2009 1st Quarter

March 31, 2009

Torstar Corporation

For the three months ended March 31, 2009 and 2008

Dated: May 5, 2009

The following review and analysis of Torstar Corporation's (the "Company" or "Torstar") operations and financial position for the three months ended March 31, 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 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, Wheels.ca, 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 – First quarter 2009

Overall Performance

Total revenue was $339.0 million in the first quarter of 2009, down $12.3 million from $351.3 million in the first quarter of 2008. Newspapers and Digital revenue was $214.5 million in the quarter, down $27.1 million from $241.6 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 advertising. Book Publishing revenue was $124.5 million in the first quarter of 2009, up $14.8 million from $109.7 million in the first quarter of 2008 including an $11.5 million increase from the weaker Canadian dollar relative to a year ago. North America Retail and Overseas revenues were up in the quarter, more than offsetting declines in North America Direct-To-Consumer.

Operating profit before restructuring and other charges was $11.6 million in the first quarter of 2009, down $13.5 million from $25.1 million in the first quarter of 2008. Including the $25.9 million of restructuring and other charges, an operating loss of $14.3 million was incurred in the first quarter of 2009, down $18.6 million from an operating profit of $4.3 million in 2008 (which included $20.8 million of restructuring and other charges). Newspapers and Digital Segment operating loss was $4.8 million in the first quarter of 2009, down $17.2 million from an operating profit of $12.4 million in the same quarter last year. The segment realized labour cost savings from restructurings undertaken in 2008 that more than offset higher newsprint prices and higher pension costs in the quarter. However, the cost savings were not sufficient to offset the revenue declines. Book Publishing operating profit was $20.6 million in the first quarter of 2009, up $3.3 million from $17.3 million in the first quarter of 2008, including $1.1 million from the impact of foreign exchange. Underlying results were up in the Overseas division, down slightly in North America Retail and flat in North America Direct-To-Consumer. Corporate costs were $4.2 million in the first quarter, down $0.4 million from $4.6 million in the same period last year.

EBITDA[1], excluding restructuring and other charges, was $24.8 million in 2009, down $13.5 million from $38.3 million in 2008.

	2009	2008[2]
Newspapers and Digital	$7,157	$24,403
Book Publishing	21,788	18,481
Corporate	(4,137)	(4,538)
EBITDA, excluding restructuring and other charges	$24,808	$38,346

Restructuring and other charges

Restructuring and other charges of $25.9 million were recorded in the first quarter of 2009 compared with $20.8 million in the first quarter of 2008. The 2009 amount included $12.8 million related to the transition in leadership at Torstar Corporate, $11.7 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 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 2009 restructuring activities are expected to be approximately $16.2 million (with approximately $11.6 million realized during 2009) and a reduction of approximately 260 positions. In addition, further savings of $21.7 million are expected in 2009, including $6.9 million realized in the first quarter, related to restructuring efforts that were undertaken 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".

[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.

Late in the first quarter, 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 one-half of these savings will be realized in the second half of 2009.

Interest

Interest expense was $5.6 million in the first quarter of 2009, down $2.2 million from $7.8 million in the first quarter of 2008. The lower expense reflects lower effective interest rates. The average net debt (long-term debt and bank overdraft net of cash and cash equivalents) was $623.1 million in the first quarter of 2009, down $6.7 million from $629.8 million in the same period last year. Torstar's effective interest rate was 3.6% in the first quarter of 2009 and 5.0% in the first quarter of 2008. Net debt was $619.0 million at March 31, 2009, down $8.3 million from $627.3 million at December 31, 2008.

Foreign Exchange

Torstar reported a non-cash foreign exchange loss of $0.3 million in the first quarter of 2009. This loss 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 first quarter of 2008, a non-cash foreign exchange gain of $0.4 million was reported.

Loss from associated businesses

The loss from associated businesses was $7.0 million in the first quarter of 2009 compared with a loss of $1.2 million in the first quarter of 2008.

Torstar's share of CTVgm's net loss was $6.9 million in the first quarter of 2009 compared with a loss of $0.5 million in the first quarter of 2008. Advertising revenues were down for conventional television and radio as the current economic downturn resulted in soft market demand. Operating expenses were higher in the quarter as programming and production expenses increased, including costs related to the 2010 Olympics. During the quarter, CTVgm announced restructuring activities and the decision to not renew several of its "A" conventional television licenses. As a result of these decisions net income was reduced by restructuring provisions and the write-down of the carrying value of the television licenses. Partially offsetting these expenses was lower interest expense and a gain on the sale of one-half of CTVgm's interest in Maple Leaf Sports and Entertainment Ltd.

