

TORSTAR CORPORATION
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2009 and 2008

Dated: November 3, 2009

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The following review and analysis of Torstar Corporation's (the "Company" or "Torstar") operations and financial position for the three and nine months ended September 30, 2009 and 2008 is supplementary to, and should be read in conjunction with the audited consolidated financial statements of Torstar Corporation for the year ended December 31, 2008 set forth in the Company's Annual Report for such fiscal year and incorporated by reference in the Company's renewal Annual Information Form dated March 23, 2009.

Torstar reports its financial results under Canadian generally accepted accounting principles ("GAAP") in Canadian dollars. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period.

Non-GAAP Measures

Management uses both operating profit, as presented in the consolidated statements of income, and EBITDA as measures to assess the performance of the reporting units and business segments. EBITDA is a measure that is also used by many of Torstar's shareholders, creditors, other stakeholders and analysts as a proxy for the amount of cash generated by Torstar's operations or by a reporting unit or segment. EBITDA is not the actual cash provided by operating activities and is not a recognized measure of financial performance under GAAP. Torstar calculates EBITDA as the consolidated, segment or reporting unit operating profit before charges for interest, taxes, depreciation and amortization of intangible assets. Torstar also excludes restructuring and other charges from its calculation of EBITDA. Torstar's method of calculating EBITDA may differ from other companies and accordingly may not be comparable to measures used by other companies.

Forward-looking statements

Certain statements in this MD&A and in the Company's oral and written public communications may constitute forward-looking statements that reflect management's expectations regarding the Company's future growth, results of operations, performance and business prospects and opportunities as of the date of this report. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "forecast", "expect", "intend", "would", "could", "if", "may" and similar expressions. All such statements are made pursuant to the "safe harbour" provisions of applicable Canadian securities legislation. These statements reflect current expectations of management regarding future events and operating performance, and speak only as of the date of this report. The Company does not intend, and disclaims any obligation to, update any forward-looking statements, whether written or oral, or whether as a result of new information or otherwise, except as may be required by law.

By their very nature, forward-looking statements require management to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that management's assumptions may not be accurate and that actual results, performance or achievements may differ significantly from such predictions, forecasts, conclusions or projections expressed or implied by such forward-looking statements. We caution readers to not place undue reliance on the forward-looking statements in this MD&A as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, outlooks, expectations, goals, estimates or intentions expressed in the forward-looking statements. In addition, forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.



These factors include, but are not limited to: general economic conditions in the principal markets in which the Company operates, the Company's ability to operate in highly competitive industries, the Company's ability to compete with other forms of media, the Company's ability to attract advertisers, cyclical and seasonal variations in the Company's revenues, labour disruptions, newsprint costs, foreign exchange fluctuations, investments, restrictions imposed by existing credit facilities and availability of capital, pension fund obligations, reliance on its printing operations, reliance on technology and information systems, interest rates, availability of insurance, litigation, environmental regulations, dependence on key personnel, control of Torstar by the voting trust, loss of reputation, intellectual property rights and uncertainties associated with critical accounting estimates.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results.

In addition, a number of assumptions, including those assumptions specifically identified throughout this MD&A, were applied in making the forward-looking statements set forth in this MD&A. Some of the key assumptions include, without limitation, assumptions regarding the performance of the North American economy; tax laws in the countries in which we operate; continued availability of printing operations; continued availability of financing on appropriate terms; exchange rates; market competition; and successful development of new products. There is a risk that some or all of these assumptions may prove to be incorrect.

OVERVIEW

Torstar Corporation is a broadly based media company listed on the Toronto Stock Exchange (TS.B). Torstar reports its operations in two segments: Newspapers and Digital; and Book Publishing. The Newspapers and Digital Segment includes the Star Media Group led by the Toronto Star, Canada's largest daily newspaper with digital properties including thestar.com, toronto.com, Workopolis, Olive Media, and eyeReturn Marketing; and Metroland Media Group, publishers of community and daily newspapers in Ontario. The Book Publishing Segment represents Harlequin Enterprises Limited, ("Harlequin") a leading global publisher of books for women. Torstar also has investments in CTVglobemedia Inc. ("CTVgm") and Black Press Limited which are accounted for as Associated Businesses, using the equity method.

OPERATING RESULTS – Third quarter and year to date 2009

Overall Performance

Total revenue was \$343.7 million in the third quarter of 2009, down \$27.6 million or 7.4% from \$371.3 million in the third quarter of 2008. Newspapers and Digital revenue was \$221.2 million in the quarter, down \$32.0 million or 12.6% from \$253.2 million in 2008 with lower advertising revenue in most categories particularly those that are more subject to the impact of the economy such as employment and real estate. Book Publishing revenue was \$122.5 million in the third quarter of 2009, up \$4.4 million or 3.7% from \$118.1 million in the third quarter of 2008 including a \$3.9 million increase from the weaker Canadian dollar relative to a year ago. Underlying revenues grew \$0.5 million as growth in North America Direct-To-Consumer and Overseas revenues more than offset declines in North America Retail.

Year to date total revenue was \$1,056.5 million, down \$64.9 million or 5.8% from \$1,121.4 million in the first nine months of 2008. Newspapers and Digital revenue was \$685.4 million year to date, down \$89.3 million or 11.5% from \$774.7 million in the same



period last year. Book Publishing revenue was \$371.1 million year to date, up \$24.4 million or 7.0% from \$346.7 million in the same period last year including a \$23.1 million increase from the weaker Canadian dollar.

Operating profit before restructuring and other charges was \$30.1 million in the third quarter of 2009, down \$6.0 million from \$36.1 million in the third quarter of 2008. Including the \$1.1 million of restructuring and other charges, an operating profit of \$29.0 million was reported in the third quarter of 2009, down \$3.7 million from an operating profit of \$32.7 million in 2008 (which included \$3.4 million of restructuring and other charges). Year to date, operating profit before restructuring and other charges was \$83.2 million, down \$28.6 million from \$111.8 million in the first nine months of 2008. Including the \$30.8 million of restructuring and other charges, an operating profit of \$52.5 million was reported year to date, down \$30.7 million from an operating profit of \$83.2 million in the same period last year (which included \$28.6 million of restructuring and other charges).

Newspapers and Digital Segment operating profit was \$10.6 million in the third quarter of 2009, down \$11.3 million from \$21.9 million in the third quarter last year. Year to date, Newspapers and Digital Segment operating profit was \$31.0 million, down \$40.7 million from \$71.7 million in the same period last year. Labour cost savings from restructuring initiatives, reduced newsprint consumption and general cost containment efforts helped to offset the lower revenue and higher pension costs in the third quarter and year to date. Pension costs were up \$5.4 million in the quarter and \$16.3 million year to date. Newsprint pricing was lower in the third quarter year over year but still slightly higher year to date.

Book Publishing operating profit was \$22.9 million in the third quarter of 2009, up \$4.2 million from \$18.7 million in the third quarter of 2008, including \$2.0 million from the impact of foreign exchange. Year to date, Book Publishing operating profit was \$63.1 million, up \$9.9 million from \$53.2 million in the first nine months of 2008, including \$5.1 million from the favourable impact of foreign exchange. Underlying results were up in North America Direct-To-Consumer and down in North America Retail for both the third quarter and year to date. Overseas was down in the quarter but up year to date.

Corporate costs were \$3.4 million in the third quarter, down \$1.0 million from \$4.4 million in the third quarter last year. Year to date, corporate costs were \$10.9 million, down \$2.2 million from \$13.1 million in the first nine months of 2008. The lower corporate costs primarily reflected lower compensation expense.

EBITDA¹, excluding restructuring and other charges, was \$42.8 million in the third quarter of 2009, down \$6.5 million from \$49.3 million in 2008. Year to date, EBITDA was \$122.2 million, down \$29.6 million from \$151.8 million in 2008.

¹ EBITDA is calculated as operating profit before interest, taxes, depreciation and amortization of intangible assets. It also excludes restructuring and other charges. See "non-gaap measures".



(in \$000's)	Third Quarter		Year to Date	
	2009	2008 ²	2009	2008 ²
Newspapers and Digital	\$22,302	\$33,818	\$66,542	\$108,040
Book Publishing	23,924	19,891	66,486	56,891
Corporate	(3,403)	(4,389)	(10,832)	(13,086)
EBITDA, excluding restructuring and other charges	\$42,823	\$49,320	\$122,196	\$151,845

Restructuring and other charges

Restructuring and other charges of \$1.1 million were recorded in the third quarter of 2009 compared with \$3.4 million in the third quarter of 2008. In both years, the amount related to restructuring provisions in the Newspapers and Digital Segment. Year to date, restructuring and other charges were \$30.8 million in 2009 and \$28.6 million in 2008. The 2009 year to date amount included \$12.8 million related to the transition in leadership at Torstar Corporate, \$16.6 million for restructuring provisions in the Newspapers and Digital Segment and \$1.4 million related to the closure of a distribution centre in Harlequin's U.K. operation. In the first nine months of 2008, the restructuring charges were all related to the Newspapers and Digital Segment.

The restructuring charges in the Newspapers and Digital segment reflect the ongoing focus on reducing operating costs in both Metroland Media Group and Star Media Group in response to the revenue declines being realized. Total annual savings from the third quarter 2009 restructuring activities are expected to be approximately \$1.2 million (with approximately \$0.3 million realized during the fourth quarter of 2009) and a reduction of approximately 18 positions. In addition, savings of \$7.9 million are expected in the fourth quarter of 2009 related to restructuring efforts that were undertaken in 2008 and the first six months of 2009.

Late in the first quarter of 2009, Harlequin announced the decision to close its direct-to-consumer distribution centre in the U.K. and to outsource that function. This will result in annual savings of \$0.6 million and a reduction of approximately 16 positions. Approximately \$0.2 million of these savings will be realized in the fourth quarter of 2009.

Interest

Interest expense was \$5.1 million in the third quarter of 2009, down \$1.7 million from \$6.8 million in the third quarter of 2008. The lower expense reflects lower effective interest rates and lower debt levels. The average net debt (long-term debt and bank overdraft net of cash and cash equivalents) was \$588.4 million in the third quarter of 2009, down \$40.5 million from \$628.9 million in the same period last year. Torstar's effective interest rate was 3.5% in the third quarter of 2009 and 4.3% in the third quarter of 2008.

² The Newspapers and Digital 2008 EBITDA has been restated to reflect Transit TV as a discontinued operation and the Book Publishing 2008 EBITDA has been restated for the retrospective adoption of CICA Handbook Section 3064.



Year to date, interest expense was \$15.9 million, down \$5.8 million from \$21.7 million in the same period last year. The lower expense reflects lower effective interest rates and lower debt levels. Year to date, the average net debt (long-term debt and bank overdraft net of cash and cash equivalents) was \$605.8 million, down \$23.5 million from \$629.3 million in the same period last year. Year to date Torstar's effective interest rate was 3.5% compared with 4.6% in the first nine months of 2008.

