of operations of the Company and other information is dated as at March 28, 2018 and should be read in conjunction with the Company's annual consolidated financial statements and notes thereto as at and for the year ended December 31, 2017. The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### **Non-IFRS Measures**

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), EBITDA margin, EBITDA per share, cash flow from operations, cash flow from operations per share, net income attributable to common shareholders before non-recurring items and net income attributable to common shareholders before non-recurring items per share are not generally accepted measures of financial performance under IFRS. In

addition, certain results in this MD&A stated to be “adjusted” have been presented on an adjusted basis that includes the Company’s shares of revenue, expenses, assets and liabilities from its joint venture operations, which reflects the basis on which management makes its operating decisions and performance evaluation. These adjusted measures are also not generally accepted measures of financial performance under IFRS. Management utilizes these financial performance measures to assess profitability and return on equity in its decision making. In addition, the Company, its lenders and its investors use EBITDA to measure performance and value for various purposes. Investors are cautioned, however, that EBITDA should not be construed as an alternative to net income attributable to common shareholders determined in accordance with IFRS as an indicator of the Company’s performance.

The Company’s method of calculating these financial performance measures may differ from other companies and, accordingly, they may not be comparable to measures used by other companies. A quantitative reconciliation of these non-IFRS measures is included in the section entitled EBITDA, Cash Flow from Operations, Net Income Attributable to Common Shareholders before Non-Recurring Items and Net Income Attributable to Common Shareholders before Non-Recurring Items Reconciliation with Per Share Amounts and a reconciliation of the adjusted non-IFRS measures is included in the section entitled Reconciliation of IFRS to Adjusted Results in this MD&A.

All financial references are in millions of Canadian dollars unless otherwise noted.

### **Overview of the Business**

Glacier operates as an information and marketing solutions company pursuing growth in sectors where the provision of essential information and related services provides high customer value. The Company’s “go to market” strategy is being pursued through two operational areas:

1. Data, analytics and intelligence; and
2. Content and marketing solutions

Through its brands and operations, Glacier serves clients in three segments:

#### Environmental, Property and Financial Information

- |  |   |
|--|---|
| Environmental and Property Information | • Environmental Risk Information Services (“ERIS”), Specialty Technical Publishers (“STP”) and REW.ca |
| Financial Information                  | • Fundata (50% interest)  |

#### Commodity Information

- |                               |   |
|-------------------------------|---|
| Agricultural Information      | • Glacier FarmMedia (“GFM”): Western Producer, Farm Business Communications, Canada’s Outdoor Farm Show, Ag In Motion, AgDealer and Weather INnovations Network (“WIN”) |
| Energy and Mining Information | • JuneWarren-Nickle’s Energy Group (including CanOils) (“JWN”), Evaluate Energy, Northern Miner Group and Infomine (50% interest)                                       |

#### Community Media

- |                 |  |
|-----------------|--|
| Community Media | • Local daily and weekly newspapers and related publications, websites and digital products in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the United States (includes direct, joint venture and other interests) |
|-----------------|--|

For additional information on Glacier’s operations see the Company’s Annual Information Form as filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

**Significant Developments in 2017 and Outlook**

Through considerable hard work and effort across its businesses, Glacier Media Inc. ("Glacier" or the "Company") completed 2017 in its strongest position in a number of years.

The community media group made good progress in its efforts to evolve and build its digital media business while leveraging its traditional print and flyer offerings. The group continues to generate good cash flow that is being used to develop the Company's growth businesses. While print advertising revenue continued to decline as expected, digital revenues grew 50% and digital profits continued to grow, with progress being made in the Company's portfolio of digital products and marketing solutions offerings.

The commodities sector is recovering, and the Company's commodity information group is reaping the benefits of this recovery as well as restructuring efforts made in the energy group to shift focus to data information products and digital media. By the fourth quarter improving market conditions and the impact of the restructurings resulted in flat revenue and a significant EBITDA improvement for the commodity information group for the quarter. Results were also bolstered by strong performance of the mining information operations which continued to benefit from a full recovery of the mining market. This environment should also aid the Company's related information businesses as well as the Western Canadian communities that our community media operations serve. That said, given anticipated print advertising declines and continued near-term uncertainty and market risk, the Company will continue to operate cautiously and evaluate cost reduction initiatives where appropriate in the affected businesses.

The environmental, property and financial information operations experienced a very strong year. EBITDA grew despite increasing the level of operational investment in the fast growing REW real estate portal and ERIS. 2017 represented the third year in a row that the environmental, property and financial information operations posted double digit revenue and EBITDA growth.

As a result of improved performance in both the community media and commodity information groups, as well as continued growth in the environmental, property and financial information group, fourth quarter performance of the Company improved compared to the same period in the prior year.

Concurrently, given recent strong growth and positive prospects in a number of its operations, the Company plans to continue to aggressively invest in strategic areas. All of the businesses in the environmental, property and financial information segment continue to grow revenue and profit and are targeting large addressable markets. Investment will continue in these businesses particularly in new product, data and feature development. Within agricultural information, a number of operations including WIN, the agricultural exhibitions and AgDealer are growing, and investment will continue to be made in these areas. The Company also continues to invest in and improve the value of its energy and mining database and subscription offerings, positioning itself as the cyclical downturn reverses. Lastly, the Company's digital community media operations are expanding and will continue to receive investment.

Importantly, the Company's efforts to develop its high growth, high value businesses resulted in strong performance and value creation. In support of its growth segments the Company recruited a number of senior personnel with relevant industry experience. Recruitment will continue to be a key focus of the Company.

Given the varied outlook, management plans to continue the progress of the last few years in strengthening the Company's financial position by further reducing debt. The elimination of non-mortgage debt in the Company's investment entities over the past year should lead to further cash flow to pay back senior debt. A strengthened balance sheet will mitigate risk while allowing the ongoing and planned operational and capital investments. These investments are necessary to continue the evolution of the Company's products, services and operations, and to support the growth being realized in a number of the Company's businesses where substantial shareholder value is being created.

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### Reconciliation of IFRS to Adjusted Results and Non-IFRS Measures

The following table reconciles the Company's results as reported under IFRS to the results presented on an adjusted basis that includes the Company's shares of revenue, expenses, assets and liabilities from its joint venture operations, which reflects the basis on which management makes its operating decisions and performance evaluation.

