TORSTAR CORPORATION 2003 ANNUAL REPORT

TORSTAR

ANNUAL REPORT 2003

TORSTAR IS A BROADLY BASED CANADIAN MEDIA COMPANY. Torstar was built on the foundation of its flagship newspaper, the Toronto Star, which remains firmly committed to being a great metropolitan newspaper dedicated to advancing the principles of its long-time publisher, Joseph Atkinson.

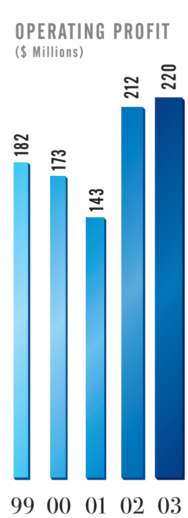
From this foundation, Torstar's media presence has expanded through Metroland Printing, Publishing & Distributing, and CityMedia Group, which together include almost 100 newspapers and related services, principally in Southern Ontario. Torstar has also built a major presence in book publishing through Harlequin, which is a leading global publisher of romance and women's fiction, selling books in nearly 100 countries and in 27 languages.

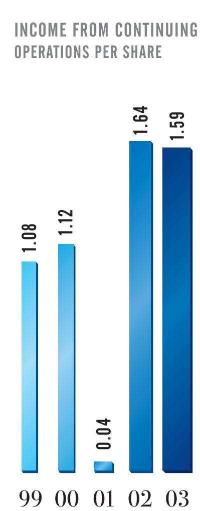
Torstar strives to be one of Canada's premier media companies. Torstar and all of its businesses are committed to outstanding corporate performance in the areas of maximizing shareholder returns, advancing editorial excellence, creating a great place to work and having a positive impact in the communities we serve.

FINANCIAL HIGHLIGHTS

OPERATING RESULTS ($000)	2003	2002
Operating revenue	**$1,488,309**	$1,475,049
EBITDA (1)	**275,875**	269,345
Operating profit	**220,071**	211,899
Net Income	**123,515**	125,325
Cash from operating activities	**162,976**	167,732
OPERATING RESULTS		
Operating profit – percentage of revenue	**14.8%**	14.4%
Cash from operating activities – percentage of average shareholders' equity	**23.5%**	28.5%
PER CLASS A AND CLASS B SHARES		
Net Income	**$1.59**	$1.64
Dividends	**$0.64**	$0.58
Price range high/low	**$30.00/23.10**	26.75/20.00
FINANCIAL POSITION ($000)		
Long-term debt	**$387,800**	$448,390
Shareholders' equity	**$745,055**	$643,506

THE ANNUAL MEETING OF SHAREHOLDERS WILL BE HELD WEDNESDAY, MAY 5 AT THE METRO TORONTO CONVENTION CENTRE, 255 FRONT STREET WEST, TORONTO BEGINNING AT 10 A.M. IT WILL ALSO BE WEBCAST LIVE ON TORSTAR MEDIA GROUP TELEVISION WITH INTERACTIVE CAPABILITIES.





(1) Earnings before interest, taxes, depreciation and amortization.

John R. Evans
Chairman,
Board of Directors,
Torstar

"The cornerstone of effective governance is having outstanding directors who are fully engaged with the company's business and truly make their talents work."

MESSAGE FROM THE CHAIRMAN

Corporate governance has appeared on centre stage for the private sector over the past two years, highlighted by examples of inadequate oversight and governance practices.

Torstar and its Board of Directors continues to strive for exemplary governance. In 2003, the company developed a Code of Ethics for Senior Financial Officers and a new Corporate Disclosure Policy. It affirmed the independence of its external auditors by limiting the amount of non-audit services they provide and retained a separate accounting firm to perform the internal audit function previously performed by the external auditors. Torstar also revised the terms of reference for a number of Board Committees to reflect updated governance best practices, including limiting the composition of the Audit, Salary & Organization and Nominating & Corporate Governance Committees to independent directors. These and other governance practices are described in Torstar's 2004 Information Circular.

The quality of corporate governance is a function of good directors, good processes to use their talent effectively, careful financial oversight and, for some Board functions, independence of management. At the same time, there is a compelling need for a partnership between the Board and management.They have shared purpose, but distinctive roles. Balance between independence and partnership is essential. It is important to get the chemistry right.

The cornerstone of effective governance is having outstanding directors who are fully engaged with the company's business and truly make their talents work. We are very fortunate at Torstar to have remarkable directors with enviable experience, the highest integrity and a thorough understanding of Torstar's businesses. It is a privilege to serve with them.