Net debt was \$553.3 million at September 30, 2009, down \$74.0 million from \$627.3 million at December 31, 2008.

Foreign Exchange

Torstar reported a non-cash foreign exchange gain of \$0.3 million in the third quarter of 2009. This gain arose from the translation of foreign-currency (primarily U.S. dollars) denominated assets and liabilities into Canadian dollars. The amount of the gain or loss in any year will vary depending on the movement in relative value of the Canadian dollar and on whether Torstar has a net asset or net liability position in the foreign currency. In the third quarter of 2008, Torstar reported a non-cash foreign exchange loss of \$0.6 million.

Loss from associated businesses

The loss from associated businesses was \$13.6 million in the third quarter of 2009 compared with a loss of \$2.9 million in the third quarter of 2008. Year to date, the loss from associated businesses was \$48.3 million compared with income of \$0.8 million in the same period last year.

Torstar's share of CTVgm's net loss was \$13.6 million in the third quarter of 2009 compared with a loss of \$2.8 million in the third quarter of 2008. Non-operating items account for approximately \$4.8 million of the decline in the quarter. The remaining year over year decline primarily reflects higher interest expense and a higher effective income tax rate in the quarter. For CTVgm the economy has continued to have a negative impact on revenues, but these declines were virtually offset by lower operating costs in the quarter. The non-operating items include an impairment loss on intangible assets, a recovery related to Canadian Radio-televisions and Telecommunications Commission ("CRTC") Part II licence fees and the non-recurrence of gains related to the sale of investments in the third quarter of 2008. The impairment loss is related to certain of CTVgm's television and radio intangible assets and arose through CTVgm's annual impairment testing of its intangible assets and goodwill. The issue of the legality of the Part II fees has been on-going for several years. In April 2008, the Federal Court of Appeal reversed a prior decision of the Federal Court and found that the fees were a valid regulatory charge. In the second quarter of 2008, CTVgm provided for the Part II licence fees for fiscal 2007 and year to date fiscal 2008. In December 2008, the Supreme Court of Canada granted the Canadian Association of Broadcasters ("CAB") leave to appeal the Part II licence fee case and in January 2009 the CAB's notice of appeal was filed. During this period CTVgm continued to accrue Part II fees and the CRTC had issued a notice indicating that they would not collect any Part II fees until the matter was resolved. During the summer of 2009, preliminary discussions were held between the CAB and the Federal Government regarding a negotiated settlement to the case. In early October 2009, the Canadian Federal Government announced that they



had reached an agreement with the CAB regarding the Part II licence fees. Under the settlement, past amounts owing by the broadcasters for fiscal 2007, 2008 and 2009 will be forgiven, a new, forward-looking fee regime will be developed and the CAB agreed to discontinue its court action. As a result of the settlement, CTVgm has reversed all its accruals related to Part II fees.

Year to date, Torstar's share of CTVgm's net loss was \$48.1 million compared with a net income of \$3.6 million in the same period last year. Non-operating items accounted for approximately \$6.4 million of the decline year to date, while a second quarter 2009 valuation allowance that was provided against certain of CTVgm's future income tax assets accounted for \$29.9 million. Year to date, the non-operating items include the impact of the Part II fee reversal, as well as the first quarter write-down of several "A" conventional television licences (on the decision to not renew them), and the first quarter gain on the sale of one-half of CTVgm's interest in Maple Leaf Sports and Entertainment Ltd. Excluding the non-operating items and the valuation allowance, Torstar's share of CTVgm's net loss was \$11.8 million. The decline in the year to date earnings reflected lower revenues and higher interest expense as operating expenses were relatively flat.

During the fourth quarter, Torstar will complete its annual impairment testing for the CTVgm intangible assets including broadcast licenses, masthead and customer relationships, that were identified on the investment by Torstar. Torstar will also complete an assessment of the value of its investment in CTVgm to determine if there has been an "other than temporary" decline in the value relative to its carrying value. Any impairment losses resulting from this analysis will be recorded in Torstar's fourth quarter results.

Torstar is not currently recording its share of Black Press's results. Torstar's carrying value in Black Press was reduced to nil in the fourth quarter of 2008 as a result of impairment losses related to Black Press's U.S. newspaper operations. While under Canadian accounting rules a negative carrying value is not recorded, the deficit must be recovered prior to the reporting of any further results. Torstar's share of Black Press's income would have been \$1.0 million in the third quarter of 2009, compared with a loss of \$0.2 million last year. The improvement included lower interest expense and a gain on the sale of a real estate property. Year to date, Torstar's share of Black Press's net income would have been \$1.6 million, compared with a loss of \$3.1 million (which included a \$2.1 million write down related to future tax assets) in the same period last year.

Gain on sale of land

Torstar recognized a gain of \$0.2 million in the third quarter related to the sale of a small property in Cambridge. In the second quarter of 2008, Torstar recognized a gain of \$9.2 million on the disposition of excess land.

Investment write-down

In the second quarter of 2008, Torstar recorded a write-down of \$2.4 million on its portfolio investment in U.S. based LiveDeal Inc. to fair value.



Income and other taxes

Torstar recorded a third quarter tax provision of \$6.8 million on income before taxes of \$10.8 million. Torstar's effective tax rate was 27.8% in the third quarter of 2009, excluding the impact of the \$13.6 million loss from associated businesses which was not tax affected. During the third quarter of 2008 Torstar's effective tax rate was 26.3%.

Year to date, Torstar recorded a tax provision of \$10.2 million on a loss before taxes of \$11.5 million. Torstar's effective tax rate was 27.7% year to date, excluding the impact of the \$48.3 million loss from associated businesses which was not tax affected. During the first nine months of 2008, Torstar's effective tax rate was 25.2% excluding a one-time adjustment of \$1.3 million for a recovery of prior period taxes.

The effective tax rates in both periods in 2009 were slightly higher than in the prior year due to the mix of income year over year including items in 2008 that were tax affected at a capital gains rate.

Income (loss) from continuing operations

Torstar reported income from continuing operations of \$4.0 million in the third quarter of 2009 down \$12.6 million from \$16.6 million in the third quarter of 2008. Year to date, Torstar reported a loss from continuing operations of \$21.7 million compared with income of \$52.9 million in the same period last year.

Discontinued operations

Transit TV ceased operations in early 2009 and the two Transit TV subsidiaries filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code. Accordingly, the Transit TV results for 2008 have been restated to be shown as discontinued operations.

Net income (loss)

Torstar reported net income of \$4.0 million or \$0.05 per share in the third quarter of 2009. In the third quarter of 2008 Torstar reported a net loss of \$0.7 million or \$0.01 per share. Year to date, Torstar reported a net loss of \$21.7 million or \$0.27 per share. In the first nine months of 2008 Torstar reported net income of \$32.4 million or \$0.41 per share.

Outstanding shares

The average number of Class A and Class B non-voting shares outstanding was 79.0 million in both the third quarter and year to date. In 2008, 78.9 million were outstanding in the third quarter and 78.8 million during the first nine months.



The following chart provides a continuity of earnings per share from 2008 to 2009:

	Third Quarter	Year to Date
Net income (loss) per share 2008	(\$0.01)	\$0.41
Changes		
• Operations	(0.06)	(0.21)
• Restructuring and other charges	0.02	(0.02)
• Loss from associated businesses	(0.14)	(0.62)
• Non-cash foreign exchange	0.02	(0.01)
• Gain on sale of land (2008)		(0.09)
• Investment write-down (2008)		0.03
• One-time tax expense adjustment (2008)		(0.02)
• Discontinued operations (2008)	0.22	0.26
Net income (loss) per share 2009	\$0.05	(\$0.27)

Segment Operating Results – Newspapers and Digital

The Newspapers and Digital Segment includes the Star Media Group and Metroland Media Group (“Metroland”).

Star Media Group includes the Toronto Star, Canada’s largest daily newspaper which is read in print and online (thestar.com) by more than 2.9 million readers every week. Star Media Group also includes eyeReturn Marketing and the Torstar Digital corporate group. In addition to the above wholly-owned operations, Star Media Group also includes Torstar’s proportionate interests in Sing Tao Daily, Metro, Workopolis, and Olive Media.

Metroland Media Group publishes in print and online more than 100 community newspapers and three daily newspapers – The Hamilton Spectator, the Waterloo Region Record and the Guelph Mercury. It is also the publisher of Gold Book Directories, a number of specialty publications, operates several consumer shows throughout Ontario and Torstar Media Group Television (a 24-hour direct response television business and commercial production house). Metroland Media Group has eight web press facilities which print the Metroland newspapers but also engage in commercial printing.

The following tables set out, in \$000’s, the results for the reporting units within the Newspapers and Digital Segment for the three months ended September 30, 2009 and 2008.



	2009			2008 ³		
	Metroland Media	Star Media	Total	Metroland Media	Star Media	Total
Operating revenue	\$120,042	\$101,191	\$221,233	\$136,947	\$116,228	\$253,175
EBITDA	\$18,890	\$3,412	\$22,302	\$24,744	\$9,074	\$33,818
Depreciation & amortization	4,156	7,520	11,676	3,945	8,004	11,949
Operating profit	\$14,734	(\$4,108)	\$10,626	\$20,799	\$1,070	\$21,869
EBITDA margin	15.7%	3.4%	10.1%	18.1%	7.8%	13.4%
Operating profit margin	12.3%	n/a	4.8%	15.2%	0.9%	8.6%

The following tables set out, in \$000's, the results for the reporting units within the Newspapers and Digital Segment for the nine months ended September 30, 2009 and 2008.

	2009			2008 ³		
	Metroland Media	Star Media	Total	Metroland Media	Star Media	Total
Operating revenue	\$369,704	\$315,692	\$685,396	\$420,807	\$353,884	\$774,691
EBITDA	\$57,924	\$8,618	\$66,542	\$81,267	\$26,773	\$108,040
Depreciation & amortization	12,307	23,283	35,590	11,824	24,506	36,330
Operating profit	\$45,617	(\$14,665)	\$30,952	\$69,443	\$2,267	\$71,710
EBITDA margin	15.7%	2.7%	9.7%	19.3%	7.6%	13.9%
Operating profit margin	12.3%	n/a	4.5%	16.5%	0.6%	9.3%

Total revenue of the Newspapers and Digital Segment was \$221.2 million in the third quarter of 2009, down \$32.0 million or 12.6% from \$253.2 million in the third quarter of 2008. Year to date, total revenue of the Newspapers and Digital Segment was \$685.4 million, down \$89.3 million or 11.5% from \$774.7 million in the first nine months of 2008. Over 43% of the decline in advertising revenue in the quarter (48% year to date) related to two categories that are especially vulnerable to the economic cycle, employment and real estate advertising. Digital revenues declined 6.1% in the third quarter of 2009 with several sites, including Wokopolis, having lower revenues. Year to date, digital revenues were down 2.7%. Digital revenue was 7.2% of the total Newspapers and Digital revenue in the third quarter of 2009 and 6.7% year to date, up from 6.7% and 6.1% in the same periods last year.