Torstar did not record its share of Black Press's net loss in the first quarter of 2009 as to do so would have resulted in a negative carrying value for the investment. Torstar's carrying value in Black Press was reduced to nil in the fourth quarter of 2008 as a result of estimated impairment losses related to Black Press's U.S. newspaper operations. Black Press is in the process of finalizing the amount of the impairment losses. In the first quarter of 2008, Torstar's share of Black Press's net loss was $0.9 million reflecting a traditionally weaker quarter and non-cash losses recorded on marking financial derivatives to market.

Income and other taxes

Torstar's effective tax recovery rate was 21.0% in the first quarter of 2009. During the first quarter of 2008 Torstar's effective tax recovery rate was 43.5% excluding a one-time adjustment of $1.3 million for a recovery of prior period taxes. The lower effective tax recovery rate in 2009 reflects the mix of income in the quarter compared to the prior year including losses that were not tax affected.

Loss from continuing operations

Torstar reported a loss from continuing operations of $21.4 million in the first quarter of 2009 compared with a loss of $1.2 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 loss

Torstar reported a net loss of $21.4 million or $0.27 per share in the first quarter of 2009. In the first quarter of 2008 Torstar reported a net loss of $3.0 million or $0.04 per share. The average number of Class A and Class B non-voting shares outstanding was 78.9 million in the first quarter of 2009 up slightly from 78.7 million in the first quarter of 2008.

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

Net loss per share 2008		($0.04)
Changes		
• Operations	(0.07)	
• Restructuring and other charges	(0.05)	
• Loss from associated businesses	(0.07)	
• Non-cash foreign exchange	(0.04)	
• One-time tax expense adjustment (2008)	(0.02)	
• Discontinued operations	0.02	
Net loss per share 2009		($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. In addition to thestar.com, Star Media Group includes the Wheels.ca and toronto.com websites. 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 March 31, 2009 and 2008.

	2009			2008[3]		
	Metroland Media	Star Media	Total	Metroland Media	Star Media	Total
Operating revenue	$112,229	$102,300	$214,529	$128,151	$113,410	$241,561
EBITDA	$10,255	($3,098)	$7,157	$20,469	$3,934	$24,403
Depreciation & amortization	4,060	7,933	11,993	3,938	8,045	11,983
Operating profit	$6,195	($11,031)	($4,836)	$16,531	($4,111)	$12,420
EBITDA margin	9.1%	n/a	3.3%	16.0%	3.5%	10.1%
Operating profit margin	5.5%	n/a	n/a	12.9%	n/a	5.1%

[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 revenue of the Newspapers and Digital Segment was $214.5 million in the first quarter of 2009, down $27.1 million from $241.6 million in the first quarter of 2008. Digital revenues grew 4.9% in the first quarter of 2009 and were 6.7% of the total Newspapers and Digital revenue in 2009, up from 5.7% in 2008. EBITDA was down $17.2 million in the quarter as lower revenues, higher newsprint pricing ($4.0 million), higher pension costs ($5.5 million) and investment in the digital operations more than offset savings in labour costs from restructuring initiatives. Operating profit was down $17.2 million in the quarter.

The Newspapers and Digital segment benefited from the calendar during the first quarter of 2009 compared to the prior year. Most stores are closed for two days on Easter weekend and advertisers, accordingly, tend to reduce their advertising spend around that weekend. Easter weekend was in the second quarter of 2009 and the first quarter of 2008. This benefit will reverse in the second quarter of 2009.

Metroland Media Group

Metroland Media Group revenues were $112.2 million in the first quarter of 2009 down $16.0 million from $128.2 million in the first quarter of 2008. The decline was a combination of lower advertising and commercial printing revenues that were only partially offset by higher digital revenues. Advertising revenues were lower at both the community and daily newspapers in the first quarter of 2009 as the economy affected most categories. Employment classified advertising was significantly down in the quarter followed by real estate advertising. Distribution revenues were also lower in the quarter.

Metroland Media Group realized significant labour cost savings in the first quarter of 2009 from the restructuring undertaken in the fourth quarter of 2008. These savings more than offset newsprint pricing that was 25% higher year over year, higher pension expense and continued investment in Metroland's digital operations. Metroland Media Group undertook further restructuring during the first quarter of 2009 and will begin to realize those labour cost savings in the second quarter.

Metroland Media Group's EBITDA was $10.3 million in the first quarter of 2009 down $10.2 million from $20.5 million in the first quarter of 2008. Operating profit was $6.2 million in the first quarter of 2009 down $10.3 million from $16.5 million in the same period last year.