Two directors, Paul Cantor and Michael Spence, retired from the Board in 2003. We value their contribution and sincerely thank them for their commitment. In 2004, subject to shareholder approval at the Annual Meeting, we look forward to welcoming John Honderich to the Board as he steps down as Publisher of the Toronto Star. As a director, John will continue the strong stewardship provided by the five founding families of the Voting Trust. He will replace Neil Clark, who has made an excellent contribution as a director of Torstar.

Torstar and its businesses are committed to outstanding corporate performance in all areas. The letter from Rob Prichard, Torstar's President and Chief Executive Officer, describes how this performance is enhancing shareholder returns. We are pleased and proud of the results. On behalf of the Board, I extend sincere thanks to the more than 6,000 employees of this great media company for their excellent work delivering outstanding results.

John R. Evans
Chairman, Board of Directors

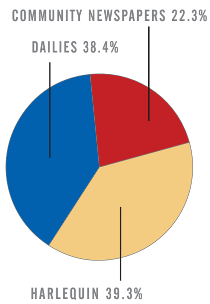
Leadership: COMMITTED TO OUTSTANDING CORPORATE PERFORMANCE

Torstar's senior officers, left to right: Robert Steacy, Executive Vice-President and Chief Financial Officer; John Evans, Chairman of the Board; Robert Prichard, President and Chief Executive Officer; Karen Hanna, Senior Vice-President, Human Resource Strategy; Patrick Collins, Senior Vice-President, Newspapers.

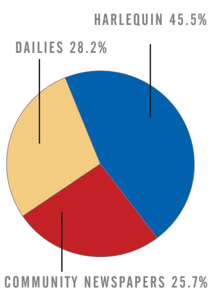
J. Robert S. Prichard
President and Chief Executive Officer, Torstar

"As a company, we are committed to outstanding corporate performance in all we do. We set our sights uniformly high across our businesses."

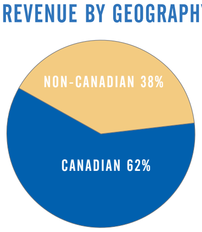
REVENUE BY BUSINESS



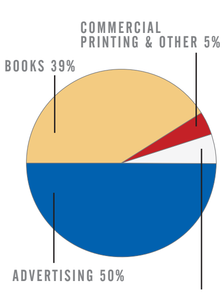
OPERATING EBITDA



REVENUE BY GEOGRAPHY



REVENUE BY SOURCE



TO OUR SHAREHOLDERS

2003 was a very good year for Torstar. All of our businesses performed well and two – Metroland and Harlequin – gave us record results. Torstar as a whole reached the highest earnings before interest, taxes, depreciation and amortization (EBITDA) in our history. These strong results allowed us to acquire new community newspapers, invest in new business growth, strengthen further our already strong balance sheet and increase our dividend by nearly 10 per cent for the second year in a row. We are pleased with our progress and results.

OUR RESULTS

The external environment in 2003 included considerable uncertainty and challenge. The war in Iraq, the SARS epidemic in Toronto, the massive power blackout in August and a difficult book market all contributed to the situation. Despite this, our businesses responded very well.

Metroland had another terrific year in 2003, meeting its target of double-digit earnings growth and demonstrating again the power of its decentralized and entrepreneurial business model. Metroland is now the largest profit contributor among our three newspaper business units and is poised to deliver further growth through product innovation, geographic expansion, population growth and acquisitions.

In 2003, the Toronto Star achieved the second highest total revenue in its history despite the difficult economic environment. The paper overcame both market challenges and higher paper and pension costs to post a strong year overall. At the same time, the Star maintained its clear leadership position in circulation and readership in the Toronto newspaper market which provides a firm foundation for future growth.

2003 was an important year of transition for the CityMedia Group including a change in its name. We renamed the Regional Daily Newspaper Group as CityMedia to reflect not only the important cities it serves – Hamilton, Kitchener, Waterloo, Cambridge and Guelph – but also our acquisition of the Brabant-Fairway community papers. This acquisition has given CityMedia an integrated platform of daily and community newspapers which will support innovation and growth. CityMedia also made important financial progress in 2003 as we began to realize the benefits of changes made in 2002.

Harlequin ranks with Canada's most successful global companies and it posted record profits in 2003. The book publishing industry struggled somewhat in 2003 but Harlequin increased its women's fiction revenues (before the impact of foreign exchange) and profits. This is clear testimony to the power of Harlequin's unique focus on the women's fiction market – combining branded series romance, traditional author-led single-title fiction and now brand-led single-title publishing.

OUR FUTURE

Torstar has many advantages: market-leading franchises, fine leaders, a great balance sheet, unusually strong free cash flow, excellent governance, a heavily invested controlling shareholder group focused on long-term value creation, and a long record of delivering superior returns for our shareholders. Our challenge is to build on this legacy. Past achievements and good results are not sufficient to propel Torstar into the future. For that we need to be focused – on our core objectives, on our current operations and on our plans for growth.