³ 2008 results have been restated for the transfer of TMGTV from Star Media Group to Metroland Media Group and to reflect Transit TV as a discontinued operation.



Total EBITDA of the Newspapers and Digital Segment was \$22.3 million in the third quarter of 2009, down \$11.5 million from \$33.8 million in the third quarter of 2008. Year to date, total EBITDA of the Newspapers and Digital Segment was \$66.5 million, down \$41.5 million from \$108.0 million in the first nine months of 2008. Labour cost savings from restructuring initiatives, reduced newsprint consumption and general cost containment efforts helped to offset the lower revenue and higher pension costs in the third quarter and year to date. Pension costs were up \$5.4 million in the quarter and \$16.3 million year to date. Newsprint pricing was lower in the third quarter year over year, contributing \$3.0 million of cost savings, but still slightly higher year to date.

Metroland Media Group

Metroland Media Group revenues were \$120.0 million in the third quarter of 2009 down \$16.9 million or 12.3% from \$136.9 million in the third quarter of 2008. Year to date, Metroland Media Group revenues were \$369.7 million down \$51.1 million or 12.1% from \$420.8 million in the same period last year. The economy continued to have a negative impact on advertising revenue during the third quarter. Lower employment and real estate advertising accounted for approximately 50% of the decline in advertising revenue in the quarter and year to date. Reduced volumes have resulted in lower distribution revenues in the quarter and year to date.

Metroland Media Group EBITDA was \$18.9 million in the third quarter of 2009 down \$5.8 million from \$24.7 million in the third quarter of 2008. Year to date, Metroland Media Group EBITDA was \$57.9 million down \$23.4 million from \$81.3 million in the first nine months of 2008. Newsprint pricing was lower year over year in the third quarter as prices decreased but remained slightly higher year to date. Labour cost savings were realized in the third quarter and year to date from the restructuring undertaken in the fourth quarter of 2008 and the first half of 2009. These savings helped to offset the revenue decline, higher pension expense and the continued investment in Metroland's digital operations.

Metroland Media Group's operating profit was \$14.7 million in the third quarter of 2009 down \$6.1 million from \$20.8 million in the same period last year. Year to date, Metroland Media Group's operating profit was \$45.6 million down \$23.8 million from \$69.4 million in the same period last year.

Star Media Group

Star Media Group revenues were \$101.2 million in the third quarter of 2009, down \$15.0 million or 12.9% from \$116.2 million in the third quarter of 2008. Year to date, Star Media Group revenues were \$315.7 million, down \$38.2 million or 10.8% from \$353.9 million in the first nine months of 2008. Advertising revenue continued to be down in the Star Media Group during the third quarter as virtually all of the properties were impacted by the weak economy. Lower employment and real estate advertising accounted for over 34% of the decline in advertising revenue in the quarter and over 46% year to date. This is an improvement over the second quarter with real estate advertising, in particular new homes, realizing a lower year over year decline,



Advertising revenues at the Toronto Star were down 20.0% in the third quarter and 17.0% year to date. The decline was experienced across a broad range of categories including employment and real estate. Toronto Star circulation revenues were up in both the quarter and year to date. The jointly-owned Sing Tao newspapers faced similar revenue challenges in the third quarter. The Metro newspapers were down slightly in the third quarter but had revenue growth year to date. Revenue at Star Media Group's digital properties was down in the third quarter and year to date primarily from lower employment advertising at Workopolis.

Star Media Group EBITDA was \$3.4 million in the third quarter of 2009, down \$5.7 million from \$9.1 million in the third quarter of 2008. Year to date, Star Media Group EBITDA was \$8.6 million, down \$18.2 million from \$26.8 million in the same period last year. Newsprint pricing was lower year over year in the third quarter as prices decreased but remained slightly higher year to date. Lower consumption of newsprint produced cost savings in both the quarter and year to date. Labour cost savings were realized in the third quarter and year to date from the restructuring undertaken in 2008 and the first half of 2009. These savings helped to offset the revenue decline as well as pension expense that was up \$4.3 million in the third quarter and \$12.9 million year to date.

Star Media Group's operating loss was \$4.1 million in the third quarter of 2009 compared with a profit of \$1.1 million in the third quarter of 2008. Year to date, Star Media Group's operating loss was \$14.7 million compared with income of \$2.3 million in the same period last year.

Segment Operating Results – Book Publishing

The Book Publishing Segment reports the results of Harlequin, a leading global publisher of books for women. Harlequin publishes books around the world in a variety of genres and formats, selling through the retail channel and directly to the consumer by mail and the Internet. Harlequin's publishing operations are comprised of three divisions: North America Retail, North America Direct-To-Consumer and Overseas.

The following tables set out, in \$000's, a summary of operating results for the Book Publishing Segment and a continuity of revenue and operating profit, including the impact of foreign currency movements, for the three and nine months ended September 30, 2009 and 2008.



	Third Quarter		Year to Date	
	2009	2008 ⁴	2009	2008 ⁴
Revenue	\$122,501	\$118,124	\$371,078	\$346,711
EBITDA	\$23,924	\$19,891	\$66,486	\$56,891
Depreciation & amortization	1,061	1,232	3,342	3,697
Operating profit	\$22,863	\$18,659	\$63,144	\$53,194
EBITDA margin	19.5%	16.8%	17.9%	16.4%
Operating profit margin	18.7%	15.8%	17.0%	15.3%

	Third Quarter	Year to Date
Reported revenue, prior year	\$118,124	\$346,711
Impact of currency movements and foreign exchange contracts	3,907	23,143
Change in underlying revenue	470	1,224
Reported revenue, current year	\$122,501	\$371,078
Reported operating profit, prior year	\$18,659	\$53,194
Impact of currency movements and foreign exchange contracts	1,998	5,119
Change in underlying operating profit	2,206	4,831
Reported operating profit, current year	\$22,863	\$63,144

Book Publishing revenues were up \$0.5 million in the third quarter of 2009 excluding the impact of foreign exchange. North America Retail was down \$1.2 million, North America Direct-To-Consumer was up \$0.5 million and Overseas was up \$1.2 million. Year to date, Book Publishing revenues were up \$1.2 million excluding the impact of foreign exchange. North America Retail was down \$2.7 million, North America Direct-To-Consumer was down \$1.6 million and Overseas was up \$5.5 million.

Book Publishing operating profits were up \$2.2 million in the third quarter of 2009 excluding the impact of foreign exchange. North America Retail was down \$0.1 million, North America Direct-To-Consumer was up \$3.4 million and Overseas was down \$1.1 million. Year to date, Book Publishing operating profits were up \$4.8 million excluding the impact of foreign exchange. North America Retail was down \$1.6 million, North America Direct-To-Consumer was up \$4.4 million and Overseas was up \$2.0 million.

North America Retail operating profits were down \$0.1 million in the quarter on \$1.2 million of lower revenues. The third quarter revenues were down compared to prior year from both the impact of positive adjustments to returns provisions in the third quarter of 2008 that did not recur in 2009, and from slightly lower current year sales volumes in the U.S. market. Lower costs, including promotional and overhead, offset the revenue decline in the quarter. Year to date, North America Retail revenues were down \$2.7 million mainly due to lower positive returns provision adjustments. Year to date

⁴ 2008 results have been restated for the retrospective adoption of CICA Handbook Section 3064.



operating profits were down \$1.6 million as lower costs offset a portion of the revenue declines.

North America Direct-To-Consumer had \$0.5 million of higher revenues in the third quarter with strong growth in digital revenues more than offsetting a decline related to a product line that was discontinued at the end of 2008. Year to date, revenues were down \$1.6 million as improved digital revenues were more than offset by lower revenues in the traditional direct mail business as well as the discontinued product line. Historically, costs incurred to acquire customers in the traditional direct mail business were deferred and expensed over time against the related revenue from those customers purchasing books. Under a new Canadian accounting standard, these costs are now required to be expensed at the time they are incurred. This change in accounting policy has been applied to both 2009 and the 2008 comparatives (for more information see Note 1 of the interim consolidated financial statements). With the application of the new accounting standard, a change in the level of customer acquisition spending will directly impact the operating profit in the quarter it is incurred rather than over time. North America Direct-To-Consumer operating profit was up \$3.4 million in the quarter and \$4.4 million year to date from both strong digital revenues as well as the benefit of lower costs, including lower customer acquisition costs incurred in the traditional direct mail business.

Overseas revenues were up \$1.2 million in the third quarter and \$5.5 million year to date. Operating profits were down \$1.1 million in the quarter and up \$2.0 million year to date. The most significant source of overseas revenue and operating profit growth in 2009 has been the digital revenues in Japan from the agreement with SoftBank Creative Corp., (a division of Softbank Corp., one of the largest providers of cell phone services in Japan) to distribute digital manga (comic) content on cell phones and Internet distribution sites. This agreement began in the second quarter of 2008 resulting in a lower year over year impact in the third quarter of 2009 than in previous quarters. Year to date, the Japanese digital growth more than offset declines in the Japanese print book business and challenges in the U.K. direct mail and retail series businesses, however, it was not sufficient to do so in the third quarter. Several of the other overseas markets reported modest growth in the quarter and year to date.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Torstar's businesses generate a significant amount of cash flow from operations. These funds are generally used for capital expenditures, acquisitions, distributions to shareholders and debt repayment. Long-term debt is used to supplement funds from operations as required, generally for capital expenditures or acquisitions. Approximately 60% of Torstar's long-term facility will not mature until January 2012. The remaining 40% of the facility was renewed for one year in early 2009 and has the ability to be extended at Torstar's option through January 2011. At September 30, 2009 Torstar had \$130.9 million of available credit under the long-term debt facility.

It is expected that future cash flows from operating activities, combined with the long-term debt facilities available will be adequate to cover forecasted financing requirements.



In the third quarter of 2009, \$77.8 million of cash was generated by operations after \$7.4 million of payments related to restructuring activities, \$8.0 million was used for investing activities and \$61.8 million was used in financing activities. Year to date, \$102.3 million of cash was generated by operations. Investing activities used \$19.7 million of cash and \$89.3 million was used for financing activities. Cash and cash equivalents net of bank overdraft increased by \$6.3 million in the quarter from \$26.3 million to \$32.6 million.

Operating Activities

Operating activities provided cash of \$77.8 million in the third quarter of 2009, up \$33.3 million from \$44.5 million in the third quarter of 2008. The increase in cash generated year over year was primarily from a decrease in non-cash working capital.

The investment in non-cash working capital decreased \$42.1 million in the third quarter of 2009. This decrease included the receipt of income tax refunds, lower accounts receivable and higher accounts payable. The lower accounts receivable reflected the lower third quarter revenues (relative to the second quarter) in the Newspapers and Digital segment. The increase in accounts payable in the third quarter was from higher trade and employee payables that more than offset a \$6.6 million decrease in restructuring provisions.