Star Media Group

Star Media Group revenues were $102.3 million in the first quarter of 2009, down $11.1 million from $113.4 million in the first quarter of 2008. Advertising revenues were down 18.3% in the quarter at the Toronto Star with declines across all categories. Employment and real estate advertising were off significantly as the economy in Southern Ontario weakened. Automotive advertising was also soft in the quarter.

Revenues at Star Media Group's digital properties including thestar.com, toronto.com, eyeReturn Marketing and the jointly owned Workopolis and Olive Media were down slightly in the quarter. Revenue growth at thestar.com and revenue from the second-quarter 2008 acquisition of eyeReturn Marketing were more than offset by lower workopolis revenues reflecting the impact of the economy on employment advertising.

Despite higher newsprint prices and higher pension costs, Star Media Group expenses were lower in the first quarter of 2009. At the Toronto Star, reduced newsprint consumption offset the higher newsprint pricing and labour cost savings from the 2008 restructurings offset the increased pension costs. Lower fuel costs and a general focus on cost containment, including marketing spend, produced reduced operating expenses across the Star Media Group in the quarter. The Toronto Star undertook further restructuring during the first quarter of 2009 and will begin to realize those labour cost savings in the second quarter.

Star Media Group EBITDA was a loss of $3.1 million in the first quarter of 2009, down $7.0 million from earnings of $3.9 million in the first quarter of 2008. Operating losses were $11.0 million in the first quarter of 2009 compared with a loss of $4.1 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 months ended March 31, 2009 and 2008.

	2009	2008[4]
Revenue	$124,478	$109,719
EBIDTA	$21,788	$18,481
Depreciation & amortization	1,171	1,220
Operating profit	$20,617	$17,261
EBITDA margin	17.5%	16.8%
Operating profit margin	16.6%	15.7%

Reported revenue, prior year	$109,719
Impact of currency movements and foreign exchange contracts	11,493
Change in underlying revenue	3,266
Reported revenue, current year	$124,478
Reported operating profit, prior year	$17,261
Impact of currency movements and foreign exchange contracts	1,122
Change in underlying operating profit	2,234
Reported operating profit, current year	$20,617

Book Publishing revenues were up $3.3 million in the first quarter of 2009 excluding the impact of foreign exchange. North America Retail was up $2.2 million, North America Direct-To-Consumer was down $1.4 million and Overseas was up $2.5 million.

Book Publishing operating profits were up $2.2 million in the first quarter of 2009 excluding the impact of foreign exchange. North America Retail was down $0.3 million, North America Direct-To-Consumer was flat and Overseas was up $2.5 million.

North America Retail had a strong publishing schedule in the first quarter of 2009, with higher sales for single title books and stable series volumes. Offsetting the increased revenue were higher inventory write-downs, related in part to the bankruptcy of a U.S. distributor, and increased promotional costs associated with the 60th anniversary of Harlequin.

North America Direct-To-Consumer lower revenues in the first quarter of 2009 were primarily related to a product line that was discontinued at the end of 2008. Traditional direct mail revenues continued to decline in the quarter but were offset by higher digital revenues. Operating profit was flat in the quarter as the revenue decline was offset by lower costs.

Overseas revenues and operating profit were both up $2.5 million in the first quarter of 2009. The agreement in Japan 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, which was signed in the first quarter of 2008, was the primary contributor of improved results in the quarter. An offset to the success of digital publishing in Japan was a decrease in sales of printed books, primarily series titles. While several countries reported modest year over year gains, the U.K. operation experienced a continuing decline in their direct mail business and lower retail series sales. At the end of the quarter, the U.K. operation announced the closure of their direct-to-consumer warehouse and the intent to outsource the fulfillment for that business. A restructuring charge of $1.4 million has been taken for this in the restructuring and other charges line on the consolidated financial statements.

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

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 March 31, 2009 Torstar had $133.5 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 first quarter of 2009, $23.5 million of cash was generated by operations, $4.5 million was used for investing activities and $33.6 million was used for financing activities. Cash and cash equivalents net of bank overdraft decreased by $14.7 million in the quarter from $41.4 million to $26.7 million.

Operating Activities

Operating activities provided cash of $23.5 million in the first quarter of 2009, up $12.3 million from $11.2 million in the first quarter of 2008. Other adjustments to operating cash flows were a source of cash of $4.4 million in the first quarter of 2009. This included $3.3 million to adjust the pension expense, as recorded in operating profit, to the cash funding of the pension plans during the period.