As a company, we are committed to outstanding corporate performance in all we do. We set our sights uniformly high across our businesses. While our businesses are each different, they reflect common beliefs. We believe we should strive for outstanding performance by:

- Advancing editorial excellence, believing that good newspapers and good books that deliver good experiences for our readers are essential to our long-term success;
- Creating a great place to work, believing that good, motivated and respected employees are central to all we do;

TO OUR SHAREHOLDERS

• Having a positive impact in the communities we serve, believing that serving and being a part of our many communities is both our responsibility and our privilege;

• Maximizing shareholder returns, believing that this is both our duty to our shareholders who entrust us with their funds and the consequence of our focus on outstanding performance.

In the pages that follow, you will read about how this commitment to outstanding performance is reflected in the work of all of our businesses. It is a commitment embraced by all of our leaders and a goal that informs all that we do.

Our commitment to outstanding performance is reflected in our goals for growing each of our businesses. We have built multi-year strategies and plans to improve the margins in our daily newspapers, maintain double-digit growth at Metroland and raise Harlequin's growth rate above its historic compound annual growth rate of five to six per cent.

Over the past year, we accelerated our growth with the acquisition of some new community newspapers and specialty publications. We also launched various new products and in early 2004, we extended our geographic reach into the Niagara peninsula with the launch of a new community newspaper for the region.

Through our investment in Black Press, we are also expanding our presence in Western Canada and deepening our commitment to community newspapers, a business we know well and like a great deal. We will make further acquisitions when we can do so at prices that make sense for our shareholders.

In addition to creating value for our shareholders through acquisitions, we believe we can create superior returns by building new businesses to deliver supplementary growth. We have invested in the Transit Television Network (TTN) and are optimistic we can add meaningful earnings growth for Torstar by taking TTN into multiple North American media markets. Recent installations in Milwaukee and now suburban Chicago reflect our confidence in this new business and its future.

Our challenge is to make these choices wisely – to buy when good properties are available at good prices, to build when new opportunities arise, to invest in our core businesses, to innovate with new products and services and to enter new geographic areas. We do not limit ourselves to any one approach but rather use all of them. And we operate all our businesses with the goal of outstanding performance.

The ultimate test is long-term value creation for our shareholders, and it is against this standard that we judge all our efforts. And it is this standard of value creation that disciplines our choices among the many opportunities we consider.

TRANSITION

This spring, at our Annual General Meeting, we will mark an important transition at the Toronto Star as John Honderich steps down as Publisher and Michael Goldbloom takes his place. John has served as Publisher for a decade, the third - longest record of leadership in the newspaper's 110-year history.

John has made a remarkable contribution to advancing the Toronto Star over his long and distinguished career. He has led the paper with distinction, passion and great effectiveness. On his watch, the Star has maintained its position as Canada's largest and pre-eminent metropolitan newspaper vigorously committed to the Atkinson Principles that guide it. Everyone at Torstar and the Toronto Star is profoundly grateful for his service and leadership.

Michael Goldbloom is a worthy successor as Publisher. He is superbly qualified for the role. Broadly educated and experienced, and highly successful as a newspaper publisher, Michael is fully committed to our ambitions for the Toronto Star. He will be an outstanding leader for Torstar's flagship newspaper.

CONCLUSION

All of us working at Torstar are grateful for the opportunity. It is a great place to work. We are part of a worthy company and an important cause. We enjoy our work and are treated well. I thank all of the more than 6,000 employees of Torstar for the very fine work they do. We all thank our Board of Directors for their leadership and counsel and we thank you, our shareholders, for vesting your confidence in us. We will continue to do all we can to vindicate it.

J. Robert S. Prichard
President and Chief Executive Officer

NEWSPAPERS

Torstar's newspapers are the leading source of local and regional news, information and entertainment in Ontario's Golden Horseshoe. No other media company can offer the reach and penetration of Torstar into the lucrative Golden Horseshoe market, the fourth largest economic zone in North America, consisting of eight contiguous metropolitan areas spanning a 40-kilometre radius. More than 7.1 million people live in this region, or 59 per cent of the provincial population.

Torstar's newspaper operations consist of the newspaper, commercial printing and Internet products and services of the Toronto Star, CityMedia Group and Metroland Printing, Publishing & Distributing. The group also includes Torstar Media Group Television, a 24-hour direct-response television business operating the SHOP TV Canada channel, which reaches approximately 1.4 million cabled households in the Greater Toronto Area. It also includes Transit Television Network, a U.S.-based operation that delivers broadcast-quality information to passengers on buses, rail and other modes of mass transit on screens mounted in the vehicles.