Year to date, operating activities provided cash of \$102.3 million, up \$17.1 million from \$85.2 million in the first nine months of 2008. The increase of cash generated year over year was the result of a decrease in non-cash working capital that more than offset the lower year to date operating results. The investment in non-cash working capital decreased \$26.1 million year to date. This decrease included the receipt of income tax refunds and lower accounts receivable offset by lower accounts payable. The lower accounts payable year to date included a net decrease of \$10.2 million in restructuring provisions.

Investing Activities

During the third quarter of 2009, \$8.0 million was used for investments, down from \$9.5 million in the third quarter of 2008.

Additions to property, plant and equipment were \$6.0 million in the third quarter of 2009, down slightly from \$6.2 million in the third quarter of 2008. In the third quarter of 2009, \$2.8 million was used for acquisitions in the Newspapers and Digital segment including the acquisition of 50% of Lease Busters Inc. In the third quarter of 2008, acquisitions in the Newspapers and Digital segment were \$4.9 million, including the acquisition of 50% of Save.ca.

Year to date, \$19.7 million was used for investments, down from \$34.9 million in the first nine months of 2008. Additions to property, plant and equipment were \$13.9 million in the first nine months of 2009, down from \$15.8 million in the same period last year. Year to date \$7.2 million was used for acquisitions in the Newspapers and Digital segment including Gottarent.com, Rosebud Media, Lease Busters and the first installment of the deferred purchase price for eyeReturn Marketing. These acquisitions included \$2.0 million of deferred purchase price as well as potential performance payments based on future revenues. In the first nine months of 2008, \$23.6 million was



used for acquisitions in the Newspapers and Digital segment including Central Ontario Web, eyeReturn Marketing, Save.ca and Torstar's share of Workopolis' first quarter acquisition of the assets of Brainhunter Inc.

In the first nine months of 2008, \$3.1 million was received as proceeds on the sale of excess land.

Financing Activities

Cash of \$61.8 million was used by financing activities during the third quarter of 2009 as \$54.8 million of long-term debt was repaid and \$7.3 million was used for the payment of dividends. In the third quarter of 2008 cash of \$35.4 million was used for financing activities including \$21.4 million for the repayment of long-term debt and \$14.5 million for the payment of dividends.

Year to date, cash of \$89.3 million was used for financing activities including \$66.9 million of long-term debt repayment and \$21.8 million for the payment of dividends. In the first nine months of 2008 cash of \$49.8 million was used for financing activities including \$7.0 million of long-term debt repayment and \$43.4 million for the payment of dividends.

The dividend payment in both periods in 2009 reflected the reduction in Torstar's annual dividend that was announced earlier this year.

Net Debt

Net debt was \$553.3 million at September 30, 2009, down \$70.3 million from \$623.6 million at June 30, 2009. The \$70.3 million decrease included \$54.8 million of long-term debt repayment and a reduction of \$8.5 million from the strengthening of the Canadian dollar during the quarter. Changes in cash, bank overdraft and the value of the fair value hedge related to the medium term notes netted to a net decrease of \$7.0 million.

Long-term Debt

At September 30, 2009, Torstar had long-term debt of \$585.9 million outstanding. The debt consisted of U.S. dollar bankers' acceptances of \$98.4 million, Canadian dollar bankers' acceptances of \$410.5 million and Canadian dollar medium term notes of \$75.0 million increased by \$2.0 million related to fair value hedge adjustments.

Torstar's long-term credit facility for \$735 million acts as a standby line in support of letters of credit. At September 30, 2009, \$509.0 million was drawn under the facility and a \$20.0 million letter of credit was outstanding relating to an executive retirement plan.

Torstar has \$75.0 million of medium term notes that will mature on September 8, 2010. It is Torstar's intention to refinance the medium term notes through the issuance of bankers' acceptances or through its long-term credit facility. As of September 30, 2009 the long-term credit facility had \$205.9 million of available credit which would adequately cover the refinancing of the \$75.0 million medium term note. Therefore, the \$75.0 million medium term note continues to be classified as long-term debt on Torstar's balance sheet.



After providing for the refinancing of the \$75.0 million medium term note, Torstar's credit facility has \$130.9 million of available credit.

Torstar's credit facilities are subject to financial tests and other covenants with which it was in compliance at September 30, 2009.

Contractual Obligations

Other than as discussed below, there were no material changes in Torstar's significant contractual obligations during the first nine months of 2009.

During the second quarter, Torstar completed an acquisition that provided for \$2.0 million of deferred purchase price as well as potential performance payments based on future revenues and a second acquisition that has up to \$3.0 million of potential performance payments based on future revenues. The deferred payments have been accrued in accounts payable and long-term liabilities based on the payment dates.

CTVgm successfully completed the re-negotiation of its credit facilities on April 30, 2009. As part of the new facility, the shareholders of CTVgm, including Torstar, could be required to purchase a portion of CTVgm's financial obligations to its lenders. Torstar's maximum exposure under the arrangement would be \$45 million. Torstar has also entered into a separate arrangement with another CTVgm shareholder which allows Torstar to assign its purchase obligation, and as a result anticipates no new net exposure.

Funding of Post Employment Benefits

Torstar's consolidated pension expense for its defined benefit pension plans is expected to be approximately \$32.5 million (excluding the \$4.2 million included in restructuring and other charges) in 2009, up \$19.7 million from \$12.8 million in 2008. However, as the most significant group of Torstar's pension plans (in terms of assets and obligations) are not required to prepare an actuarial report until December 31, 2009 Torstar's required pension funding for its registered pension plans in 2009 is expected to be approximately \$15.0 million, relatively consistent with the funding requirements in 2008. Torstar expects to take advantage of the recent regulatory changes which will allow Torstar to defer any increase in the funding of the registered pension plans until 2011. Unless capital market conditions improve significantly before the end of 2010, Torstar anticipates that its required funding for these plans could increase significantly in 2011 and beyond.

Foreign Exchange

Torstar has entered into forward foreign exchange contracts to sell \$12.9 million U.S. dollars during the fourth quarter of 2009 at an average rate of \$1.13; \$34.4 million U.S. dollars in 2010 at an average rate of \$1.21; and \$5.0 million U.S. dollars in 2011 at an average rate of \$1.11. These U.S. dollar contracts are designated as revenue hedges for accounting purposes and any resulting gains or losses are recognized in Book Publishing revenues as realized.



OUTLOOK

The continued weakness in the Ontario economy has resulted in revenue challenges for the Newspapers and Digital segment during the first nine months of 2009. Torstar expects that advertising revenue will continue to be soft through the fourth quarter. The segment will continue to face higher pension costs. In contrast, if newsprint pricing stays at current levels, the fourth quarter of 2009 will benefit from year over year savings. In response to these challenges, the Newspapers and Digital segment has continued with the restructuring efforts to reduce costs. The restructuring initiatives have resulted in savings of \$26.2 million in the first nine months of 2009 and are expected to generate savings of \$8.2 million in the fourth quarter.

Harlequin has had a very solid first nine months of the year and is expected to report full year growth excluding the impact of foreign exchange. Results in the fourth quarter are expected to be stable. As noted earlier, the benefit of the SoftBank digital sales in Japan began in the second quarter of 2008 and therefore will have a lower year over year benefit during the fourth quarter. Harlequin continues to face risk from the global and, in particular, the U.S. economic situation including potential disruptions to the U.S. retail distribution system and potential further reductions in consumer spending.

As a result of the accounting policy change related to customer acquisition costs, which was also noted earlier, Harlequin's restated fourth quarter 2008 operating profit is \$14.3 million compared with \$17.2 million as originally reported. This change reflects the high level of spending that is incurred in the fourth quarter in Harlequin's direct-to-consumer businesses.

Despite the recent strengthening of the Canadian dollar, Harlequin's 2009 results will benefit from a year over year weaker Canadian dollar relative to the U.S. dollar. In 2008, including the impact of the U.S. dollar contracts, Harlequin's U.S. dollar earnings were translated at a rate of approximately \$1.07. For 2009, Torstar has U.S. dollar contracts for \$50.1 million U.S. at an average exchange rate of \$1.12. The balance of Harlequin's U.S. earnings in 2009 will be translated at the average exchange rates realized during the year. Year to date, Harlequin has benefited by \$5.1 million from foreign exchange. If the Canadian dollar remains at its current levels relative to the U.S. dollar and overseas currencies, we are anticipating a positive foreign exchange impact in the fourth quarter of approximately \$0.5 million.

Torstar is currently negotiating a 364-day extension of its \$310 million revolving operating loan. Based on current market conditions and interest rate spreads, it is anticipated that Torstar's costs of borrowing will increase in 2010.

SUMMARY OF QUARTERLY RESULTS

(In thousands of dollars except for per share amounts)

In the following chart, the 2008 and 2007 quarterly results have been restated to reflect the reclassification of Transit TV as a discontinued operation and for Harlequin's retrospective adoption of CICA Handbook Section 3064.



	Quarter Ended			
	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008
Revenue	\$343,734	\$373,733	\$339,007	\$412,351
Net income (loss) from continuing operations	\$4,037	(\$4,362)	(\$21,385)	(\$211,661)
Net income (loss)	\$4,037	(\$4,362)	(\$21,385)	(\$213,917)
Net income (loss) from continuing operations per Class A voting and Class B non-voting share				
Basic	\$0.05	(\$0.06)	(\$0.27)	(\$2.68)
Diluted	\$0.05	(\$0.06)	(\$0.27)	(\$2.68)
Net income (loss) per Class A voting and Class B non-voting share				
Basic	\$0.05	(\$0.06)	(\$0.27)	(\$2.71)
Diluted	\$0.05	(\$0.06)	(\$0.27)	(\$2.71)

	Quarter Ended			
	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008	Dec. 31, 2007
Revenue	\$371,299	\$398,823	\$351,280	\$402,468
Net income (loss) from continuing operations	\$16,566	\$37,548	(\$1,168)	\$47,806
Net income (loss)	(\$748)	\$36,178	(\$3,017)	\$45,782
Net income (loss) from continuing operations per Class A voting and Class B non-voting share				
Basic	\$0.21	\$0.48	(\$0.02)	\$0.61
Diluted	\$0.21	\$0.48	(\$0.02)	\$0.61
Net income (loss) per Class A voting and Class B non-voting share				
Basic	(\$0.01)	\$0.46	(\$0.04)	\$0.58
Diluted	(\$0.01)	\$0.46	(\$0.04)	\$0.58

The summary of quarterly results illustrates the cyclical nature of revenues and operating profit in the Newspapers and Digital Segment. The fourth and second quarters are generally the strongest for the newspapers however the revenue declines realized in 2008 and the first nine months of 2009 have masked some of the cyclical impact. Book Publishing revenues will vary depending on the publishing schedule and the impact of foreign exchange rates.