(thousands of dollars) except share and per share amounts	Year ended December 31, 2017			Year ended December 31, 2016		
	Per IFRS	Differential	Adjusted <sup>(1)</sup>	Per IFRS	Differential	Adjusted <sup>(1)</sup>
Revenue	\$ 191,171	\$ 34,648	\$ 225,819	\$ 198,792	\$ 37,326	\$ 236,118
Gross profit <sup>(3)</sup>	\$ 56,250	\$ 17,783	\$ 74,033	\$ 58,934	\$ 19,138	\$ 78,072
Gross margin	29.4%		32.8%	29.6%		33.1%
EBITDA <sup>(1)(2)</sup>	\$ 16,495	\$ 12,490	\$ 28,985	\$ 18,624	\$ 13,620	\$ 32,244
EBITDA margin <sup>(1)</sup>	8.6%		12.8%	9.4%		13.7%
EBITDA per share <sup>(1)(2)</sup>	\$ 0.15	\$ 0.11	\$ 0.26	\$ 0.19	\$ 0.13	\$ 0.32
Net income attributable to common shareholders before non-recurring items <sup>(1)(2)</sup>	\$ 10,135	\$ (389)	\$ 9,746	\$ 9,178	\$ 43	\$ 9,221
Net income attributable to common shareholders before non-recurring items per share <sup>(1)(2)</sup>	\$ 0.09	\$ -	\$ 0.09	\$ 0.09	\$ -	\$ 0.09
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ (389)	\$ (1,552)	\$ 1,420	\$ 11	\$ 1,431
Net (loss) income attributable to common shareholders per share	\$ (0.01)	\$ -	\$ (0.01)	\$ 0.01	\$ -	\$ 0.01
Cash flow from operations before non-recurring items <sup>(1)(2)</sup>	\$ 14,338	\$ 11,268	\$ 25,606	\$ 16,917	\$ 11,854	\$ 28,771
Cash flow from operations per share <sup>(1)(2)</sup>	\$ 0.13	\$ 0.10	\$ 0.23	\$ 0.17	\$ 0.12	\$ 0.29
Total assets	\$ 237,612	\$ 16,295	\$ 253,907	\$ 252,003	\$ 20,957	\$ 272,960
Weighted average shares outstanding, net	109,828,731		109,828,731	99,342,554		99,342,554

Notes:

(1) Refer to "Non-IFRS Measures" section for discussion of non-IFRS measures used in this table.

(2) IFRS net income attributable to common shareholders and cash flow from operations have been adjusted for non-recurring items. Refer to "EBITDA, Cash Flow from Operations and Net Income Attributable to Common Shareholders Before Non-Recurring Items Reconciliation".

(3) Gross profit for these purposes excludes depreciation and amortization.

### Adjusted Operational Performance <sup>(1)</sup>

Management believes that including its share of revenues, expenses and cash flows of its joint venture operations in the Company's results provides a more comprehensive basis for reflecting and assessing the overall operations of the Company. Management bases its operating decisions and performance evaluation using the adjusted results <sup>(1)</sup>. The following discussion adjusts the Company's reported results under IFRS to include the revenues, expenses and cash flows of its joint ventures.

Adjusted consolidated EBITDA decreased to \$29.0 million for the year ended December 31, 2017 compared to \$32.2 million in the prior year. Decreases in adjusted EBITDA were mainly the result of weaker agriculture and energy markets in Canada, along with print advertising declines in community media operations, which had an overall effect on Glacier's results.

Adjusted consolidated revenue was \$225.8 million for the year ended December 31, 2017 compared to \$236.1 million in the prior year. Revenue continues to be impacted by the maturing community media industry, along with weaker agriculture and energy markets.

For the year ended December 31, 2017, adjusted net income attributable to common shareholders before non-recurring items increased to \$9.7 million from \$9.2 million in the prior year. Adjusted cash flow from operations before non-recurring items decreased to \$25.6 million from \$28.8 million in the prior year.

On an adjusted basis, Glacier's consolidated debt net of cash outstanding before deferred financing charges was 1.44x trailing 12-months adjusted EBITDA as at December 31, 2017.

The main factors affecting the comparability of the results for the year are detailed below under the IFRS Selected Financial Information.

Note:

<sup>(1)</sup> The adjusted consolidated financial results have been adjusted to include the Company's share of revenue, expenses, assets and liabilities from its joint venture operations on a proportionate accounting basis as this is the basis on which management bases its operating decisions and performance evaluation. IFRS does not allow for the inclusion of the joint ventures on a proportionate basis. These results include additional non-IFRS measures such as EBITDA, cash flow from operations and net income attributable to common shareholders before non-recurring items.

The adjusted results are not generally accepted measures of financial performance under IFRS. The Company's method of calculating these financial performance measures may differ from other companies and accordingly, they

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may not be comparable to measures used by other companies. Please refer to the **Reconciliation of IFRS to Adjusted Results** for a reconciliation of these non-IFRS measures and adjusted results. Management reports its results adjusted to include its share of its joint ventures in the MD&A under the heading **Adjusted Operational Performance**. Management reports its results adjusted to include its share of its joint ventures in the Report to Shareholders.

## Annual IFRS Results and Overview of Operating Performance

### Selected Financial Information

The following outlines selected financial statistics and performance measures for Glacier, on an IFRS basis (other than the non-IFRS measures noted) for the years ended December 31, 2017, 2016 and 2015:

(thousands of dollars)  
except share and per share amounts

	2017	2016	2015
Revenue	\$ 191,171	\$ 198,792	\$ 220,702
Gross profit <sup>(2)</sup>	\$ 56,250	\$ 58,934	\$ 64,698
Gross margin	29.4%	29.6%	29.3%
EBITDA <sup>(1)</sup>	\$ 16,495	\$ 18,624	\$ 17,177
EBITDA margin <sup>(1)</sup>	8.6%	9.4%	7.8%
EBITDA per share <sup>(1)</sup>	\$ 0.15	\$ 0.19	\$ 0.19
Interest expense, net	\$ 2,608	\$ 3,719	\$ 4,121
Net income attributable to common shareholders before non-recurring items <sup>(1)</sup>	\$ 10,135	\$ 9,178	\$ 11,156
Net income attributable to common shareholder before non-recurring items per share <sup>(1)</sup>	\$ 0.09	\$ 0.09	\$ 0.13
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ 1,420	\$ (152,813)
Net (loss) income attributable to common shareholders per share	\$ (0.01)	\$ 0.01	\$ (1.72)
Cash flow from operations <sup>(1)</sup>	\$ 14,338	\$ 16,917	\$ 16,139
Cash flow from operations per share <sup>(1)</sup>	\$ 0.13	\$ 0.17	\$ 0.18
Capital expenditures	\$ 5,127	\$ 4,474	\$ 5,170
Total assets	\$ 237,612	\$ 252,003	\$ 263,461
Total non-current financial liabilities	\$ 40,634	\$ 50,747	\$ 70,589
Debt net of cash outstanding before deferred financing charges and other expenses	\$ 40,256	\$ 50,320	\$ 70,781
Equity attributable to common shareholders	\$ 132,653	\$ 133,351	\$ 116,727
Dividends paid <sup>(3)</sup>	\$ -	\$ -	\$ 5,344
Dividends paid per share <sup>(3)</sup>	\$ -	\$ -	\$ 0.06
Weighted average shares outstanding, net	109,828,731	99,342,554	89,083,105

#### Notes:

- (1) Refer to "Non-IFRS Measures" and "EBITDA, Cash Flow from Operations and Net Income Attributable to Common Shareholders before Non-Recurring Items" section for calculation of non-IFRS measures used in this table.
- (2) Gross profit for these purposes excludes depreciation and amortization.
- (3) Dividends declared in 2015 total \$0.04 per share and dividends paid total \$0.06 per share, due to the fact that some dividends declared in 2014 being paid in 2015. In August 2015, the Company ceased the payment of dividends.