CityMedia Group owns three leading dailies (The Hamilton Spectator, The Record and the Guelph Mercury) and 11 weekly or monthly publications. Metroland publishes 63 community newspapers, and jointly owns Metro, Toronto's leading free daily commuter newspaper, and Sing Tao, Canada's largest Chinese daily newspaper.

Torstar's newspaper operations also comprise Metroland's six printing plants, the Toronto Star's Vaughan Press Centre and three CityMedia printing facilities.

The Toronto Star, The Hamilton Spectator, The Record and the Guelph Mercury have a combined cumulative weekly circulation of 4.5 million papers. Metroland has a weekly circulation of 3.8 million papers. Sing Tao's past-week readership is approximately 280,000 in Canada. Metroland distributes 225,000 copies of Metro Monday through Friday.

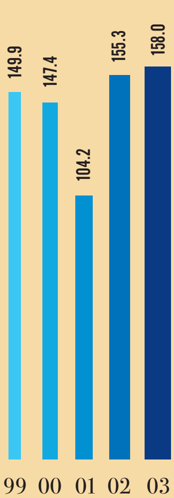
Torstar extends the reach and influence of its newspapers with Web sites at each operation. The primary site, thestar.com, was named one of the top news and information Web sites in Canada and globally by three leading Web navigation services in 2003. waymoresports.com continues to attract viewers with online sports coverage from the Toronto Star and CityMedia Group newspapers and additional features like live scoreboards and breaking news. These sites attracted approximately 31 million page views per month in 2003, up more than 30 per cent versus the prior year.

CityMedia Group moved to a paid subscriber model for its daily newspaper Web sites in 2003. These sites received an average of approximately four million page views per month in each of 2002 and 2003.

workopolis.com, which is owned 40 per cent by Torstar, continues to lead the Canadian careers Web site market with workopolis.com and workopolisCampus.com. workopolis.com averaged 75 million page views per month in 2003, and over two million resumes were posted as of December 2003, compared with 1.4 million resumes in the same period in 2002.

In March 2003, Metroland acquired the remaining 50 per cent of toronto.com from Sympatico Inc., giving it full ownership of the popular online city guide. On a monthly basis, toronto.com averaged more than 13 million page views in 2003, and more than 600,000 unique visitors, up 13 per cent in the year.

Total revenues from the newspaper segment were $903.4 million in 2003, up $46.4 million from 2002 with growth occurring in both the daily and community newspapers. This revenue accounted for approximately 61 per cent of Torstar's consolidated operating revenue in 2003. Newspaper EBITDA of $158 million in 2003 was slightly improved from $155.3 million in 2002.



EBITDA ($ Millions)

TORSTAR'S NEWSPAPER BUSINESS

THESTAR.COM • TORONTO.COM • WORKOPOLIS.COM • METRO.COM • THESPEC.COM • THERECORD.COM • SHOP TV

John Honderich
Publisher,
Toronto Star

"After five intensely competitive years, the Toronto Star remains the leading franchise in the market and the only paid daily with stable readership and circulation."

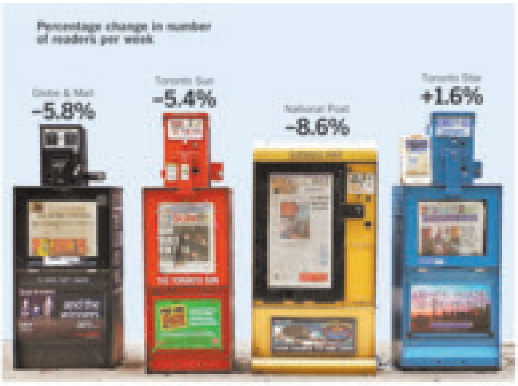
TORONTO STAR

The Toronto Star is Canada's largest daily newspaper and the foundation upon which Torstar built its business. For 112 years, the Star has given a determined voice to the social justice principles of its early publisher, Joseph Atkinson. Operations include the Toronto Star newspaper, commercial printing at the Vaughan Press Centre and the Internet activities of the Electronic Publishing Division.

The Star grew total revenues by $8.4 million in 2003, including a $5.3 million increase in total print and Internet advertising revenues. Despite this, EBITDA was down $3.6 million to $62.7 million, due in part to higher newsprint and pension costs and numerous challenges during the year, including severe winter weather, the war in Iraq, SARS and a power blackout.

ACHIEVING OUTSTANDING PERFORMANCE

The Toronto Star continued to lead the pack as the newspaper war raged on in Toronto with renewed competition among the dailies and the launch of a second commuter tabloid – SunMedia's Toronto 24 hours. Readers can now choose from six daily newspapers, reinforcing Toronto as the most competitive newspaper market in North America. After five intensely competitive years, the Toronto Star remains the leading franchise in the region and the only paid daily with stable readership and circulation.