Non-cash working capital investment decreased $18.7 million in the first quarter of 2009. This reduction was a combination of lower accounts receivable offset by an increase in taxes recoverable and a decrease in accounts payable in the quarter. Accounts receivable generally decline in the first quarter reflecting the lower level of revenue in the first quarter compared to the fourth. Taxes recoverable increased in the quarter primarily as a result of current year tax losses that will be carried back to prior years. Accounts payable and accrued liabilities declined in the quarter as decreases in trade payables and other accruals more than offset a net increase of $15.0 million related to restructuring provisions. The trade payables and other accruals normally decrease in the first quarter due to the timing of payments.

Investing Activities

During the first quarter of 2009, $4.5 million was used for investments, down from $12.3 million in the first quarter of 2008.

Additions to property, plant and equipment were $4.6 million in the first quarter of 2009, up slightly from $4.1 million in the first quarter of 2008. In 2008, $7.8 million was used for acquisitions in the Newspapers and Digital segment including Torstar's share of Workopolis' acquisition of the specialist online employment board business of Brainhunter Inc. There were no acquisitions made in the first quarter of 2009.

Financing Activities

Cash of $33.6 million was used in financing activities during the first quarter of 2009 including $26.5 million of debt repayment and $7.3 million for the payment of dividends. The dividend payment in the first quarter reflected the reduction in Torstar's annual dividend that was announced earlier this year.

In the first quarter of 2008 cash of $0.4 million was provided by financing activities including $14.5 million of increased borrowings and $14.4 million for the payment of dividends.

Net Debt

Net debt was $619.0 million at March 31, 2009, down $8.3 million from $627.3 million at December 31, 2008. The $8.3 million decrease included $26.5 million of long-term debt repayments offset by an increase of $14.7 million from changes in cash, bank overdraft and the value of the fair value hedge related to the medium term notes and an increase of $3.5 million from the weakening of the Canadian dollar.

Long-term Debt

At March 31, 2009, Torstar had long-term debt of $645.7 million outstanding. The debt consisted of U.S. dollar bankers' acceptances of $122.8 million, Canadian dollar bankers' acceptances of $419.6 million and Canadian dollar medium term notes of $100.0 million increased by $3.3 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 March 31, 2009, $546.9 million was drawn under the facility and a $29.6 million letter of credit was outstanding relating to an executive retirement plan.

Torstar has a $25.0 million medium term note that will mature on September 9, 2009. It is Torstar's intention to refinance the medium term note through the issuance of bankers' acceptance or through its long-term credit facility. As of March 31, 2009 the long-term credit facility had $158.5 million of available credit which would adequately cover the refinancing of the $25.0 million medium term note. Therefore, the $25.0 million medium term note continues to be classified as long-term debt on Torstar's balance sheet.

After providing for the refinancing of the $25.0 million medium term note, Torstar's credit facility has $133.5 million of available credit.

Contractual Obligations

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

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 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. Subject to further regulatory changes and unless capital market conditions improve significantly, Torstar anticipates that its required funding for these plans could increase significantly in 2010 and beyond. If current market conditions do not change it is likely that the registered pension funding in 2010 will exceed the amount of the 2009 registered pension plan expense.

Foreign Exchange

Torstar has entered into forward foreign exchange contracts to sell $37.7 million U.S. dollars during the next three quarters of 2009 at an average rate of $1.12 and $26.0 million U.S. dollars in 2010 at an average rate of $1.23. 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

After a challenging first quarter for the Newspapers and Digital segment and the continued weakness in the Ontario economy, Torstar expects that advertising revenue will continue to be soft through the balance of the year. The segment is also facing higher pension costs. In contrast, the year over year impact of newsprint pricing is expected to moderate in the last three quarters of 2009. In response to these challenges, the Newspapers and Digital segment has continued with the restructuring efforts begun last year to reduce costs. $7.3 million of these cost savings were realized in the first quarter and $26.0 million are expected to be realized over the next three quarters.

Harlequin had a strong first quarter and is expected to have full-year growth but not at the rate realized in the first quarter. The first quarter included the benefit of the SoftBank digital sales in Japan which began in the second quarter of 2008 and therefore will have a lower year over year benefit during the next three quarters. Harlequin's revenues, to date, have not been significantly affected by the global, and in particular, the U.S. economic situation. This could change either as a result of decreased consumer spending or from disruptions to the U.S. retail distribution system. Harlequin's 2009 results will benefit from the 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.