The main factors affecting the comparability of the results over the last two years include:

- Operating performance of the Company's various business units and general market conditions during the reported years;
- Decreased revenues due to the weaker community media industry, the cyclical nature of certain of Glacier's businesses, including the low price of oil and general softness in the agriculture industry;
- Fluctuations in restructuring expenses including severance payments, transaction and transition expenses, and other amounts related to the closure and sale of certain community media assets;
- In December 2017, the sale of an energy operation for a non-cash loss of \$6.5 million;
- In the second quarter of 2017, the Company purchased an additional 5% ownership interest in Weather INnovations for a cash purchase price of \$0.3 million;
- In the first quarter of 2017, the Company sold land and buildings in BC for net proceeds of \$2.2 million. The Company recognized a \$0.3 million gain on sale;
- There was no impairment charge in 2017. In 2016, impairment charge was \$5.9 million;

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- A rights offering that was completed in July 2016 which raised proceeds of \$13.2 million, all of which was used to pay down debt. A total of 20,745,626 common shares were issued.

#### Revenue

Glacier's consolidated revenue for the year ended December 31, 2017 was \$191.2 million compared to \$198.8 million in the prior year.

#### *Environmental, Property and Financial Information*

The Environmental, Property and Financial Information group generated revenues of \$20.0 million for the year ended December 31, 2017, as compared to \$16.1 million in the prior year. ERIS continued to expand, experiencing revenue growth in both Canada and the U.S. REW.ca, the Company's online real estate portal, continued to grow rapidly in terms of site features, traffic and revenues.

#### *Commodity Information*

The Commodity Information group generated revenues of \$56.4 million for the year ended December 31, 2017, as compared to \$60.8 million in the prior year. Conditions in the agricultural sector remain soft with low commodity prices and increasing industry consolidation among key customers. Market conditions in the energy sector remain challenging, but appear to have stabilized in the oil sector, although natural gas prices remain weak. The mining market continues to show signs of recovery.

#### *Community Media*

The Community Media group generated \$114.8 million of revenue for the year ended December 31, 2017, as compared to \$121.7 million in the prior year. The revenue decline within the Community Media group was driven by the maturing nature of print advertising industry wide and the impact of continued weak commodity prices in many Western Canadian communities. Digital revenues experienced strong growth overall and across a number of product offerings including retargeting services, website builds and Chinese digital marketing solutions. Some of the general revenue declines were partially offset by ongoing operational efficiencies and the continued realization of savings from the restructurings.

#### Gross Profit

Glacier's consolidated gross profit, being revenues less direct expenses, for the year ended December 31, 2017 was \$56.3 million compared to \$58.9 million in the prior year. The decrease in gross profit is largely attributable to the decrease in revenues, which is partially offset by the related decrease in direct expenses and operational efficiencies from restructurings and continued cost management.

Gross profit as a percentage of revenues ("gross profit margin") for the year ended December 31, 2017 was 29.4% as compared to 29.6% for the same period in the prior year.

#### General & Administrative Expenses

Glacier's consolidated general and administrative expenses were \$39.8 million for the year ended December 31, 2017 compared to \$40.3 million in the prior year. While the Company continues to focus on reducing administration costs, the Company also continues to invest in resources within operations experiencing growth and with growth potential.

#### EBITDA

EBITDA was \$16.5 million for the year ended December 31, 2017 as compared to \$18.6 million in the prior year. The results are due to the various reasons stated under **Revenue**, **Gross Profit** and **General & Administrative Expenses**.

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#### **Net Interest Expense**

Glacier's consolidated net interest expense for the year ended December 31, 2017 was \$2.6 million as compared to \$3.7 million in the prior year, a decrease of \$1.1 million. The decrease was primarily the result of debt repayments made throughout 2017 and 2016.

#### **Depreciation and Amortization**

Depreciation of property, plant and equipment for the year ended December 31, 2017 decreased \$0.5 million as compared to the prior year mainly due to the disposition of certain community media assets in 2017. Amortization of intangible and other assets increased \$1.1 million as compared the prior year mainly due to the addition of software and other intangible assets with short useful lives.

#### **Net Loss on Disposal of Assets**

The Company recognized a net loss on disposal of assets of \$6.3 million during the year ended December 31, 2017, which relates to a loss on the sale of an energy operation and other items. In 2016, a net gain on disposal of assets of \$0.8 million was recognized as a result of disposal of the Company's interest in a community media operation.

#### **Restructuring and Other Expenses (Net)**

Restructuring and other expenses (net) for the year ended December 31, 2017 were \$6.2 million compared to \$4.9 million in the prior year. These expenses include restructuring costs, foreign exchange, severance expense, other income, and other expenses.

#### **Impairment Expense**

The Company completed its annual impairment testing of goodwill and indefinite life intangible assets based on management's best estimates of key assumptions. These key assumptions include future cash flows (based on historic results and future operating plans), budgeted revenues, weighted average cost of capital, discount rate, current strategies, economic conditions and the general outlook for the industry and markets in which the cash generating units ("CGU") operate. The recoverable amounts are determined based on the greater of value in use and fair value less cost to dispose, of an individual CGU.

When indicators of impairment exist, the Company reviews finite life intangible assets and property, plant and equipment for impairment. The method for estimating impairment is consistent with goodwill and intangible assets with indefinite lives, as noted above.

For the year ended December 31, 2017, no impairment expense was recognized. In 2016, the Company recorded impairment expense of \$5.9 million which represents \$3.3 million of goodwill and \$2.6 million of indefinite intangible assets within the Prairie Community Media group of CGUs.

Impairment has no cash flow impact.

#### **Share of Earnings from Joint Ventures and Associates**

Share of earnings from joint ventures and associates, which include the Company's share of Fundata Canada Inc. ("Fundata"), Continental Newspapers Ltd. ("Continental"), Great West Newspapers Limited Partnership ("GWNLP"), the Victoria Times-Colonist, Rhode Island Suburban Newspapers, Inc. ("RISN") and other joint ventures and associates, increased \$1.4 million as compared to the prior year.