THE STAR CONTINUES TO WIN THE BATTLE FOR READERS IN TORONTO

The Star's Monday through Sunday total cumulative readership is 2,633,200 (Source: Newspaper Audience Databank, 2002). In the Greater Toronto Area, the most recent readership figures show the weekday Toronto Star up 1.6 per cent, while all other weekday papers lost readers (NADbank Toronto Spring 2003 vs. Spring 2002).

The Star's total paid circulation Monday through Friday is 463,840, up 0.3 per cent or 1,499 copies from the same period last year, due in part to an increase in weekday home delivery. (Source: Audit Bureau of Circulations, six-month statement ending Sept. 30, 2003). The Star continues to focus on high-quality circulation volume, reducing bulk copies by more than 5,000 per weekday.

In 2003, the Toronto Star purchased the assets of HEBB TeleSales and Marketing, a call centre operation in Truro, N.S. The business has been renamed Atlantic Call Centres and will manage the outbound circulation calls for a number of Torstar properties, including the Star and The Record.

The Star continues to grow its advertising line rate while its competitors offer deep discounts. The Star grew both its line rate and its share of market in 2003, but fell short of its advertising revenue target because of adverse economic conditions. Advertising linage was down 1.5 per cent year over year due to continued softness in the employment and travel categories in 2003. Linage in all other categories increased 1.5 per cent year over year, including strong growth of 18 per cent in automotive linage in 2003.

While competitors changed strategies or scaled back their Internet investments, the Star continued to refine and grow its e-content initiatives. Revenues for the Toronto Star's Internet operations were up $1 million, including a 23 per cent increase in revenues for thestar.com. The newspaper's Web site recorded page-view growth of more than 30 per cent in 2003 versus the prior year. The site also attracted 1,637,963 unique users in December 2003, an increase of more than 17 per cent since the beginning of the year and an approximately 40 per cent increase over the same period last year. Additionally, the Web site was named one of the top news and information sites by three leading Web navigation services.

Commercial printing revenues were $2.2 million higher in 2003, in part reflecting higher newsprint costs. Production staff at the Vaughan Press Centre reduced waste to record lows, and exceeded the target of 85 per cent on-time delivery of newspapers.

EBITDA ($ Millions)

TORONTO STAR

Michael Goldbloom
Publisher designate,
Toronto Star

ADVANCING EDITORIAL EXCELLENCE

A great metropolitan newspaper serves its community to the highest standard of newspapering and builds trust with its stakeholders. Few readers will soon forget the impact of the Star's haunting portrayal of lives lived in many of Ontario's nursing homes, or meaningful coverage of key events like SARS, civic and provincial elections, the Star's continuing crusade for a new deal for cities, or its compelling diversity reporting.

The Star's controversial investigative series, Race and Crime, engendered an ongoing debate on racial profiling by police. The series generated overwhelming reader feedback and three of the country's top honours for journalism: the prestigious Michener Award for Public Service Journalism; a 2002 National Newspaper Award in the special investigations category; and a Canadian

Association of Journalists Award for computer-assisted reporting. The Star investigative team used a police database to develop the story.

The Star earned a second 2002 National Newspaper Award last year for sports photography for a dynamic photo of goalie Martin Brodeur's leap of joy when team Canada won Olympic gold at Salt Lake City. In addition to the two National Newspaper Awards, the Star earned nine nominations in 2003.

The Star has been nominated for National Newspaper Awards 167 times since the awards began 54 years ago, and has won the award 96 times – more than any other newspaper.

The Star focused on attracting new readers in 2003, launching three new sections: Metropolis, I.D. and Shopping. The Star also opened a satellite newsroom at the Vaughan Press Centre, and dedicated more than 60 reporters to cover news and events outside the 416 area code, including key regional beats and family issues. No other city newspaper or television station comes close to matching this editorial commitment.

CREATING A GREAT PLACE TO WORK

Star leaders implemented numerous initiatives in 2003 to develop staff and create a more rewarding workplace. An initiative began to evolve toward a more constructive culture that is collaborative and results-focused. Advertising management led the culture change by adopting a commission-based compensation program in 2003.

Union leaders and managers completed two Relationship Building Processes with Star electricians and night-side pressroom staff. The process helps parties strengthen their relationship and improve communications. The Star is extremely pleased that these efforts, combined with several collaborative initiatives with organized labour, have contributed to a 40 per cent decline in overall grievances from 2002. The company continues to leverage the various joint labour/management committees and will continue to build a more collaborative labour model at the Star. The Star expects to begin negotiations this fall before its collective agreements expire at the end of 2004.