Restructuring and other charges have impacted the level of net income in several quarters. In 2009, the first, second and third quarters had restructuring and other charges of \$25.9 million, \$3.8 million and \$1.1 million respectively. In 2008, the first, second, third and fourth quarters had restructuring and other charges of \$20.8 million, \$4.4 million, \$19.4 million and \$14.6 million respectively. The third and fourth quarter included write downs related to the assets of Transit TV of \$16.0 million and \$1.5 million



respectively. The fourth quarter also included a \$2.4 million impairment loss on certain community newspaper mastheads and customer relationship intangible assets. In 2007, the fourth quarter had a restructuring and other charge of \$7.5 million.

A net loss was reported in the fourth quarter of 2008 as a result of losses from associated businesses and a write down of investments. The loss from associated businesses was driven by accounting for impairment losses in intangible assets and goodwill. Further losses from associated businesses were reported in the first, second and third quarters of 2009 related to accounting for impairment losses in intangible assets and valuation allowances for income tax assets.

CHANGES IN ACCOUNTING POLICIES

Future Accounting Changes – International Financial Reporting Standards

The CICA has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. At this date, Torstar will be required to prepare financial statements in accordance with IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

Torstar has completed an initial review of IFRS and has made a preliminary classification of the IFRS standards into those that could have a significant, moderate or no impact on Torstar’s financial reporting. Torstar continues to develop its IFRS conversion plan which includes completing deeper analysis of the IFRS standards, with priority being placed on those that have been identified as possibly having a significant impact. The analysis of each IFRS standard includes identifying the differences between IFRS and Torstar’s accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that Torstar could elect to adopt.

Torstar has identified that the proposed amendment to IAS 31 “Joint Ventures” is one IFRS standard that will likely have a significant impact on Torstar’s financial reporting. Under this new standard some of Torstar’s joint ventures that are currently proportionately consolidated may be required to be accounted for either as a fully consolidated subsidiary (with minority interest) or under the equity method. Torstar is currently reviewing the classification of each of its joint ventures under IFRS and is not able to provide any further guidance on the impact at this time.

Torstar has identified that some of Harlequin’s U.S. operations that are considered to be integrated under Canadian GAAP and therefore have the Canadian dollar as their functional currency will be considered to have the U.S. dollar as their functional currency under the “primary indicator” guidance in IAS 21 “The Effects of Changes in Foreign Exchange Rates”. Torstar is currently reviewing the impact this change will have on net income and comprehensive income as well as the impact on existing hedging arrangements (both “accounting-designated” and economic hedges).

Other standards that are currently being reviewed include IFRS 16 “Property, Plant and Equipment”, IAS 36 “Impairment of Assets”, IAS 12 “Income Taxes”, IAS 19 “Employee Benefits” and IAS 1 “Presentation of Financial Statements”.

**RISKS AND UNCERTAINTIES**

There have been no material changes in any risks or uncertainties facing Torstar since the year ended December 31, 2008.

CONTROLS AND PROCEDURES**Changes in Internal Control over Financial Reporting**

There have been no changes in Torstar's internal controls over financial reporting that occurred during the third quarter of 2009, the most recent interim period, that have materially affected, or are reasonably likely to materially affect, Torstar's internal controls over financial reporting.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the fourth quarter, Torstar will follow its normal practice of assessing intangible assets and goodwill for impairment.

OTHER

Torstar is pleased to announce that the Board of Directors has approved Phyllis Yaffe to the new position of lead director.

Share Data

At September 30, 2009, Torstar had 9,879,887 Class A voting shares and 69,118,775 Class B non-voting shares outstanding. More information on Torstar share capital is provided in Note 8 of the interim consolidated financial statements.

At September 30, 2009, Torstar had 3,487,880 options to purchase Class B non-voting shares outstanding to executives and non-executive directors. More information on Torstar's stock option plan is provided in Note 9 of the interim consolidated financial statements.

Additional information relating to Torstar including the Annual Information Form is available on SEDAR at www.sedar.com and on Torstar's corporate website at www.torstar.ca.

Torstar Corporation
Consolidated Balance Sheets

(Dollars in Thousands)

(Unaudited)

	September 30 2009	December 31 2008 <i>(note 1)</i>
Assets		
Current:		
Cash and cash equivalents	\$39,806	\$45,787
Receivables	222,340	273,658
Inventories <i>(note 5)</i>	33,629	41,075
Prepaid expenses	58,800	59,814
Prepaid and recoverable income taxes	13,401	13,719
Future income tax assets	17,642	25,716
Total current assets	385,618	459,769
Property, plant and equipment (net)	274,420	298,475
Investment in associated businesses <i>(note 7)</i>	151,419	201,571
Intangible assets	35,393	34,667
Goodwill	579,099	577,116
Other assets	145,802	156,543
Future income tax assets	37,658	50,592
Total assets	\$1,609,409	\$1,778,733
Liabilities and Shareholders' Equity		
Current:		
Bank overdraft	\$7,227	\$4,425
Accounts payable and accrued liabilities	192,571	238,600
Income taxes payable	18,930	10,057
Total current liabilities	218,728	253,082
Long-term debt <i>(note 2)</i>	585,863	668,700
Other liabilities	106,799	119,827
Future income tax liabilities	66,741	72,090
Shareholders' equity:		
Share capital <i>(note 8)</i>	391,581	390,978
Contributed surplus	11,755	11,018
Retained earnings	245,313	288,934
Accumulated other comprehensive loss <i>(note 6)</i>	(17,371)	(25,896)
Total shareholders' equity	631,278	665,034
Total liabilities and shareholders' equity	\$1,609,409	\$1,778,733

(See accompanying notes)

Torstar Corporation
Consolidated Statements of Income

(Dollars in Thousands)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Operating revenue		<i>(note 1)</i>		<i>(note 1)</i>
Newspapers and digital	\$221,233	\$253,175	\$685,396	\$774,691
Book publishing	122,501	118,124	371,078	346,711
	\$343,734	\$371,299	\$1,056,474	\$1,121,402
Operating profit				
Newspapers and digital	\$10,626	\$21,869	\$30,952	\$71,710
Book publishing	22,863	18,659	63,144	53,194
Corporate	(3,419)	(4,405)	(10,880)	(13,135)
Restructuring and other charges <i>(note 12)</i>	(1,056)	(3,375)	(30,761)	(28,600)
	29,014	32,748	52,455	83,169
Interest	(5,122)	(6,774)	(15,936)	(21,653)
Foreign exchange	296	(598)	35	(38)
Income (loss) of associated businesses <i>(note 7)</i>	(13,590)	(2,901)	(48,303)	796
Gain on sale of land <i>(note 17)</i>	239	(30)	239	9,170
Investment loss and write-down <i>(note 18)</i>		21		(2,398)
Income (loss) before taxes	10,837	22,466	(11,510)	69,046
Income and other taxes	(6,800)	(5,900)	(10,200)	(16,100)
Income (loss) from continuing operations	4,037	16,566	(21,710)	52,946
Discontinued operations <i>(note 15)</i>		(17,314)		(20,533)
Net income (loss)	\$4,037	(\$748)	(\$21,710)	\$32,413
Earnings (loss) per Class A and Class B share <i>(note 8(b))</i> :				
Net income (loss) from continuing operations - Basic and Diluted	\$0.05	\$0.21	(\$0.27)	\$0.67
Net income (loss) - Basic and Diluted	\$0.05	(\$0.01)	(\$0.27)	\$0.41

(See accompanying notes)

Torstar Corporation
Consolidated Statements of Comprehensive
Income

(Dollars in Thousands)
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
		<i>(note 1)</i>		<i>(note 1)</i>
Net income (loss)	\$4,037	(\$748)	(\$21,710)	\$32,413
Other comprehensive income (loss), net of tax:				
Unrealized foreign currency translation adjustment	(1,238)	(545)	(4,032)	3,123
Reclassification adjustment for loss on available-for-sale financial assets included in net income				1,602
Unrealized income (loss) on available-for-sale financial assets	83	86	(292)	(1,516)
Realized loss (gain) on cash flow hedges transferred to net income	838	(76)	2,821	(1,273)
Unrealized change in fair value of cash flow hedges	2,913	(3,703)	11,877	(5,589)
Realized loss on cash flow hedges for associated businesses transferred to net income	1,269		3,035	
Unrealized change in fair value of cash flow hedges for associated businesses	224		(4,884)	
Other comprehensive income (loss) from continuing operations	4,089	(4,238)	8,525	(3,653)
Discontinued operations <i>(note 15)</i>		5,213		5,088
Other comprehensive income	4,089	975	8,525	1,435
Comprehensive income (loss)	\$8,126	\$227	(\$13,185)	\$33,848

(See accompanying notes)

Torstar Corporation
Consolidated Statements Of Changes In
Shareholders' Equity

(Dollars in Thousands)

(Unaudited)

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2009	2008	2009	2008
Share capital (note 8)	\$391,581	\$390,896	\$391,581	\$390,896
Contributed surplus				
Balance, beginning of period	\$11,525	\$11,319	\$11,018	\$9,929
Stock-based compensation expense	230	(832)	737	558
Balance, end of period	\$11,755	\$10,487	\$11,755	\$10,487
Retained earnings				
Balance, beginning of period (note 1)	\$248,584	\$532,784	\$288,934	\$528,748
Net income (loss)	4,037	(748)	(21,710)	32,413
Dividends	(7,308)	(14,591)	(21,911)	(43,716)
Balance, end of period	\$245,313	\$517,445	\$245,313	\$517,445
Accumulated other comprehensive loss				
Balance, beginning of period	(\$21,460)	(\$14,986)	(\$25,896)	(\$15,446)
Other comprehensive income	4,089	975	8,525	1,435
Balance, end of period (note 6)	(\$17,371)	(\$14,011)	(\$17,371)	(\$14,011)
Total shareholders' equity	\$631,278	\$904,817	\$631,278	\$904,817

(See accompanying notes)

Torstar Corporation
Consolidated Statements of Cash Flows

(Dollars in Thousands)