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Aggregate operating results for the Company's joint ventures and associates, at the Company's proportionate share of the results, are as follows:

(thousands of dollars)	As at December 31,	
	2017	2016
	\$	\$
Assets	82,392	91,912
Liabilities	21,976	32,316
Net assets	60,415	59,596

  

	For the year ended December 31,	
	2017	2016
	\$	\$
Revenues	57,745	61,775
Net income for the year	10,383	9,291
Other comprehensive (loss) income	(178)	175

### Net Income Attributable to Common Shareholders

Net income attributable to common shareholders decreased by \$2.6 million compared to the same period in the prior year. The decrease resulted from i) lower operating results of \$2.1 million, ii) higher depreciation and amortization of \$0.6 million, iii) higher loss on sale of assets of \$7.2 million, iv) higher restructuring and other expenses of \$1.2, and v) lower income tax recovery of \$0.4 million. This was partially offset by i) lower interest expense of \$1.1 million, ii) lower impairment expense of \$5.9 million, iii) higher share of earnings from joint venture of \$1.4 million, and iv) lower non-controlling interest of \$0.5 million.

### Other Comprehensive Income (net of tax)

For the year ended December 31, 2017, Glacier recognized other comprehensive income (net of tax) of \$0.6 million. The majority of the income related to the actuarial gain on defined benefit pension plans resulting from the change in actuarial assumptions, mainly the discount rate.

### Cash Flow from Operations

Glacier's consolidated cash flow from operations was \$14.3 million (before changes in non-cash operating accounts and non-recurring items) for the year ended December 31, 2017 as compared to \$16.9 million in the prior year. The change in cash flow from operations resulted from the factors stated under **Revenue, Gross Profit, General & Administrative Expenses** and **EBITDA**.

Capital expenditures were \$5.1 million for the year ended December 31, 2017 compared to \$4.5 million in the prior year. The majority of the current year expenditures relate to software development, hardware costs and leasehold improvements. Prior year capital expenditures related to software development, IT infrastructure, and other sustaining capital expenditures.

See "**Summary of Financial Position, Financial Requirements and Liquidity**" for further details.

### Related Party Transactions

During the year ended December 31, 2017, the Company and its affiliates recorded administration, consulting, interest and other expenses of \$0.9 million from Madison Venture Corporation ("Madison") and its subsidiaries. Madison is a shareholder of the Company and certain of its officers and directors are officers and directors of the Company.

Madison provides strategic, financial, transactional advisory services and administrative services to the Company on an ongoing basis and received \$0.5 million for these services in 2017. These services have been provided with the intention of maintaining an efficient and cost effective corporate overhead structure, instead of i) hiring more full-time corporate and administrative staff and thereby increasing fixed overhead costs and ii) retaining outside professional advisory firms on a more extensive basis. These services were provided in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

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In addition, Madison was required to be the guarantor of a loan relating to the acquisition of interests in certain community newspapers in 2007. During the year, \$0.3 million of interest was incurred by a subsidiary of the Company in connection with the loan, which interest was paid by Madison and reimbursed by the subsidiary. Madison charges interest based on the prevailing bankers' acceptance rate plus an acceptance fee which ranges from 2.75% to 3.50% or the bank prime rate plus 1.38% to 2.13%.

During the year ended December 31, 2017, the Company paid its joint venture GWNLP for printing services as part of its normal operations. These services were provided at the agreed upon value. Total printing charged to the Company for the year was \$0.3 million. At December 31, 2017, \$0.2 million was due to GWNLP for printing services and other amounts plus accrued interest on the outstanding balance.

During the year ended December 31, 2017, the Company charged management fees to its joint venture, Fundata for management services as part of its normal operations. Total fees charged by the Company for the year were \$0.3 million.

During the year ended December 31, 2017, the Company had amounts due from Infomine Inc. of \$4.1 million (2016: \$1.9 million). These amounts have been reduced by \$1.7 million representing the Company's share of Infomine's operating losses. These amounts are non-interest bearing and are due on demand. These amounts were included in other assets.

During the year ended December 31, 2017, a subsidiary of the Company received fee income of \$0.1 million related to providing a guarantee on the debt of one of the Company's associates.

At December 31, 2017, the Company had amounts due from an associate of \$5.2 million relating to non-operating advances. These amounts are non-interest bearing and have no fixed terms of repayment. These amounts are included in trade receivables.

#### **Contingency**

During 2014-2017 an affiliate of the Company ("the affiliate") received, from the Canada Revenue Agency ("CRA") and provincial tax authorities, tax notices of reassessments and assessments relating to the taxation years 2008-2016. The notices deny the application of non-capital losses, capital losses, scientific research and experimental development ("SR&ED") pool deductions and SR&ED tax credits claimed. As a result additional taxes payable including interest and penalties are approximately \$55.8 million. The affiliate has filed notices of objection with the CRA and provincial taxing authorities and has paid the required deposits, which has been recorded in other assets.

The Company, the affiliate and its counsel believe that the filing positions adopted by the affiliate in all years are appropriate and in accordance with the law. The affiliate intends to vigorously defend such positions.

#### **Fourth Quarter IFRS Results and Overview of Operating Performance**

##### **Revenue**

Glacier's consolidated revenue for the quarter ended December 31, 2017 was \$48.7 million compared to \$48.8 million in the same period last year.

A number of the Company's operations showed improvements in the fourth quarter results over the same period in the prior year. A number of the Company's high growth, high value businesses performed very well. REW, STP, Environmental Risk Information Services ("ERIS"), the Northern Miner Group amongst others posted strong growth and results.

The environmental, property and financial information operations experienced another strong quarter with REW.ca, the company's online real estate portal, continuing to grow rapidly in terms of site features, traffic and revenues. In the fourth quarter, the group posted double digit revenue growth.

The commodity information operation experienced flat revenues and substantial increases in EBITDA as a result of improving market conditions and the impact of restructuring during the year. Results were also bolstered by strong performance of the mining information operations which continued to benefit from a full recovery of the mining market.

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The Company's Community media's operations continue to face ongoing print advertising challenges and economic challenges in certain areas. Digital community media operations continue to develop well, with progress being made in the Company's portfolio of digital products and marketing solutions offerings. Community media's total rate of revenue decline was lower in the later months of 2017 than earlier in the year.

### Gross Profit

Glacier's consolidated gross profit for the three months ended December 31, 2017 was \$15.5 million compared to \$15.0 million in the same period last year. The gross profit increased slightly compared to the prior year, as a result of the realization of cost saving initiatives in community media and commodity information sectors, which were partially offset by lower revenue in the Company's community media operations and certain business information sectors.

### General & Administrative Expenses

Glacier's consolidated general and administrative expenses were \$9.3 million for the three months ended December 31, 2017 compared to \$9.7 million in the same period in the prior year. The decrease was due to cost savings from the Company's restructuring efforts.

### EBITDA

Consolidated EBITDA increased to \$6.1 million for the three months ended December 31, 2017 as compared to \$5.3 million in the same period in the prior year. The increase in EBITDA was due to the reasons stated under **Revenue**, **Gross Profit** and **General & Administrative Expenses**.