The Star also invested in its human resource capabilities in 2003 by rebuilding its HR team and reorganizing the department to align HR strategy with business strategy. Michael Goldbloom joined the Star in July 2003 as Deputy Publisher and Senior Vice-President of Strategy and Human Resources. On March 5, 2004, he was named incoming Publisher, replacing John Honderich on May 5, 2004.

Murray Skinner
President,
Metroland

"Metroland's decentralized structure provides a great line of sight and encourages an entrepreneurial culture throughout the company."

METROLAND

Metroland Printing, Publishing & Distributing is the largest and most successful publisher of weekly community newspapers in Canada. Metroland publishes 63 community newspapers in 106 editions circulating 3.8 million copies in Southern Ontario each week. The company is also one of the largest and most sophisticated distributors of flyers and circulars in the country, and a vital and growing contributor to Torstar's growth strategy.

Metroland jointly owns Metro, Toronto's leading free daily commuter newspaper, and Sing Tao, Canada's largest Chinese daily newspaper.

INVESTING IN OUR BUSINESS

Metroland celebrated another year of impressive growth in 2003 with total revenues of $331.3 million. This represents an increase of $22.4 million in 2003, with $16.8 million from higher total advertising revenue. Advertising linage in the community newspapers grew by 3.1 per cent, exceeding 199 million lines. Flyer distribution grew to more than two billion pieces delivered in the year, an increase of 8.1 per cent over 2002 volumes. EBITDA was up $6.4 million to $74.6 million and operating profits grew by $6.6 million to $68.5 million.

During the year, Metroland divested a number of small newspapers outside the company's main regions, and acquired operations that support Metroland's strategy of growth by providing services to readers and advertisers in Southern Ontario. In June, Metroland purchased the Orangeville Banner and the Flamborough Review from Osprey Media Group Inc., and sold to Osprey the weekly newspaper operations in Napanee, Barry's Bay, Kingston, Bancroft, Saugeen and three papers in Southwestern Ontario.

Late in the year, Metroland completed additional acquisitions that are expected to provide future growth. The company purchased newspapers from Schalsun Inc. including the Stayner Sun and the Wasaga Sun, as well as J.H. Robinson Publishing Ltd. and Silva Litho Solutions Inc. J.H. Robinson Publishing, through its Formula Publications division, is the publisher of The Car Guide, The Boat Guide and Boating Business. It also produces The Canadian International Auto Show Program, The Toronto International Boat Show Program, a number of contract publications and other services. Silva Litho Solutions is one of only a few high-tech digital printing companies in Canada and uses the latest technology in all aspects of its sheet-fed production process.

Metroland also acquired the remaining 50 per cent of toronto.com from Sympatico Inc. in 2003, making it a wholly owned operation. The Web site contributed its first profit in 2003.

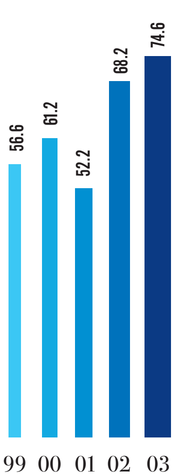
Partnership publications also performed very well in 2003. Sing Tao recorded a good year while introducing a number of new specialty products. Metro enjoyed exceptional growth, recording its first full year of operating profit and contributing more than $2 million in increased advertising revenues. With weekday circulation increasing to 225,000 late in the year, Metro is now the second largest circulation daily in the Greater Toronto Area after the Toronto Star.

Innovation and new product development continued as a strong trait across the chain of community papers. The President's Challenge was introduced to accelerate the growth of new revenue streams and to measure incremental success. This initiative resulted in 299 new products, including magazines (East of the City, North of the City), seven new specialty publications and a host of community directories, and generated more than $8 million in new revenue.

Metroland accelerated its investment in technology and infrastructure in 2003 in order to support continued growth of its decentralized operation. Metroland completed a digital workflow for its newspaper production, and significantly expanded its Wide Area Network in 2003, with completion scheduled for this year. In addition, Metroland's newspapers are currently installing a new PBS publishing system after successfully testing it at a number of locations during the year. This fully integrated media management system will improve productivity.

Investment in Metroland's regional Internet portals is reaping results as operating profits grew significantly and traffic increased to more than 30 million page views and by more than two million unique visitors in 2003.

Expansion of Metroland's Willowdale printing press in Toronto was completed in the year, and the new KBA press equipment was delivered in late 2003. This new facility, which is expected to be operational in mid-2004, will allow in-sourcing of a number of products currently produced at outside printers.