(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
		<i>(note 1)</i>		<i>(note 1)</i>
Cash was provided by (used in)				
Operating activities	\$77,761	\$44,538	\$102,336	\$85,181
Investing activities	(7,969)	(9,451)	(19,696)	(34,921)
Financing activities	(61,790)	(35,383)	(89,285)	(49,782)
Increase (decrease) in cash	8,002	(296)	(6,645)	478
Effect of exchange rate changes	(1,749)	(1,098)	(2,138)	1,177
Cash, beginning of period	26,326	33,529	41,362	30,480
Cash, end of period	\$32,579	\$32,135	\$32,579	\$32,135
Operating activities:				
Income (loss) from continuing operations	\$4,037	\$16,566	(\$21,710)	\$52,946
Depreciation and amortization	12,753	13,198	38,980	40,077
Future income taxes	(1,720)	2,917	(794)	2,703
Loss (income) of associated businesses <i>(note 7)</i>	13,590	2,901	48,303	(796)
Dividend received from associated business				1,161
Other <i>(note 13)</i>	6,963	(4,569)	11,448	(10,343)
	35,623	31,013	76,227	85,748
Decrease in non-cash working capital	42,138	14,023	26,109	1,944
Discontinued operations <i>(note 15)</i>		(498)		(2,511)
Cash provided by operating activities	\$77,761	\$44,538	\$102,336	\$85,181
Investing activities:				
Additions to property, plant and equipment	(\$5,976)	(\$6,230)	(\$13,941)	(\$15,802)
Acquisitions and investments <i>(note 14)</i>	(2,832)	(4,938)	(7,176)	(23,619)
Proceeds on sale of land <i>(note 17)</i>	239	(30)	239	3,095
Other	600	1,720	1,182	1,412
Discontinued operations <i>(note 15)</i>		27		(7)
Cash used in investing activities	(\$7,969)	(\$9,451)	(\$19,696)	(\$34,921)
Financing activities:				
Issuance of bankers' acceptance			\$14,370	\$14,479
Repayment of bankers' acceptance	(\$29,847)	(\$21,442)	(56,348)	(21,529)
Repayment of medium term notes	(25,000)		(25,000)	
Dividends paid	(7,271)	(14,471)	(21,804)	(43,355)
Other	328	530	(503)	623
Cash used in financing activities	(\$61,790)	(\$35,383)	(\$89,285)	(\$49,782)
Cash represented by:				
Cash and cash equivalents	\$39,806	\$49,709	\$39,806	\$49,709
Bank overdraft	(7,227)	(17,574)	(7,227)	(17,574)
	\$32,579	\$32,135	\$32,579	\$32,135

(See accompanying notes)



1. ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim consolidated financial statements conform with those in Torstar Corporation's December 31, 2008 audited annual consolidated financial statements except as noted below. These interim financial statements do not include all of the disclosures included in the annual financial statements and accordingly should be read in conjunction with the annual consolidated financial statements.

On January 1, 2009, the Company adopted EIC-173 "Credit risk and the fair value of financial assets and financial liabilities" and the CICA Handbook Section 3064 "Goodwill and Intangible assets" as described in Note 1(r) of the annual consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

EIC-173 requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This new guidance has been applied retrospectively without restatement of prior periods in accordance with the transitional provisions, and the Company has determined that there was no significant impact on the interim consolidated financial statements.

Goodwill and Intangible Assets

Section 3064 replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs" and has been applied retrospectively with restatement of prior periods. The standard provides guidance on the criteria for recognition, measurement, presentation and disclosure of goodwill and intangible assets; and clarifies the accounting treatment for advertising and promotional activities. Direct-response advertising costs can no longer be capitalized and amortized against the related revenue, hence the Company will expense as incurred, customer acquisition and retention costs with respect to its direct-to-consumer businesses in its Book Publishing segment's operating results.

Upon initial application, advertising and promotional costs previously capitalized were expensed and there were certain balance sheet reclassifications. The comparative figures have been restated as follows:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands unless otherwise stated)



	Reported as at December 31, 2008	Impact of Section 3064	Restated as at December 31, 2008
Assets			
Inventory	\$39,141	\$1,934	\$41,075
Prepaid expenses	71,922	(12,108)	59,814
Future income tax assets	24,416	1,300	25,716
Liabilities			
Accounts payable and accrued liabilities	237,431	1,169	238,600
Current income taxes payable	12,557	(2,500)	10,057
Retained earnings	\$296,477	(\$7,543)	\$288,934

The impact of this change in accounting policy on prior periods is as follows:

	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	2008
Consolidated Statements of Income by quarter:					
Increase (decrease)					
Operating profit (loss)	\$1,064	(\$1,262)	\$3,096	(\$2,837)	\$61
Foreign exchange gain (loss)	(424)	78	(316)	(1,148)	(1,810)
Current tax recovery (expense)	2,000	300	(500)	600	2,400
Non-current tax recovery (expense)	(2,200)	100	(300)	700	(1,700)
Net income (loss)	\$440	(\$784)	\$1,980	(\$2,685)	(\$1,049)

	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	December 31, 2007
Consolidated Balance Sheets:					
Increase (decrease)					
Inventory	\$2,645	\$2,294	\$1,926	\$1,934	\$2,546
Prepaid expenses	(12,053)	(12,768)	(10,558)	(12,108)	(11,466)
Future income tax assets	800	900	600	1,300	3,000
Accounts payable and accrued liabilities	(454)	(336)	(1,274)	1,169	674
Current income taxes payable	(2,100)	(2,400)	(1,900)	(2,500)	(100)
Retained earnings	(\$6,054)	(\$6,838)	(\$4,858)	(\$7,543)	(\$6,494)

There was no impact on cash provided by operating activities.



Future accounting changes

International Financial Reporting Standards

The CICA has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. At this date, the Company will be required to prepare financial statements in accordance with IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The Company has completed an initial review of IFRS and has made a preliminary classification of the IFRS standards into those that could have a significant, moderate or no impact on its financial reporting. The Company is currently developing its IFRS conversion plan which will include a deeper analysis of the IFRS standards, with priority being placed on those that have been identified as possibly having a significant impact. The analysis of each IFRS standard will include identifying the differences between IFRS and the Company’s accounting policies, assessing the impact of the difference, and where necessary, analyzing the various policies that it could elect to adopt.

The Company has identified that some of Harlequin’s U.S. operations that are considered to be integrated under Canadian GAAP and therefore have the Canadian dollar as their functional currency will be considered to have the U.S. dollar as their functional currency under the “primary indicator” guidance in IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

The Company has also identified that the proposed amendment to IAS 31 “Joint Ventures” will likely have a significant impact on Torstar’s financial reporting. Other standards that are currently being reviewed include IFRS 16 “Property, Plant and Equipment”, IAS 36 “Impairment of Assets”, IAS 12 “Income Taxes”, IAS 19 “Employee Benefits” and IAS 1 “Presentation of Financial Statements”.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the AcSB released Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”, which replace Section 1600 “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements of the parent, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IAS 27, “Consolidated and Separate Financial Statements”. For the Company, these sections will apply to interim and annual consolidated financial statements relating to



fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted but must be applied together with Section 1582 "Business Combinations". The Company is assessing the impact of these amendments on its consolidated financial statements.

Business Combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 (Revised) "Business Combinations". For the Company, this section applies prospectively to business combinations for which the acquisition is on or after January 1, 2011. Earlier adoption is permitted but must be applied together with Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". The Company is assessing the impact of these amendments on its consolidated financial statements.

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009 and will apply to the Company for its fiscal year ending December 31, 2009. The Company is assessing the impact of these amendments on its consolidated financial statements.



2. LONG-TERM DEBT

	As at September 30, 2009	As at December 31, 2008
Bankers' acceptance:		
Cdn. dollar denominated	\$410,461	\$441,745
U.S. dollar denominated	98,411	123,592
	508,872	565,337
Medium Term Notes:		
Cdn. dollar denominated	75,000	100,000
Fair value hedge	1,991	3,363
	76,991	103,363
	\$585,863	\$668,700

- a) The Company has long-term credit facilities with its bankers which consist of a \$425 million revolving loan that matures in January 2012 and a \$310 million revolving operating loan, which matures in January 2010 and can be extended with the consent of all parties for an additional 364-day period (and a second additional period not to extend beyond January 2012) or can be converted to a 364-day term loan at the Company's option. The credit facilities may be drawn in Canadian or U.S. dollars. The Company's credit facilities are subject to financial tests and covenants including not exceeding either a maximum level of debt compared to equity or a maximum level of debt compared to cash flow.

All bankers' acceptance with a term of less than one year have been classified as long-term debt as the Company has the ability to refinance these amounts under its long-term credit facilities. The interest rate spread above the bankers' acceptance rate if in Canadian dollars, or LIBOR rate if in U.S. dollars, varies based on the Company's long-term credit rating and was a blended rate of 0.85% at September 30, 2009. The carrying values of the bankers' acceptance approximate their fair value at September 30, 2009.

The Company is party to three interest rate swap agreements with major Canadian chartered banks that fix the interest rate on \$250 million of Canadian dollar borrowings for five years ending September 2011. As a result, the Company will pay quarterly a fixed rate of 4.3% per annum (plus the interest rate spread based on the Company's long term credit rating) and will receive quarterly floating rate payments based on 90 day bankers' acceptance rates. These swap contracts have been designated as hedges. The fair value of these swap agreements was \$14.0 million unfavourable at September 30, 2009 (December 31, 2008 - \$20.2 million unfavourable).



The average rate on Canadian dollar bank borrowings outstanding at September 30, 2009 was 1.1%. Including the effect of the above noted swap arrangements, the effective rate was 3.5%.

In May 2008, the Company entered into two interest rate swap agreements that fix the interest rate on U.S. \$80 million of borrowings at approximately 4.2% (plus the interest rate spread) for seven years ending May 2015. These swap contracts have been designated as hedges. The fair value of these swap arrangements was \$6.5 million unfavourable at September 30, 2009 (December 31, 2008 - \$11.2 million unfavourable).

At September 30, 2009 bank debt outstanding included U.S. borrowings of U.S. \$91.8 million (December 31, 2008 – U.S. \$100.9 million) at an average rate of 1.0% (December 31, 2008 – 1.4%). Including the effect of the above noted swap arrangements, the effective rate was 4.6%.

- b) The Company issued in September 2005 \$75 million 3.85% medium term notes which mature on September 8, 2010. The Company has entered into interest rate swap agreements effectively converting this debt into floating rate debt based on 90-day bankers' acceptance rate plus 0.39%. Interest on the medium term notes as well as the payments under the swap agreements is paid semi-annually. The swap agreements have been designated as hedges and mature on the due dates of the respective notes.

The medium term notes that mature on September 8, 2010 are classified as long-term debt as the Company has the ability and intent to refinance these amounts under its long-term credit facilities.

The effective interest rate on the medium term notes outstanding at September 30, 2009 was 0.9%. The fair value of the medium term notes was \$0.8 million favourable at September 30, 2009 (December 31, 2008 - \$4.1 million favourable). The fair value of the interest rate swap agreements related to the medium term debt issuance noted above were \$2.0 million favourable at September 30, 2009 (December 31, 2008 - \$3.4 million favourable). In accordance with the accounting policy for a fair value hedge, the debt has been increased by \$2.0 million to \$77 million. There was no impact on net income or other comprehensive income.