### Net Loss Attributable to Common Shareholders

Net loss attributable to common shareholders increased by \$3.4 million compared to the fourth quarter of 2016. The decrease resulted from i) higher loss on disposal of assets of \$6.3 million, ii) higher restructuring and other expenses of \$3.1 million, iii) higher income tax expense of \$1.1 million, iv) higher non-controlling interest of \$0.7 million. This is partially offset by i) higher operating results of \$0.8 million, ii) lower interest expense of \$0.3 million, iii) lower amortization and depreciation of \$0.5 million, iv) lower impairment expense of \$5.9 million and v) higher share of earnings from joint ventures and associates of \$0.3 million.

### Cash Flow from Operations

Glacier's consolidated cash flow from operations was \$5.3 million (before changes in non-cash working capital and non-recurring items) for the three month period ended December 31, 2017 compared to \$4.2 million for the same period last year. The increase in cash flow from operations was primarily a result of the reasons described under **Revenue**, **Gross Profit** and **General & Administrative Expenses**.

See **Summary of Financial Position, Financial Requirements and Liquidity** for further details.

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### Summary of Selected Quarterly IFRS Results

The following outlines the significant financial performance measures for Glacier for the last eight quarters:

<i>(thousands of dollars) except share and per share amounts</i>	Trailing 12 Months	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	\$ 191,171	\$ 48,690	\$ 46,402	\$ 49,019	\$ 47,060
EBITDA <sup>(1)</sup>	\$ 16,495	\$ 6,101	\$ 2,920	\$ 2,982	\$ 4,492
EBITDA margin <sup>(1)</sup>	8.6%	12.5%	6.3%	6.1%	9.5%
EBITDA per share <sup>(1)</sup>	\$ 0.15	\$ 0.06	\$ 0.03	\$ 0.03	\$ 0.04
Interest expense, net	\$ 2,608	\$ 775	\$ 644	\$ 588	\$ 601
Net income attributable to common shareholders before non-recurring items <sup>(1)</sup>	\$ 10,135	\$ 3,761	\$ 1,860	\$ 2,703	\$ 1,811
Net income attributable to common shareholders before non-recurring items per share <sup>(1)</sup>	\$ 0.09	\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.02
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ (5,944)	\$ 1,043	\$ 2,163	\$ 1,575
Net (loss) income attributable to common shareholders per share	\$ (0.01)	\$ (0.05)	\$ 0.01	\$ 0.02	\$ 0.01
Cash flow from operations <sup>(1)</sup>	\$ 14,338	\$ 5,265	\$ 2,602	\$ 2,548	\$ 3,923
Cash flow from operations per share <sup>(1)</sup>	\$ 0.13	\$ 0.05	\$ 0.02	\$ 0.02	\$ 0.04
Capital expenditures	\$ 5,127	\$ 1,607	\$ 1,607	\$ 1,034	\$ 879
Debt net of cash outstanding before deferred financing charges and other expenses	\$ 40,256	\$ 40,256	\$ 41,601	\$ 44,096	\$ 45,030
Equity attributable to common shareholders	\$ 132,653	\$ 132,653	\$ 138,014	\$ 133,881	\$ 135,718
Weighted average shares outstanding, net	109,828,731	109,828,731	109,828,731	109,828,731	109,828,731

  

<i>(thousands of dollars) except share and per share amounts</i>	Trailing 12 Months	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	\$ 198,792	\$ 48,840	\$ 49,603	\$ 51,018	\$ 49,331
EBITDA <sup>(1)</sup>	\$ 18,624	\$ 5,289	\$ 4,534	\$ 3,933	\$ 4,868
EBITDA margin <sup>(1)</sup>	9.4%	10.8%	9.1%	7.7%	9.9%
EBITDA per share <sup>(1)</sup>	\$ 0.19	\$ 0.05	\$ 0.04	\$ 0.04	\$ 0.05
Interest expense, net	\$ 3,719	\$ 1,056	\$ 745	\$ 917	\$ 1,001
Net income attributable to common shareholders before non-recurring items <sup>(1)</sup>	\$ 9,178	\$ 2,841	\$ 1,563	\$ 3,429	\$ 1,345
Net income attributable to common shareholders before non-recurring items per share <sup>(1)</sup>	\$ 0.09	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.02
Net (loss) income attributable to common shareholders	\$ 1,420	\$ (2,587)	\$ 1,784	\$ 2,495	\$ (272)
Net (loss) income attributable to common shareholders per share	\$ 0.01	\$ (0.02)	\$ 0.02	\$ 0.03	\$ 0.00
Cash flow from operations <sup>(1)</sup>	\$ 16,917	\$ 4,156	\$ 4,713	\$ 3,682	\$ 4,366
Cash flow from operations per share <sup>(1)</sup>	\$ 0.17	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.05
Capital expenditures	\$ 4,474	\$ 1,835	\$ 1,232	\$ 819	\$ 588
Debt net of cash outstanding before deferred financing charges and other expenses	\$ 50,320	\$ 50,320	\$ 51,591	\$ 64,786	\$ 68,417
Equity attributable to common shareholders	\$ 133,351	\$ 133,351	\$ 131,986	\$ 115,586	\$ 115,972
Weighted average shares outstanding, net	99,342,554	109,828,731	109,152,243	89,083,105	89,083,105

Notes:

(1) Refer to "Non-IFRS Measures" and "EBITDA, Cash Flow from Operations Reconciliation and Net Income Attributable to Common Shareholders Before Non-Recurring Items" section for calculation of non-IFRS measures used in this table.

The main factors affecting comparability of results over the last eight quarters are:

- Operating performance of the Company's various business units, including cost-reduction initiatives and general market conditions during the reported periods;
- Decreased revenues during the reported periods due to the structural changes in the community media industry and the cyclical nature of certain of Glacier's businesses, including softness in the energy and mining sectors;
- In the fourth quarter of 2017, the Company sold an energy operation for a non-cash loss of \$6.5 million;
- In the second quarter of 2017, the Company purchased an additional 5% ownership interest in Weather INnovations for a cash purchase price of \$0.3 million;
- In the first quarter of 2017, the Company sold land and buildings in BC for net proceeds of \$2.2 million. The Company recognized a \$0.3 million gain on sale;
- There was no impairment charge in 2017. In 2016, impairment charge was \$5.9 million;

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- A rights offering that was completed in July 2016 which raised proceeds of \$13.2 million, all of which was used to pay down debt. A total of 20,745,626 common shares were issued;
- In the second quarter of 2016, the Company purchased the remaining ownership interest in Evaluate Energy for a purchase price of \$1.0 million. The Company's ownership interest increased from 60% to 100%;
- In the second quarter of 2016, the Company sold land and building property in Chilliwack for net proceeds of \$0.6 million. The Company recognized a \$0.1 million gain on sale; and
- Decreased revenues and expenses, and quarterly fluctuations in restructuring expenses, primarily due to the restructuring of certain community media operations in Northern B.C. throughout 2016.