EBITDA ($ Millions)

METROLAND

ADVANCING EDITORIAL EXCELLENCE

Metroland takes pride in publishing industry-leading community newspapers. Its efforts were recognized again in 2003 with a record number of awards for excellence in journalism. Metroland garnered 160 industry awards in 2003 including 67 Ontario Community Newspapers Association awards, 43 Canadian Community Newspapers Association awards, and 50 Suburban Newspapers of America awards. In addition, Editor-in-Chief of the company's Durham Region Media Group, Joanne Burghardt, earned the prestigious 2003 Mary Knowles Award. The award, from the Ontario Community Newspapers Association foundation, recognizes outstanding community service.

Community newspapers achieved record readership levels in the year. Metroland's 2003 Readership Study confirms 3.3 million adults, or 70 per cent of all adults in Metroland's market, read a Metroland newspaper each week.

Readership of Metro jumped to 393,200 adults each weekday, according to the spring 2003 Newspaper Audience Databank (NADbank). Metro circulation has increased by 20 per cent since this NADbank release. More than 53 per cent of Metro's readers do not read any of the paid circulation dailies.

CREATING A GREAT PLACE TO WORK

Metroland's decentralized structure provides a great line of sight and encourages an entrepreneurial culture throughout the company. Decisions are made locally, allowing the company to respond to customer needs while developing leadership qualities and a sense of purpose.

Employees throughout the company participated in strategic planning during 2003 that articulated business priorities for the next three years.

Metroland's recently-introduced Employee Assistance Program completed its first full year in 2003. Health and safety initiatives continue as a priority with more than 30 health and safety committees throughout the company.

POSITIVELY IMPACTING OUR COMMUNITIES

Metroland is deeply involved in the communities it serves. In addition to its more than 2,000 employees, Metroland contracts services from hundreds of local residents including editorial freelancers, distribution trucking contractors and others. In addition, more than 15,000 local youth carriers deliver Metroland community newspapers in their neighbourhoods.

Metroland's new KBA printing press.

Jagoda Pike
Publisher,
The Hamilton Spectator,
and President,
CityMedia Group

"CityMedia Group has both daily and weekly newspapers as well as commercial printing in a geographic cluster – a new business model for Torstar."

CITYMEDIA GROUP

Formerly the Regional Daily Newspapers, CityMedia Group strengthened its position in Ontario's Golden Horseshoe in 2003. Newly restructured around assets acquired from Osprey Media Group Inc., CityMedia Group now has both daily and weekly newspapers as well as commercial printing operations in a geographic cluster, representing a new business model for Torstar.

CityMedia acquired from Osprey the assets of: Brabant Newspapers in Hamilton; the Fairway Group in Waterloo, Cambridge, Guelph and New Hamburg; and Hamilton Web Printing in Hamilton. CityMedia Group is now comprised of three daily newspapers, 11 weekly or monthly publications and three printing operations. Its daily newspapers are The Hamilton Spectator, The Record (Kitchener, Cambridge and Waterloo) and the Guelph Mercury.

To appropriately reflect its new business mix, Regional Daily Newspapers changed its name to CityMedia Group in the summer of 2003. Jagoda Pike took on the concurrent roles of Publisher, The Hamilton Spectator and President, CityMedia Group.

The Hamilton Spectator is the largest daily in the group and the 14th largest circulation daily newspaper in Canada, selling 105,000 copies Monday through Friday, and 121,000 on Saturday. Over the course of a week, readership of The Hamilton Spectator is almost 70 per cent of adults in its market. The Record's circulation is 65,000 copies daily and 76,000 copies on Saturday, and the Guelph Mercury has daily circulation of 14,000 copies Monday through Saturday.

The 10 weekly publications acquired from Osprey are primarily distributed free of charge, with approximately 300,000 copies a week circulated in the Hamilton area, and 117,000 copies in the Waterloo, Cambridge, Guelph and New Hamburg areas.

EBITDA ($ Millions)

INVESTING IN OUR BUSINESS

Beyond integrating the new media properties, CityMedia Group staff undertook a number of other improvements in 2003 to strengthen the business. An $8 million upgrade is underway to increase colour capacity on two presses at The Hamilton Spectator, which is forecast to generate significant ad revenue growth once completed in the summer of 2004.

CityMedia Group moved to a paid subscriber model for its daily newspaper Web sites in 2003. Early in the year, The Record launched The Free Zone, which hosts classified advertising and information about the newspaper, while the Insider, which contains all local news, is restricted to Record subscribers. The Spectator followed with its "two-tier" Web site offering more extensive content to subscribers and restricting access for non-subscribers.

CityMedia Group continued to grow revenue through the successful implementation of in-paper auctions, which generated $1.5 million in revenue in 2003. The group is also well on its way to realizing significant synergies following its acquisition of the Brabant, Fairway and Hamilton Web properties.