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			
	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
Revenue	$339,007	$412,351	$371,299	$398,823
Net income (loss) from continuing operations	($21,385)	($211,661)	$16,567	$37,547
Net income (loss)	($21,385)	($213,917)	($747)	$36,177
Net income (loss) from continuing operations per Class A voting and Class B non-voting share				
Basic	($0.27)	($2.68)	$0.21	$0.48
Diluted	($0.27)	($2.68)	$0.21	$0.48
Net income (loss) per Class A voting and Class B non-voting share				
Basic	($0.27)	($2.71)	($0.01)	$0.46
Diluted	($0.27)	($2.71)	($0.01)	$0.46

	Quarter Ended			
	March 31, 2008	Dec. 3, 2007	Sept. 30, 2007	June 30, 2007
Revenue	$351,280	$402,468	$368,654	$396,241
Net income (loss) from continuing operations	($1,168)	$47,806	$13,478	$33,050
Net income (loss)	($3,017)	$45,782	$10,922	$30,433
Net income (loss) from continuing operations per Class A voting and Class B non-voting share				
Basic	($0.02)	$0.61	$0.17	$0.42
Diluted	($0.02)	$0.61	$0.17	$0.42
Net income (loss) per Class A voting and Class B non-voting share				
Basic	($0.04)	$0.58	$0.14	$0.39
Diluted	($0.04)	$0.58	$0.14	$0.39

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 quarter 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 quarter had restructuring and other charges of $25.9 million. 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.

CHANGES IN ACCOUNTING POLICIES

Accounting Changes – Goodwill and Intangible Assets

On January 1, 2009, Torstar adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets". This new standard 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. As a result Torstar will expense as incurred, customer acquisition and retention costs with respect to Harlequin's direct-to-consumer businesses. Upon initial application, advertising and promotional costs previously capitalized were expensed and certain assets were reclassified from prepaid expenses to inventory. The net impact to opening retained earnings as of January 1, 2008 was a decrease of $6.5 million.

Accounting Changes – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On January 1, 2009, Torstar adopted EIC-173 "Credit risk and the fair value of financial assets and financial liabilities". The guidance 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 provision and Torstar has determined that there was no significant impact on the interim consolidated financial statements.

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 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 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.

Future Accounting Changes – Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the Accounting Standards Board ("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 Torstar, 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".

Future Accounting Changes – Business Combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "Business Combinations". For Torstar, 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".

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 first 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.

OTHER

At March 31, 2009, Torstar had 9,882,587 Class A voting shares and 69,016,821 Class B non-voting shares outstanding. More information on Torstar share capital is provided in Note 8 of the interim consolidated financial statements.

At March 31, 2009, Torstar had 5,320,793 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.

Consolidated Balance Sheets

(Unaudited)

(thousands of dollars)	**March 31, 2009**	December 31, 2008
		(note 1)
Assets		
Current:		
Cash and cash equivalents	**$29,624**	$45,787
Receivables	**220,772**	273,658
Inventories (note 5)	**40,962**	41,075
Prepaid expenses	**65,267**	59,814
Prepaid and recoverable income taxes	**30,595**	13,719
Future income tax assets	**23,594**	25,716
Total current assets	**410,814**	459,769
Property, plant and equipment (net)	**290,374**	298,475
Investment in associated businesses (note 7)	**194,142**	201,571
Intangible assets	**34,129**	34,667
Goodwill (net)	**577,101**	577,116
Other assets	**153,266**	156,543
Future income tax assets	**47,175**	50,592
Total assets	**$1,707,001**	$1,778,733
Liabilities and Shareholders' Equity		
Current:		
Bank overdraft	**$2,917**	$4,425
Accounts payable and accrued liabilities	**218,826**	238,600
Income taxes payable	**15,877**	10,057
Total current liabilities	**237,620**	253,082
Long-term debt (note 2)	**645,665**	668,700
Other liabilities	**118,489**	119,827
Future income tax liabilities	**70,080**	72,090
Shareholders' equity:		
Share capital (note 8)	**391,013**	390,978
Contributed surplus	**11,368**	11,018
Retained earnings	**260,252**	288,934
Accumulated other comprehensive loss (note 6)	**(27,486)**	(25,896)
Total shareholders' equity	**635,147**	665,034
Total liabilities and shareholders' equity	**$1,707,001**	$1,778,733

(See accompanying notes)

Consolidated Statements of Income

(Unaudited)