### EBITDA, Cash Flow from Operations and Net Income Attributable to Common Shareholders before Non-Recurring Items Reconciliation

The following tables reconcile the Company's net income attributable to common shareholders as reported under IFRS to EBITDA, cash flow from operations and net income attributable to common shareholders before non-recurring items.

<i>(thousands of dollars) except share and per share amounts</i>	2017	2016	2015
<b>EBITDA <sup>(1)</sup></b>			
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ 1,420	\$ (152,813)
Add (deduct):			
Non-controlling interests	\$ 1,206	\$ 1,751	\$ (26,018)
Net interest expense	\$ 2,608	\$ 3,719	\$ 4,121
Depreciation of property, plant and equipment	\$ 4,128	\$ 4,660	\$ 5,404
Amortization of intangible assets	\$ 7,868	\$ 6,742	\$ 8,049
Settlement gain on pension and post-retirement benefits	\$ -	\$ -	\$ (6,388)
Net loss (gain) on disposal	\$ 6,339	\$ (814)	\$ (421)
Impairment expense	\$ -	\$ 5,881	\$ 193,953
Restructuring and other expenses (net)	\$ 6,155	\$ 4,931	\$ 10,145
Share of earnings from joint ventures and associates	\$ (9,980)	\$ (8,618)	\$ (10,475)
Income tax recovery	\$ (666)	\$ (1,048)	\$ (8,380)
<b>EBITDA <sup>(1)</sup></b>	<b>\$ 16,495</b>	<b>\$ 18,624</b>	<b>\$ 17,177</b>
<b>Cash flow from operations <sup>(1)</sup></b>			
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ 1,420	\$ (152,813)
Add (deduct):			
Non-controlling interests	\$ 1,206	\$ 1,751	\$ (26,018)
Depreciation of property, plant and equipment	\$ 4,128	\$ 4,660	\$ 5,404
Amortization of intangible assets	\$ 7,868	\$ 6,742	\$ 8,049
Net loss (gain) on disposal	\$ 6,339	\$ (814)	\$ (421)
Impairment expense	\$ -	\$ 5,881	\$ 193,953
Employee future benefit expense less than employer contributions	\$ (713)	\$ (125)	\$ 608
Deferred income tax recovery	\$ (266)	\$ (1,792)	\$ (8,380)
Interest expense	\$ 2,633	\$ 3,806	\$ 4,173
Share of earnings from joint ventures and associates	\$ (9,980)	\$ (8,618)	\$ (10,475)
Settlement gain on pension and post-retirement benefits	\$ -	\$ -	\$ (6,388)
Other non-cash items	\$ 2,189	\$ 1,537	\$ 1,477
Other income	\$ -	\$ (238)	\$ -
Restructuring costs (net of tax)	\$ 1,936	\$ 2,283	\$ 4,613
Transaction and transition costs (net of tax)	\$ 161	\$ 424	\$ 2,357
<b>Cash flow from operations <sup>(1)</sup></b>	<b>\$ 14,338</b>	<b>\$ 16,917</b>	<b>\$ 16,139</b>

Notes:

<sup>(1)</sup> Refer to "Non-IFRS Measures" section for discussion of non-IFRS measures used in this table.

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(thousands of dollars)  
except share and per share amounts

	2017	2016	2015
<b>Net income (loss) attributable to common shareholders before non-recurring items <sup>(1)</sup></b>			
Net (loss) income attributable to common shareholders	\$ (1,163)	\$ 1,420	\$ (152,813)
Add (deduct) non-recurring items:			
Other expenses	\$ 1,893	\$ -	\$ 534
Settlement gain on pension and post-retirement benefits	\$ -	\$ -	\$ (6,388)
Other income	\$ -	\$ (251)	\$ (83)
Net loss (gain) on disposal	\$ 6,339	\$ (814)	\$ (421)
Impairment expense (net of tax)	\$ -	\$ 5,333	\$ 161,586
Restructuring costs (net of tax)	\$ 2,905	\$ 3,066	\$ 6,384
Transaction and transition costs (net of tax)	\$ 161	\$ 424	\$ 2,357
<b>Net income attributable to common shareholders before non-recurring items <sup>(1)</sup></b>	<b>\$ 10,135</b>	<b>\$ 9,178</b>	<b>\$ 11,156</b>
<b>Weighted average shares outstanding, net</b>	<b>109,828,731</b>	<b>99,342,554</b>	<b>89,083,105</b>
Net (loss) income attributable to common shareholders per share	\$ (0.01)	\$ 0.01	\$ (1.72)
EBITDA per share <sup>(1)</sup>	\$ 0.15	\$ 0.19	\$ 0.19
Cash flow from operations before non-recurring items per share <sup>(1)</sup>	\$ 0.13	\$ 0.17	\$ 0.18
Net income attributable to common shareholders before non-recurring items per share <sup>(1)</sup>	\$ 0.09	\$ 0.09	\$ 0.13

Notes:

<sup>(1)</sup> Refer to "Non-IFRS Measures" section for discussion of non-IFRS measures used in this table.**Summary of Financial Position, Financial Requirements and Liquidity**

Glacier generates sufficient cash flow from operations to meet anticipated working capital, capital expenditures, and debt service requirements.

As at December 31, 2017, Glacier had consolidated cash and cash equivalents of \$3.9 million, current and long-term debt of \$44.1 million before adjustment for deferred financing fees attributable directly to the issuance of long-term debt, and working capital of \$13.4 million excluding deferred revenue. Glacier's actual cash working capital is greater than reflected by the amounts indicated on the consolidated balance sheet due to deferred revenue relating to renewals and newspaper subscriptions that have been paid for by subscribers but not yet delivered; and the costs associated with the fulfillment of this liability are less than the amount indicated in current liabilities.

Capital expenditures were \$5.1 million for the year ended December 31, 2017 compared to \$4.5 million the same period in the prior year. The majority of the current year expenditures relate to software development, hardware costs and leasehold improvements. Prior year capital expenditures related program development, IT infrastructure, and other sustaining capital expenditures.

**Changes in Financial Position**

(thousands of dollars)

	2017	2016	2015
	\$	\$	\$
Cash generated from (used in)			
Operating activities	12,005	11,783	12,768
Investing activities	1,658	2,121	5,552
Financing activities	(13,388)	(14,541)	(22,263)
Increase (Decrease) in cash	275	(637)	(3,943)

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The changes in the components of cash flows during 2017 and 2016 are detailed in the consolidated statements of cash flows of the financial statements. The more significant changes are discussed below.

### Operating Activities

Glacier generated cash from operations before non-recurring items and changes in non-cash operating accounts of \$14.3 million compared to \$16.9 million in the prior year as a result of the factors stated under **Revenue, Gross Profit, General & Administrative Expenses** and **EBITDA**. Cash flows from operations before non-recurring items and after change in non-cash working capital was \$14.1 million compared to \$14.3 million in the prior year.