3. FINANCIAL INSTRUMENTS

Classification

	As at September 30, 2009	As at December 31, 2008 <i>(note 1)</i>
Financial assets:		
Held for trading, measured at fair value		
Cash and cash equivalents	\$39,806	\$45,787
Loans and receivables, measured at amortized cost		
Accounts receivable	203,309	253,014
Other receivables	13,119	20,644
	216,428	273,658
Derivatives included in Receivables	5,912	-
Receivables per Balance Sheet	222,340	273,658
Available for sale, measured at cost		
Portfolio investments ¹	2,400	2,400
Available for sale, measured at fair value		
Portfolio investments ¹	206	515
Derivatives designated as effective hedges, measured at fair value		
Foreign currency forward contracts ²	5,649	(5,155)
Interest rate swaps – cash flow hedges ¹	(20,476)	(31,395)
Interest rate swaps – fair value hedges ¹	1,991	3,363
Derivatives		
Japanese Yen forward contracts ²	263	(19)
Other ³	1	
Other ³	(1)	
Financial liabilities, measured at fair value		
Bank overdraft	7,227	4,425
Other financial liabilities:		
Long term debt, measured at amortized cost	585,863	668,700
Accounts payable and accrued liabilities:		
Measured at amortized cost	192,571	233,426
Derivatives included in Accounts payable and accrued liabilities	-	5,174
	192,571	238,600

¹ These amounts are included in Other assets or Other liabilities

² Included in Receivables or Accounts payable and accrued liabilities

³ See section below on CTVgm arrangements



Risk management

The Company is exposed to various risks related to its financial assets and liabilities. These risk exposures are managed on an ongoing basis.

Credit risk

In the normal course of business, the Company is exposed to credit risk from its accounts receivable from customers. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts and returns, which are estimated based on past experience, specific risks associated with the customer and other relevant information.

The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative instruments. The Company manages its counterparty risk by only accepting major financial institutions with high credit ratings, as approved by the Board of Directors, as counterparties.

The maximum exposure to credit risk is the carrying value of the financial assets.

The following table sets out details of the age of receivables and allowance for doubtful accounts and returns:

	As at September 30, 2009	As at December 31, 2008
Gross accounts receivable:		
Current	\$250,649	\$272,241
Up to three months past due date	58,810	93,179
Three to twelve months past due date	4,791	8,480
Impaired	8,228	8,420
	322,479	382,320
Allowance for doubtful accounts	(16,603)	(18,939)
Book returns provision	(102,566)	(110,367)
	\$203,309	\$253,014

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk primarily by maintaining sufficient unused capacity within its long term debt facilities. The unused capacity at September 30, 2009 was approximately \$131 million, taking into account the \$75 million Medium Term Notes maturing in 2010. Further information with respect to the Company's long-term credit facilities is provided in Note 8 of the Company's December 31, 2008 audited annual consolidated financial statements.



Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments.

a) Foreign currency risk

The Company is exposed to foreign currency risk through Harlequin's international operations. The most significant foreign currency exposure is to movements in the U.S. dollar/Cdn. dollar exchange rate. To manage this exchange risk in its operating results, the Company's practice is to enter into forward foreign exchange contracts to hedge a portion of its U.S dollar revenues as detailed in Note 11.

From time to time, the Company may also enter into forward foreign exchange contracts to hedge other currencies (Yen, Euro, Pound Sterling) realized in Harlequin's overseas operations.

In order to offset the exchange risk on its balance sheet from net U.S. dollar denominated assets, the Company maintains a certain level of U.S. dollar denominated debt as indicated in Note 2(a). These net assets are primarily current in nature and to the extent that the amount of net U.S. dollar assets differs from the amount of the U.S. dollar debt, a non-cash foreign exchange gain or loss is recognized in earnings.

b) Interest rate risk

The Company's interest rate risk arises from borrowings issued at or swapped into variable rates which expose the Company to cash flow interest rate risk. The Company manages this risk through the use of interest rate swap contracts to fix the interest rate on a portion of the debt as detailed in Note 2.

An assumed 1% increase in the Company's short term borrowing rates during the nine month period ended September 30, 2009 would have decreased net income by \$1.9 million (2008 - \$2.1 million), with an equal but opposite effect for an assumed 1% decrease in interest rates.

The Company does not engage in trading or other speculative activities with respect to derivative financial instruments.

Fair value of financial instruments

The carrying values of the Company's financial instruments approximate their fair values unless otherwise noted.

CTVgm arrangements

As part of the renegotiated CTVgm credit facility, the shareholders of CTVgm, including Torstar, could be required to purchase a portion of CTVgm's financial obligations to its



lenders. Torstar's maximum exposure under the arrangement would be \$45 million. To offset its exposure, Torstar has also entered into a separate arrangement with another CTVgm shareholder which allows Torstar to assign its purchase obligation. As a result of these two arrangements, Torstar anticipates no new net exposure. Torstar's lenders have recognized the two arrangements as being an effective offset and have agreed, with certain conditions attached, not to treat Torstar's arrangement with CTV's lenders as a guarantee under the terms of Torstar's credit facility.

Under Canadian GAAP, Torstar will value separately the two arrangements at their fair values at each reporting period. On inception, Torstar management determined that both arrangements had only a nominal value. At each subsequent reporting period, Torstar management will consider objective evidence of deterioration of CTVgm's and the other CTVgm shareholder's credit quality, which could impact the assigned carrying value of both arrangements.

4. CAPITAL MANAGEMENT

The Company's capital management objectives are to maintain financial flexibility in order to preserve its capacity to meet its financial commitments, to pay dividends and to meet its potential obligations resulting from internal growth and acquisitions.

The Company defines capital as:

- Shareholders' equity
- Long term debt
- Bank overdraft net of cash and cash equivalents

Total managed capital was as follows:

	As at September 30, 2009	As at December 31, 2008
Shareholders' equity	\$631,278	(note 1) \$665,034
Long term debt	585,863	668,700
Bank overdraft	7,227	4,425
Cash and cash equivalents	(39,806)	(45,787)
	\$1,184,562	\$1,292,372

The Company manages its capital structure in accordance with changes in economic conditions. In order to maintain or adjust its capital structure, subject to capital market conditions, the Company may elect to adjust the amount of debt outstanding, adjust the amount of dividends paid to shareholders, return capital to its shareholders, repurchase its shares in the marketplace or issue new shares.



The Company is currently meeting all its financial commitments. The Company's credit facilities are subject to financial tests and other covenants with which it was in compliance at September 30, 2009.

There have been no changes in the Company's approach to capital management during the period.

The Company is not subject to any external capital requirements.

5. INVENTORIES

	As at September 30, 2009	As at December 31, 2008
Finished goods	\$11,987	(note 1) \$13,632
Work in progress	10,749	13,889
Raw materials	10,893	13,554
	\$33,629	\$41,075

The Company has expensed inventory costs of \$165.2 million for the nine months ended September 30, 2009 (2008 - \$168.2 million) and \$52.0 million (2008 - \$58.7 million) for the quarter ended September 30, 2009.

The Company recorded a write-down of \$3.6 million for the nine months ended September 30, 2009 (2008 - \$3.2 million) and \$1.5 million (2008 - \$1.3 million) for the quarter ended September 30, 2009.

6. ACCUMULATED OTHER COMPREHENSIVE LOSS (NET OF TAX)

	Foreign currency translation adjustment	Unrealized gains (losses) on cash flow hedges	Unrealized gains (losses) on available-for- sale securities	Unrealized loss on associated businesses' cash flow hedges	Total
As at December 31, 2008	\$1,846 ¹	(\$24,999) ²	\$86 ³	(\$2,829)	(\$25,896)
Other comprehensive income (loss)	(4,032)	14,698	(292)	(1,849)	8,525
As at September 30, 2009	(\$2,186) ¹	(\$10,301) ²	(\$206) ³	(\$4,678)	(\$17,371)

¹Net of future income tax benefit of \$nil (2008 - nil).

²Net of future income tax benefit of \$4,526 (2008 - \$11,551).

³Net of future income tax liability of \$nil (2008 - \$17).



7. INVESTMENT IN ASSOCIATED BUSINESSES

The Company's Investment in associated businesses includes a 20% equity interest in CTVglobemedia Inc. ("CTVgm"), a 19.35% equity interest in Black Press Ltd. and a 30% equity interest in Q-ponz Inc. The Investment in associated businesses is comprised of the following:

	2009	2008
Balance, beginning of year	\$201,571	\$434,294
(Loss) income of associated businesses	(48,303)	796
Dividends received		(1,161)
Change in investees' accumulated other comprehensive (loss) income	(1,849)	865
Balance, end of period	\$151,419	\$434,794

The 2009 Loss of associated businesses includes a \$13.4 million intangible asset impairment loss, a \$29.9 million valuation allowance that was recorded against certain CTVgm future income tax assets and a \$9.4 million recovery related to Canadian Radio-televisions and Telecommunications Commission ("CRTC") Part II licence fees.

The intangible asset impairment loss includes a first quarter charge related to several "A" channel conventional television licenses for which the fair value was less than their carrying value as CTVgm had decided not to renew the licences and a third quarter charge related to certain of CTVgm's television and radio intangible assets that arose through CTVgm's annual impairment testing of its intangible assets and goodwill.

In April 2009, CTVgm completed the renegotiation of its credit facilities.

Outlined below is summarized financial information for 100% of CTVgm, including fair value adjustments, as at August 31, 2009 and November 30, 2008 and for the nine months ended August 31, 2009 and August 31, 2008:



	August 31, 2009	November 30, 2008
Balance Sheet		
Current assets	\$614,301	\$737,396
Property, plant and equipment	574,181	550,649
Intangible assets	1,922,471	1,995,365
Goodwill	298,325	298,325
Other assets	109,876	255,493
	\$3,519,154	\$3,837,228
Current Liabilities	\$494,407	\$530,936
Long-term debt	1,882,719	1,934,627
Other liabilities and non-controlling interests	391,756	371,663
Shareholders' equity	750,272	1,000,002
	\$3,519,154	\$3,837,228
Statements of Income (Loss)		
Revenues	\$1,486,808	\$1,570,355
Operating profit	\$92,560	\$105,000
Impairment loss on intangible assets	(\$71,320)	-
Net income (loss)	(\$240,480)	\$17,719
Statements of Comprehensive Income (Loss)		
Net income (loss)	(\$240,480)	\$17,719
Other comprehensive loss	(\$9,245)	
Comprehensive income (loss)	(\$249,725)	\$17,719

8. SHARE CAPITAL

a) A summary of changes to the Company's share capital is as follows:

Class A shares (voting)

At September 30, 2009 there were 9,879,887 Class A shares outstanding with a stated value of \$2,684. During the nine months ended September 30, 2009, 12,780 Class A shares were converted to Class B shares.