(thousands of dollars)	*Three months ended March 31*	
	2009	2008
		(note 1)
Operating revenue		
Newspapers and digital	**$214,529**	$241,561
Book publishing	**124,478**	109,719
	$339,007	$351,280
Operating profit (loss)		
Newspapers and digital	**($4,836)**	$12,420
Book publishing	**20,617**	17,261
Corporate	**(4,153)**	(4,555)
Restructuring and other charges (note 12)	**(25,900)**	(20,817)
	(14,272)	4,309
Interest	**(5,558)**	(7,810)
Foreign exchange	**(250)**	370
Loss of associated businesses (note 7)	**(7,005)**	(1,237)
Loss before taxes	**(27,085)**	(4,368)
Income and other taxes	**5,700**	3,200
Loss from continuing operations	**(21,385)**	(1,168)
Discontinued operations (note 15)		(1,849)
Net loss	**($21,385)**	($3,017)
Loss per Class A and Class B share (note 8(b)):		
Loss from continuing operations - Basic and Diluted	**($0.27)**	($0.02)
Net loss - Basic and Diluted	**($0.27)**	($0.04)

(See accompanying notes)

Consolidated Statements of Comprehensive Income

(Unaudited)

(thousands of dollars)	*Three months ended March 31*	
	2009	2008
		(note 1)
Net loss	**($21,385)**	($3,017)
Other comprehensive income (loss), net of tax:		
Unrealized foreign currency translation adjustment	**(1,967)**	4,646
Unrealized loss on available-for-sale financial assets	**(447)**	(1,602)
Realized loss (gain) on cash flow hedges transferred to net income	**1,116**	(825)
Unrealized change in fair value of cash flow hedges	**132**	(5,699)
Realized gain on cash flow hedges for associated businesses transferred to net income	**(317)**	
Unrealized change in fair value of cash flow hedges for associated businesses	**(107)**	
Other comprehensive loss from continuing operations	**(1,590)**	(3,480)
Discontinued operations (note 15)		530
Other comprehensive loss	**(1,590)**	(2,950)
Comprehensive loss	**($22,975)**	($5,967)

(See accompanying notes)

Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

(thousands of dollars)	*Three months ended March 31*	
	2009	2008
Share capital (note 8)	**$391,013**	$388,292
Contributed surplus		
Balance, beginning of period	**$11,018**	$9,929
Stock-based compensation expense	**350**	700
Balance, end of period	**$11,368**	$10,629
Retained earnings		
Balance, beginning of period (note 1)	**$288,934**	$528,748
Net loss	**(21,385)**	(3,017)
Dividends	**(7,297)**	(14,552)
Balance, end of period	**$260,252**	$511,179
Accumulated other comprehensive loss		
Balance, beginning of period	**($25,896)**	($15,446)
Other comprehensive loss	**(1,590)**	(2,950)
Balance, end of period (note 6)	**($27,486)**	($18,396)
Total shareholders' equity	**$635,147**	$891,704

(See accompanying notes)

Consolidated Statements of Cash Flows

(Unaudited)

(thousands of dollars)	*Three months ended March 31*	
	2009	2008
		(note 1)
Cash was provided by (used in)		
Operating activities	**$23,527**	$11,184
Investing activities	**(4,512)**	(12,258)
Financing activities	**(33,597)**	402
Decrease in cash	**(14,582)**	(672)
Effect of exchange rate changes	**(73)**	2,536
Cash, beginning of period	**41,362**	30,480
Cash, end of period	**$26,707**	$32,344
Operating activities:		
Loss from continuing operations	**($21,385)**	($1,168)
Depreciation and amortization	**13,180**	13,220
Future income taxes	**1,582**	(1,367)
Loss of associated businesses (note 7)	**7,005**	1,237
Other (note 13)	**4,425**	226
	4,807	12,148
Decrease in non-cash working capital	**18,720**	361
Discontinued operations (note 15)		(1,325)
Cash provided by operating activities	**$23,527**	$11,184
Investing activities:		
Additions to property, plant and equipment	**($4,638)**	($4,077)
Acquisitions and investments (note 14)		(7,773)
Other	**126**	(387)
Discontinued operations (note 15)		(21)
Cash used in investing activities	**($4,512)**	($12,258)
Financing activities:		
Issuance of bankers' acceptance		$14,479
Repayment of bankers' acceptance	**($26,501)**	
Dividends paid	**(7,263)**	(14,437)
Other	**167**	360
Cash (used in) provided by financing activities	**($33,597)**	$402
Cash represented by:		
Cash and cash equivalents	**$29,624**	$36,799
Bank overdraft	**(2,917)**	(4,455)
	$26,707	$32,344

(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:

	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.

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".

Business Combinations

In January 2009, the AcSB released Section 1582, which replaces Section 1581 "Business Combinations". It provides the Canadian equivalent to IFRS 3 "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".