### Investing Activities

Cash used in investing activities totalled \$1.7 million for the year ended December 31, 2017 compared to \$2.1 million in the prior year. Investing activities included \$5.1 million of capital expenditures, distributions received of \$9.4 million, deposits paid of \$1.3 million, acquisition net of cash acquired \$0.9 million, proceeds on disposition of \$2.2 million, and cash used in other investing activities of \$2.6 million.

### Financing Activities

Cash used for financing activities was \$13.4 million for the year ended December 31, 2017 compared to \$14.5 million in the prior year. The Company made net debt repayments of \$9.8 million for the year ended December 31, 2017 compared to \$21.1 million in the prior year. The prior year debt repayment included \$13.2 million from the net proceeds from the rights offering. In the year ended December 31, 2017, the Company distributed \$0.7 million to its non-controlling interests, paid \$2.5 million in interest, and repurchased non-controlling interest for \$0.4 million.

### Outstanding Share Data

As at December 31, 2017 and March 28, 2018, there were 109,828,731 common shares and 1,115,000 share purchase warrants outstanding.

The warrants outstanding allow the holder to purchase one common share per warrant at \$4.48 per share. The warrants expire on June 28, 2019, unless extended.

### Contractual Agreements

As at December 31, 2017, the Company has agreements with a syndicate of major Canadian banks whereby the lenders provide a revolving loan facility with no required principal repayments during its term. The lenders also provide a term loan facility which requires annual principal payments of \$1.0 million, paid quarterly.

The Company has additional long-term debt with a major international bank which is held by Alta Newspaper Group Limited Partnership and is non-recourse to the Company.

The Company has entered into operating leases for premises and office equipment, which expire on various dates up to 2026.

In summary, the Company's contractual obligations due over the next five calendar years are as follows:

(thousands of dollars)	Total	2018	2019	2020	2021	2022	Thereafter
	\$	\$	\$	\$	\$	\$	\$
Long-term debt	43,956	4,930	38,632	93	98	104	99
Operating leases	21,231	5,523	4,266	3,886	3,159	1,269	3,128
	65,187	10,453	42,898	3,979	3,257	1,373	3,227

The Company intends to renegotiate the debt facility before maturity.

Under various financing arrangements with its banks, the Company, its subsidiaries, and its affiliates are required to meet certain covenants. The Company, its subsidiaries, and its affiliates were fully in compliance with these covenants at December 31, 2017 and 2016.

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#### **Financial Instruments**

The Company's activities result in exposure to a variety of financial risks, including risks relating to foreign exchange, credit, interest rate, and liquidity risk.

A small portion of the Company's products are sold at prices denominated in U.S. dollars while the majority of its operational costs and expenses are incurred in Canadian dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar reduces the revenue in Canadian dollar terms realized by the Company from sales made in U.S. dollars.

The Company also has foreign operations in the United States and the United Kingdom, whose earnings are exposed to foreign exchange risk.

The Company sells its products and services to a variety of customers under various payment terms and therefore is exposed to credit risks from its trade receivables from customers. The Company has adopted policies and procedures designed to limit these risks. The carrying amounts for trade receivables are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks associated with the customer and other relevant information. The Company is protected against any concentration of credit risk through its products, broad clientele and geographic diversity.

The Company's interest rate risk mainly arises from the interest rate impact on cash and floating rate debt. The Company actively manages its interest rate risk through ongoing monitoring of market interest rates and the overall economic situation.

The Company is exposed to liquidity risk with respect to trade payables, long-term debt, derivatives and contractual obligations. The Company manages liquidity by maintaining adequate cash balances and by having appropriate lines of credit available. In addition, the Company continuously monitors and reviews both actual and forecasted cash flows. Management believes that future cash flows from operations and the availability under existing banking arrangements will be adequate to support its financial liabilities.

The carrying value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include cash and cash equivalents, trade and other receivables, trade payables and other current liabilities. The fair value of the other financial instruments is determined essentially by discounting cash flows or quoted market prices. The fair values calculated approximate the amounts for which the financial instruments could be settled between consenting parties, based on current market data for similar instruments. Consequently, as estimates must be used to determine fair value, they must not be interpreted as being realizable in the event of an immediate settlement of the instruments. For fair value estimates relating to derivatives and available-for-sale securities, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements. The fair value of all of the Company's available for sale financial instruments was determined using quoted prices in active markets.

#### **Business Environment and Risks**

##### ***Foreign Exchange***

A small portion of the Company's products are sold at prices denominated in U.S. dollars while the majority of its operational costs and expenses are incurred in Canadian dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar reduces the revenue in Canadian dollar terms realized by the Company from sales made in U.S. dollars.

The Company also has foreign operations in the United States and the United Kingdom, whose earnings are exposed to foreign exchange risk.

##### ***Government Programs***

The Department of Canadian Heritage's Canada Periodical Fund's Aid to Publishers program provides postal subsidies to eligible Canadian publications, including Western Producer Publications, Farm Business Communications and the Glacier community media group. While this program has been in place for decades, there is no guarantee that this subsidy will continue to be offered.

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### ***General Market Conditions***

Glacier's community media group generates revenue through the sale of advertising and newspaper subscriptions. As such, it is reliant upon general economic conditions and the spending plans of advertisers. A significant downturn in the national or regional economies may adversely affect revenues, as could significant changes in advertisers' promotional strategies.

Glacier's publications are affected by changes in the prices of purchased supplies, including newsprint.

Although Glacier is well diversified, competition is a continuing risk from existing businesses or new ones in a variety of media formats including print, online, radio and broadcast.

- The community media group publishes newspapers in a variety of communities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the United States, and is diversified as a result;
- Glacier FarmMedia, June Warren-Nickle's Energy Group, Evaluate Energy and the Business in Vancouver Media Group publishes a wide variety of publications distributed across Canada;
- Fundata competes with other companies in the financial information market in Canada;
- ERIS provides comprehensive information from a variety of databases regarding potential environmental liability; and
- Glacier disseminates its information in print, online and digital format.

The large North American business information and community media markets continue to offer many growth opportunities for the Company.

Additional information on the Company's business environment and risks is included in the Company's Annual Information Form filed on SEDAR.

### **Disclosure Controls and Internal Controls over Financial Reporting**

The Company has established disclosure controls and procedures to ensure that information disclosed in this MD&A and the related consolidated financial statements was properly recorded, processed, summarized and reported to the Audit Committee and the Board. The Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the effectiveness of these disclosure controls and procedures for the year ending December 31, 2017, and have concluded that they are effective.

The CEO and CFO, while acknowledging responsibility for the design of internal controls over financial reporting ("ICFR"), and confirming that there were no changes in these controls that occurred during the most recent year ended December 31, 2017 which materially affected, or are reasonably likely to materially affect, the Company's ICFR and based upon their evaluation of these controls for the year ended December 31, 2017, the CEO and CFO have concluded that these controls are effective. The CEO and CFO have certified such findings and reported to the Audit Committee, which in turn, has included such certification and report in the Audit Committee's recommendation to the Board of Directors. The Board of Directors in passing its resolutions acknowledges that it is basing and relying on such certification and report.