Class B shares (non-voting)

	Shares	Amount
December 31, 2008	68,999,095	\$388,290
Converted from Class A	12,780	4
Dividend reinvestment plan	20,145	107
Issued under Employee Share Purchase Plan	86,180	493
Other	575	3
September 30, 2009	69,118,775	\$388,897
Total Class A and Class B shares	78,998,662	\$391,581

b) Earnings per share

Basic per share amounts have been determined by dividing net income by the weighted average number of Class A and Class B shares outstanding during the period. Diluted per share amounts have taken into consideration the dilutive effect of stock options and the employees share purchase plan. In 2008, the basic and diluted per share amounts took into consideration the unvested shares held by the RSU Trust, until it was wound up during the third quarter of 2008. The weighted average number of Class A and Class B shares outstanding (in thousands) were:

	<i>Three months ended</i> <i>September 30</i>		<i>Nine months ended</i> <i>September 30</i>	
	2009	2008	2009	2008
Basic	78,993	78,873	78,953	78,822
Diluted	78,993	78,873	78,953	78,822

9. STOCK-BASED COMPENSATION

The Company has five stock-based compensation plans: an executive share option plan, an employee share purchase plan, an executive restricted share unit (“RSU”) plan, a deferred share unit (“DSU”) plan for employees and a DSU plan for non-employee directors.

a) A summary of changes in the executive share option plan is as follows:

	Share options	Weighted average exercise price
December 31, 2008	5,177,900	\$21.88
Granted	539,656	8.18
Forfeited or expired	(2,229,676)	(21.34)
September 30, 2009	3,487,880	\$20.10



Options exercisable at September 30, 2009 are as follows:

Range of exercise price	Share options exercisable	Weighted average exercise price
\$15.75 – 19.61	253,782	\$18.85
\$20.30 – 22.20	1,652,516	\$21.65
\$25.50 – 29.01	608,837	\$27.31
\$15.75 – 29.01	2,515,135	\$22.74

The fair value of the executive share options granted in 2009 was estimated to be \$1.19 per option at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk free interest rate of 2.2%, expected dividend yield of 4.4%, expected volatility of 24.3% and an expected time until exercise of 6 years.

b) RSU Plan

A summary of changes in the RSU plan is as follows:

	Units
December 31, 2008	300,070
Vested and paid	(86,592)
Granted	355,057
Forfeited	(95,261)
September 30, 2009	473,274

As at September 30, 2009, 288,162 units have been accrued at a value of \$2.0 million (December 31, 2008 – 201,332 units accrued at a value of \$1.7 million).

The Company has entered into a derivative instrument in order to lock in the expense for 391,394 RSU's. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the RSU's that have been accrued. As the RSU's are accrued over the three-year period until the RSU's vest, there will not be an exact offset each period.

- c) The Company has recognized in 2009 compensation expense totalling \$2.6 million (2008 - \$2.2 million) for the stock options granted in 2006 to 2009, RSUs granted in 2007 to 2009 and the employee share purchase plans originating in 2007 to 2009.
- d) The Company has a DSU Plan for executives and non-employee directors. As at September 30, 2009, 356,988 units were outstanding at a value of \$2.4 million (December 31, 2008 – 336,772 units at a value of \$2.8 million). The Company has entered into a derivative instrument in order to offset its exposure to 298,600 units. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the outstanding deferred share units.



10. EMPLOYEE FUTURE BENEFITS

The Company maintains a number of defined benefit plans and defined contribution plans, which provide pension benefits to its employees in Canada and the United States. Post employment benefits other than pensions are also available to employees, primarily in the Canadian newspapers operations, which provide for various health and life insurance benefits.

The Company has expensed net pension benefit costs of \$32.3 million, including \$4.2 million recorded in restructuring and other charges, for the nine months ended September 30, 2009 (2008 - \$11.0 million) and \$9.4 million for the quarter ended September 30, 2009 (2008 - \$3.8 million). With respect to post-employment benefits other than pensions, for the nine months and quarter ended September 30, 2009 the net benefit cost was \$3.2 million and \$1.0 million respectively (2008 - \$2.8 million and \$1.0 million respectively).

11. FORWARD FOREIGN EXCHANGE CONTRACTS AND OPTIONS

As described in Note 19 of the Company's December 31, 2008 annual financial statements, the Company has entered into various forward foreign exchange contracts. The Company has entered into forward foreign exchange contracts which establish a rate of exchange of Canadian dollar per U.S. dollar of \$1.12 for U.S. \$50.1 million in 2009, \$1.21 for U.S. \$34.4 million in 2010 and \$1.11 for U.S. \$5.0 million in 2011 (December 31, 2008 - \$1.12 for U.S. \$50.1 million in 2009 and \$1.22 for U.S. \$21.0 million in 2010). These U.S. dollar contracts have been designated as hedges. At September 30, 2009, the net fair value of the foreign exchange contracts was \$5.6 million favourable (December 31, 2008 - \$5.2 million unfavourable).

The Company has also entered into forward foreign exchange contracts to allow it to convert a portion of its expected future Japanese Yen (¥) earnings into Canadian dollars, which establish a rate of exchange of ¥75 per Canadian dollar for ¥200 million in 2009. These contracts have not been designated as hedges and are recorded at their fair value of \$0.3 million favourable.

12. RESTRUCTURING AND OTHER CHARGES

For the nine months ended September 30, 2009, the Company recorded restructuring provisions of \$16.6 million (2008 - \$28.6 million) related to staff reductions in the Newspapers and Digital Segment and \$1.4 million (2008 - nil) in the Book Publishing Segment for the closure of a distribution centre in the U.K. A provision of \$12.8 million was recorded during the first quarter related to the leadership transition at Corporate.



The following table indicates the change in the amount of restructuring provisions included in Accounts payable and accrued liabilities:

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2009	2008	2009	2008
Balance, beginning of period	\$25,575	\$28,310	\$29,390	\$10,718
Provision during the period	1,056	3,375	30,761	28,600
Payments during the period:				
Prior years' provision	(4,576)	(1,075)	(20,500)	(6,523)
Current year provision	(2,839)	(4,240)	(20,435)	(6,425)
Balance, end of period	\$19,216	\$26,370	\$19,216	\$26,370

13. OTHER CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<i>Three months ended September 30</i>		<i>Nine months ended September 30</i>	
	2009	2008	2009	2008
Employee future benefits	\$5,730	(note 1) (\$6,499)	\$8,180	(note 1) (\$5,021)
Stock-based compensation plans	1,265	1,204	700	1,152
Foreign exchange	(296)	598	(35)	38
Gain on sale of land	(239)	30	(239)	(9,170)
Investment loss and write-down		(21)		2,398
Lease inducement	254		2,518	
Other	249	119	324	260
	\$6,963	(\$4,569)	\$11,448	(\$10,343)

14. ACQUISITIONS

During the nine month period ended September 30, 2009, the Company completed a number of acquisitions in its Newspapers and Digital segment for cash of \$5.0 million and deferred payments of \$2.0 million, which included Gottarent.com, Rosebud Media and Lease Busters. The deferred payments of \$2.0 million are due in the period May 2010 through May 2012. These acquisitions also contain potential performance payments, based on future revenues, which will be treated as additional purchase price if paid. The potential performance payments are capped at \$3.0 million for one acquiree and open-ended for another. These acquisitions were accounted for by the purchase method. The preliminary allocation of the \$7.0 million purchase price of these acquisitions (including the deferred payments), was \$0.1 million to working capital, \$1.5 million to non-amortizable intangible assets, \$1.2 million to amortizable intangible assets, \$2.1 million to goodwill, \$2.8 million to



other assets and \$0.7 million to future tax liabilities. In addition, the \$2.2 million first instalment for the eyeReturn Marketing purchase made in the prior year was paid during the second quarter.

During the nine month period ended September 30, 2008, the Company completed a number of acquisitions in its Newspapers and Digital segment for cash of \$23.2 million, which included Central Ontario Web, eyeReturn Marketing, Save.ca and Torstar's share of Workopolis' acquisition of the specialist online employment board business of Brainhunter Inc. These acquisitions were accounted for by the purchase method. The purchase of eyeReturn Marketing included future obligations of \$6.5 million, which are payable annually from June 2009 through June 2011 in three equal instalments of approximately \$2.2 million. The total purchase price of these acquisitions (including the future obligations) has been allocated \$5.9 million to fixed assets, \$1.0 million to working capital, \$10.1 million to intangible assets, \$14.7 million to goodwill and \$2.0 million to future income tax liabilities. The Company also made a portfolio investment in MultiMedia Nova of \$0.4 million, which is classified as available-for-sale.

15. DISCONTINUED OPERATIONS

In early 2009, Transit Television Network ("Transit TV") ceased operations and the two Transit TV subsidiaries filed a voluntary petition for relief under Chapter 7 of the United States Bankruptcy Code. The Company's consolidated balance sheet as at December 31, 2008 did not include any amounts for Transit TV since a charge of \$17.5 million was recorded during 2008 to write off the carrying value of Transit TV's assets. This amount included \$4.6 million of foreign currency translation loss that had previously been included in accumulated other comprehensive loss. The Company's 2008 interim consolidated financial statements included the following amounts for Transit TV:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands unless otherwise stated)



	Mar. 31, 2008	Jun. 30, 2008	Sep. 30, 2008	Dec. 31, 2008	2008
Statements of Income by quarter:					
Operating revenue	\$370	\$683	\$816	\$412	\$2,281
Operating loss	(\$1,849)	(\$1,370)	(\$1,277)	(\$802)	(\$5,298)
Restructuring and other charges			(16,037)	(1,454)	(17,491)
Net loss	(\$1,849)	(\$1,370)	(\$17,314)	(\$2,256)	(\$22,789)
Loss per Class A and Class B share (note 8(b)):	(\$0.02)	(\$0.02)	(\$0.22)	(\$0.03)	(\$0.29)
Statements of Comprehensive Loss by quarter:					
Net loss	(\$1,849)	(\$1,370)	(\$17,314)	(\$2,256)	(\$22,789)
Other comprehensive income (loss)	530	(655)	5,213		5,088
Comprehensive loss	(\$1,319)	(\$2,025)	(\$12,101)	(\$2,256)	(\$17,701)
Statements of Cash Flow by quarter:					
Cash was provided by (used in):					
Operating activities	(\$1,325)	(\$688)	(\$498)	(\$1,079)	(\$3,590)
Investing activities	(21)	(13)	27	(41)	(48)
	(\$1,346)	(\$701)	(\$471)	(\$1,120)	(\$3,638)

16. COMMITMENTS

As part of the renegotiated CTVgm credit facility, the shareholders of CTVgm, including Torstar, could be required to purchase a portion of CTVgm's financial obligations to its lenders. Torstar's maximum exposure under the arrangement would be \$45 million. Torstar has also entered into a separate arrangement with another CTVgm shareholder which allows Torstar to assign its purchase obligation, and as a result anticipates no new net exposure.

17. GAIN ON SALE OF LAND

During the third quarter of 2009, the Company recognized a gain of \$0.2 million related to the sale of a small property in Cambridge.

During the second quarter of 2008, the Company recognized a gain of \$9.2 million from the sale of excess land in Vaughan. The net proceeds from this sale were \$9.3 million of which \$6.2 million is a mortgage which matures in December 2009. The mortgage includes interest



at a rate of 6.0% per annum until March 2009 and 9.5% per annum thereafter until maturity. The purchaser may prepay the whole or part of the principal at any time.

18. INVESTMENT LOSS AND WRITE-DOWN

During the third quarter of 2008, the Company sold its investment in LiveDeal, Inc. for net proceeds of \$1.2 million, crystallizing the second quarter of 2008 writedown of \$2.4 million.

19. COMPARATIVE FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 consolidated financial statements.