2. LONG-TERM DEBT

	As at March 31, 2009	As at December 31, 2008
Bankers' acceptance:		
Cdn. dollar denominated	**$419,543**	$441,745
U.S. dollar denominated	**122,834**	123,592
	542,377	565,337
Medium Term Notes:		
Cdn. dollar denominated	**100,000**	100,000
Fair value hedge	**3,288**	3,363
	103,288	103,363
	$645,665	$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 March 31, 2009. The carrying values of the bankers' acceptance approximate their fair value at March 31, 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 $18.9 million unfavourable at March 31, 2009 (December 31, 2008 - $20.2 million unfavourable).

The average rate on Canadian dollar bank borrowings outstanding at March 31, 2009 was 1.3%. 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 $10.2 million unfavourable at March 31, 2009 (December 31, 2008- $11.2 million unfavourable).

At March 31, 2009 bank debt outstanding included U.S. borrowings of U.S. $97.5 million at an average rate of 1.2%. Including the effect of the above noted swap arrangements, the effective rate was 4.2%.

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%. The Company also issued in September 2005 $25 million 3.7% medium term notes which mature on September 9, 2009. The Company has entered into an interest rate swap agreement effectively converting this debt into floating rate debt based on 90-day bankers' acceptance rates plus 0.36%. 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 9, 2009 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 March 31, 2009 was 1.2%. The fair value of the medium term notes was $3.8 million favourable at March 31, 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 $3.3 million favourable at March 31, 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 $3.3 million to $103.3 million. There was no impact on net income or other comprehensive income.

3. FINANCIAL INSTRUMENTS

Classification

	As at March 31, 2009	As at December 31, 2008
Financial assets:		*(note 1)*
Held for trading, measured at fair value		
Cash and cash equivalents	**$29,624**	$45,787
Loans and receivables, measured at amortized cost		
Accounts receivable	**201,755**	253,014
Other receivables	**19,017**	20,644
	220,772	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]	**52**	515
Derivatives designated as effective hedges, measured at fair value		
Foreign currency hedges[2]	**(5,480)**	(5,155)
Interest rate swaps – cash flow hedges[1]	**(29,111)**	(31,395)
Interest rate swaps – fair value hedges[1]	**3,288**	3,363
Financial liabilities, measured at fair value		
Bank overdraft	**2,917**	4,425
Japanese Yen forward contract[2]	**109**	19
Financial liabilities, measured at amortized cost		
Long term debt	**645,665**	668,700
Accounts payable and accrued liabilities	**218,826**	238,600

[1]These amounts are included in Other assets and Other liabilities

[2]Included in Accounts payable and accrued liabilities

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 March 31, 2009	As at December 31, 2008
Gross accounts receivable:		
Current	**$251,936**	$272,241
Up to three months past due date	**60,593**	93,179
Three to twelve months past due date	**7,975**	8,480
Impaired	**9,861**	8,420
	330,365	382,320
Allowance for doubtful accounts	**(19,655)**	(18,939)
Returns provision	**(108,955)**	(110,367)
	$201,755	$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 March 31, 2009 was approximately $134 million, taking into account the $25 million Medium Term Notes maturing in 2009. 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 short term interest rates during the three month period ended March 31, 2009 would have decreased net income by $0.7 million (2008 - $0.7 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.

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 March 31, 2009	As at December 31, 2008
		(note 1)
Shareholders' equity	$635,147	$665,034
Long term debt	645,665	668,700
Bank overdraft	2,917	4,425
Cash and cash equivalents	(29,624)	(45,787)
	$1,254,105	$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 March 31, 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 March 31, 2009	As at December 31, 2008
		(note 1)
Finished goods	$14,737	$13,632
Work in progress	12,807	13,889
Raw materials	13,418	13,554
	$40,962	$41,075

The Company has expensed inventory costs of $56.9 million for the three months ended March 31, 2009 (2008 - $49.7 million) and recorded a write-down of $1.3 million for the three months ended March 31, 2009 (2008 - $0.8 million).

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	($24,999)	$86	($2,829)	($25,896)
Other comprehensive income (loss)	(1,967)	1,248	(447)	(424)	(1,590)
As at March 31, 2009	($121)[1]	($23,751)[2]	$(361)[3]	($3,253)	($27,486)

[1]1Net of future income tax benefit of $nil (2008 – nil).
[2]Net of future income tax benefit of $10,840 (2008 – $11,551).
[3]Net 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 of associated businesses	**(7,005)**	(1,237)
Change in investees' accumulated other comprehensive loss	**(424)**	(303)
Balance, end of period	**$194,142**	$432,754

Included in the 2009 Loss of associated businesses is the after tax effect of an intangible asset impairment loss for CTVgm of $5.3 million. The impairment is related to several "A" channel conventional television licenses for which the fair value is less than their carrying value as CTVgm has decided not to renew the licenses.