### **Future Accounting Policies**

In May 2014, the International Accounting Standards Board and the Financial Accounting Standards Board completed its joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for IFRS and United States Generally Accepted Accounting Principles. As a result of the joint project, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The new standard is effective for annual periods beginning on or after January 1, 2018. The Company has assessed the existing revenue contracts under the new IFRS framework. No areas of change have been identified that would require changes in the Company's revenue recognition or measurement. IFRS 15 will require additional financial statement disclosures than currently required. The Company has the necessary systems and processes to facilitate these additional requirements.

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In July 2014, the IASB issued IFRS 9, Financial Instruments, which addresses classification and measurement of financial assets and replaces the multiple category and measurement models for debt instruments in IAS 39, Financial Instruments: Recognition and Measurement. Debt instruments will be measured with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. The new standard also addresses financial liabilities which largely carries forward existing requirements in IAS 39, with the exception of fair value changes to credit risk for liabilities designated at fair value through profit and loss which are generally to be recorded in other comprehensive income. In addition, the new standard introduces a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Company completed a review of the new standard and did not identify any areas of significant difference. No significant changes are expected to be required in the Company's process of managing and estimating provisions for credit loss on trade receivables. Accordingly, the Company does not expect IFRS 9 to have a material effect on its financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, but only if the Company also applies IFRS 15 Revenues from Contracts with Customers.

The most significant impacts of IFRS 16 includes the lessee's recognition of the initial present value of future lease payments as lease assets and lease liabilities on the statement of financial position, except for those leases that meet a limited exception criteria. The presentation on the statement of operations and other comprehensive income will be affected by the new standard and will result in lease expenses being presented as depreciation and finance expenses. Net income is likely to be effected as the timing of expenses is accelerated when applying the new standard which uses a finance lease model compared to straight line recognition.

The Company is still in the process of assessing the impact, if any, on the financial statements of this new standard.

#### **Critical Accounting Estimates**

The preparation of the annual consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements. Management regularly reviews these estimates, including impairment of goodwill and assets with indefinite and finite lives, retirement benefit assets/obligations, income taxes, fair value assessment of business combinations, and useful lives for depreciation and amortization of property, plant and equipment and finite life intangible assets. While it is reasonably possible that circumstances may arise which cause actual results to differ from these estimates, management does not believe it is likely that any such differences will materially affect Glacier's financial position.

#### ***Income Taxes***

In accordance with IFRS recommendations, Glacier recognizes future income tax assets when it is more likely than not that the future income tax assets will be realized. This assumption is based on management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the future income tax assets could be reduced or increased, resulting in an income tax expense or recovery. Glacier re-evaluates its future income tax assets on a regular basis.

#### ***Retirement Benefit Assets/Obligations***

Glacier's defined benefit plan provides both pension and other retirement benefits to certain salaried and hourly employees not covered by industry union plans.

Effective December 31, 2015, the Company made the decision to eliminate future benefit accruals under the defined benefit provision of the plan. Credited Service and final average earnings were permanently set. This change affects all members who were actively accruing benefits in the Plan as at December 31, 2015. Effective January 1, 2016, all eligible employees have joined a new defined contribution plan sponsored by Glacier. The Company also has health care plans covering certain hourly and retired salaried employees.

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Effective December 31, 2015, the post retirement benefit plan was closed for new retirees. Employees retiring after December 31, 2015, are not eligible for post-retirement benefits. The Company's defined benefit pension plan related to its subsidiary remains unchanged.

Glacier uses independent actuarial firms to perform actuarial valuations of the fair value of pension and other retirement benefit plan obligations. The application of these recommendations requires judgments regarding certain assumptions that affect the accrued benefit provisions and related expenses, including the discount rate used to calculate the present value of the obligations and the assumed health care cost trend rates. Management and the Board of Director's Pension Committee evaluate these assumptions annually based on experience and the recommendations of its actuarial firms. Changes in these assumptions result in actuarial gains or losses, which are recorded in comprehensive income or loss for the year.

#### ***Share-Based Payments***

The Company provides incentives via share-based payment entitlements. The fair value of entitlements is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the equity instrument, the vesting and performance criteria, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the equity instrument. If certain assumptions used in the fair value calculation were to change, there would be an impact on the statement of operations in future financial periods.

#### ***Impairment of Intangible Assets and Goodwill***

Goodwill, which is the excess of the purchase price paid for an acquisition over the fair value of the net assets acquired, is not amortized but is assessed annually for impairment or more frequently if events or circumstances indicate that it may be impaired.

Indefinite life intangible assets consisting mainly of mastheads which have an indefinite useful life and are not amortized, but tested annually for impairment or more frequently if impairment indicators arise.

Intangible assets with a finite life, which consist of subscription lists, customer relationships, other intangible assets and software, are reviewed for impairment when the occurrence of events or changes in circumstances indicates that the carrying value of the assets may not be recoverable.

For goodwill and finite life intangible assets, the recoverable amount was determined using five year cash flow budgets approved by management that made maximum use of observable market inputs and outputs. For periods beyond the budget period, cash flows were extrapolated using expected future growth rates taking into consideration historical rates and projected future structural changes to the industry, in the respective CGU or groups of CGUs and taking into account expected future operating results, cost savings achieved through cost savings initiatives, economic conditions and outlook for the industry within which the reporting unit operates.

For indefinite life intangible assets, the recoverable amount was determined using budgeted revenues to determine the relief from royalties that the mastheads and trademarks provide. For periods beyond the budget period, revenues were extrapolated using expected future growth rates taking into consideration historical rates and projected future structural changes to the industry.

The methods are based on many assumptions and estimates that may have a significant impact on the recoverable value of a CGU, and as a result on the amount of impairment recorded, if any. The impact of any significant changes in assumptions and the review of estimates are recognized through profit or loss in the period in which the change occurs.

Based upon the analysis performed in 2017, the Company recorded an impairment of goodwill and indefinite life intangible assets within the in the Prairie Community Media group of CGUs. In 2016, the Company concluded that there was an impairment of goodwill, indefinite life intangible assets and definite life intangible assets within the Prairie Community Media of CGUs.

#### ***Fair Value of Business Combinations***

On the acquisition of a business, the Company is required to identify and measure the various assets and liabilities acquired. This is based on the estimated fair value of each item acquired with the remainder of the purchase price being recognized as goodwill.

**GLACIER MEDIA INC.**

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***Estimated Useful Lives***

Management estimates the useful lives of property, plant and equipment and finite life intangible assets based on the period during which the assets are available for use. The amounts and timing of depreciation and amortization for these assets are affected by useful lives. The estimates are reviewed annually and are updated for changes in the assets' expected useful lives.