Subsequent to quarter-end, CTVgm has completed the renegotiation of its credit facilities.

Outlined below is summarized financial information for 100% of CTVgm, including fair value adjustments, as at February 28, 2009 and November 30, 2008 and for the three months ended February 28, 2009 and February 29, 2008.

	February 28, 2009	November 30, 2008
Balance Sheet		
Current assets	$703,885	$737,396
Property, plant and equipment	550,871	550,649
Intangible assets	1,965,642	1,995,365
Goodwill	298,325	298,325
Other assets	188,225	255,493
	$3,706,948	$3,837,228
Current Liabilities	$520,878	$530,936
Long-term debt	1,939,987	1,934,627
Other liabilities and non-controlling interests	282,792	371,663
Shareholders' equity	963,291	1,000,002
	$3,706,948	$3,837,228

	Three months ended	
	February 28, 2009	February 29, 2008
Statements of (Loss) Income		
Revenues	$502,747	$517,036
Operating profit	($2,950)	$42,304
Impairment loss on intangible assets	($30,800)	-
Net loss	($34,590)	($2,305)
Statements of Comprehensive Loss		
Net loss	($34,590)	($2,305)
Other comprehensive loss	($2,120)	-
Comprehensive loss	($36,710)	($2,305)

8. SHARE CAPITAL

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

At March 31, 2009 there were 9,882,587 Class A shares outstanding with a stated value of $2,685. During the three months ended March 31, 2009, 10,080 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	10,080	3
Dividend reinvestment plan	7,471	34
Other	175	1
March 31, 2009	69,016,821	$388,328
Total Class A and Class B shares	78,899,408	$391,013

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:

	Three months ended March 31	
	2009	2008
Basic	78,892	78,724
Diluted	78,892	78,724

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	499,656	8.37
Forfeited or expired	(356,763)	(20.27)
March 31, 2009	5,320,793	$20.72

Subsequent to the end of the quarter, in connection with the leadership transition at Corporate, 1,569,763 share options were cancelled as per the agreement with Robert Prichard.

Options exercisable at March 31, 2009 are as follows:

Range of exercise price	Share options exercisable	Weighted average exercise price
$15.75 - 19.61	853,297	$18.68
$20.30 - 22.20	2,161,060	$21.70
$25.50 - 29.01	1,010,837	$27.34
$15.75 - 29.01	4,025,194	$22.48

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	339,991
Forfeited	(3,537)
March 31, 2009	549,932

Subsequent to the end of the quarter, in connection with the leadership transition at Corporate, 88,923 units were forfeited pursuant to the terms of the RSU plan.

As at March 31, 2009, 222,812 units have been accrued at a value of $1.1 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 $1.6 million (2008 - $0.8 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 2008.

d) The Company has a DSU Plan for executives and non-employee directors. As at March 31, 2009, 356,227 units were outstanding at a value of $1.8 million (2008 – 305,313 units at a value of $5.0 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 $13.6 million, including $4.2 million recorded in restructuring and other charges, for the three months ended March 31, 2009 (2008 - $3.5 million). With respect to post-employment benefits other than pensions, for the three months ended March 31, 2009 the net benefit cost was $1.1 million (2008 - $0.9 million).

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 and $1.23 for U.S. $26.0 million in 2010 (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 March 31, 2009, the net fair value of the foreign exchange contracts was $5.5 million unfavourable (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 $0.1 million favourable.

12. RESTRUCTURING AND OTHER CHARGES

During the quarter, the Company recorded restructuring provisions of $11.7 million (2008 - $20.8 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:

	2009	2008
Balance, beginning of year	**$29,390**	$10,718
Provision during the quarter	**25,900**	20,817
Payments during the quarter:		
Prior years' provision	**(10,153)**	(3,688)
Current year provision	**(722)**	(169)
Balance, end of quarter	**$44,415**	$27,678

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

	Three months ended March 31	
	2009	2008
		(note 1)
Employee future benefits	**$3,299**	$239
Stock-based compensation plans	**(930)**	371
Foreign exchange	**250**	(370)
Lease inducement	**1,587**	
Other	**219**	(14)
	$4,425	$226

14. ACQUISITIONS

During the first quarter of 2008, the Company completed a number of acquisitions in its Newspapers and Digital segment for cash of $7.8 million, which included 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 total purchase price of these acquisitions has been allocated $0.2 million to fixed assets, $2.9 million to intangible assets and $4.7 million to goodwill.

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:

	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 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. 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.