CityMedia Group revenues were $142.6 million in 2003, up $15.9 million from $126.7 million in 2002. CityMedia Group's EBITDA was $23.9 million in 2003, up $4.8 million or 25.1 per cent from $19.1 million in 2002. Excluding the impact of the acquisition, EBITDA was up $2.5 million or 12.9 per cent during 2003. Operating profits were up $5.3 million to $18.2 million with $2.3 million from the acquired operations.

ADVANCING EDITORIAL EXCELLENCE

CityMedia Group newspapers were rewarded in 2003 for their continuing commitment to editorial excellence. The Record was nominated for two National Newspaper Awards for short feature and critical writing, and won the award for short feature writing.

In June, the Canadian Journalism Foundation recognized The Record with an Excellence in Journalism award stating that, "The Record is proof that a well-read and well-staffed regional newspaper is of national importance in Canada." The award is given to newspapers that demonstrate important attributes of good journalism, including everything from accuracy and accountability to originality and courage.

The Guelph Mercury was also nominated for a National Newspaper Award last year for feature photography. The National Newspaper Awards are presented by the

CITYMEDIA GROUP

Canadian Newspaper Association and are considered Canada's top honours in journalism.

The Record and The Hamilton Spectator won a total of seven Western Ontario Newspaper Awards in the year.

The Hamilton Spectator undertook major changes to its content and design in 2003, targeting baby boomers who read infrequently, and women in the 25- to 49-year-old demographic. Among the changes were: an expanded front section, which is a newspaper within a newspaper containing all the day's news; a new Go section, a magazine within a newspaper focusing on food, celebrity, health and style; and a new sports tabloid.

The Record and the Guelph Mercury also launched content and design changes as part of a three-year editorial strategy to grow readership in the 25- to 49-year-old demographic.The improvements were in lifestyle content, navigational aids and features coverage with greater emphasis on narrative storytelling.

The newspapers also demonstrated their strength with compelling series that fuelled public debate and moved people to action. The Spectator published a serialized account of a man believed to be Hamilton's worst serial killer. Entitled Poison, it told the story of a man responsible for murders on two continents. Poison was published over 30 days, making it the largest project ever undertaken by The Spectator's newsroom. The series sparked an unprecedented level of reader response, including a sustained increase in single-copy sales over the publication period.

The Record published an eight-month series of articles entitled Grand Vision, examining rapid growth in the Waterloo Region. The series initiated widespread community discussion about better urban planning and concluded with a series of well-attended public forums in the spring.

CREATING A GREAT PLACE TO WORK

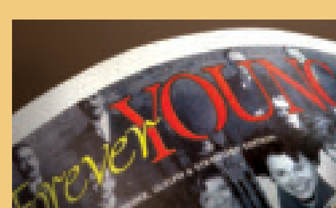
CityMedia Group is committed to creating a culture that promotes health, safety and wellness. Health and Wellness and Joint Health & Safety Committees are active across the business, offering training and special events to staff.

A major focus for CityMedia Group is investing in performance development, management and training to ensure staff have the necessary tools for success.

CityMedia Group successfully negotiated contracts with advertising, pressroom and mailing room staff at The Hamilton Spectator in 2003, without the need for conciliation. A collective agreement was also reached in Guelph with the Mercury's editorial department.

DAILIES


WEEKLIES

Donna Hayes
Publisher &
Chief Executive Officer,
Harlequin Enterprises

"We are launching more new products, imprints and brands than ever before, positioning Harlequin to deepen our relationship with current readers and bringing new readers into the franchise."

HARLEQUIN

Harlequin is unique in the women's fiction market, combining branded series romance programs, traditional author-led single-title fiction, and today – brand-led single-title publishing.

In 2003, Harlequin further strengthened its position as a global force in the women's fiction market. Harlequin also continued to hold the title of publisher with the highest return on sales – a result of Harlequin's unique capability set: global brands spanning 95 international markets, outstanding authors, multiple sales channels, and an efficient publishing infrastructure.

Significant accomplishments in 2003 included:

- Increasing the number of weeks on the New York Times Bestseller and Extended lists by 52 per cent versus 2002;
- The debut of Carla Neggers on the New York Times Bestseller list;
- Launching a new romantic comedy series, Harlequin Flipside;
- Launching a new inspirational single-title program, Steeple Hill Books;
- Launching the "chick-lit" program, Red Dress Ink (RDI), in France;
- Launching a new single-title women's fiction program in Italy and continued success in Germany; and
- Signing more best-selling authors than the year before including New York Times best-selling authors Carly Phillips, Bertrice Small, Brenda Joyce, and Linda Lael Miller.

OPERATIONAL HIGHLIGHTS

In 2003, Harlequin achieved record-setting EBITDA of $131.9 million, growing from $126.7 million in 2002. Women's fiction results remained stable in a highly competitive environment as higher North America Retail earnings were offset by weaker performance from North America Direct-To-Consumer. Overseas results were even with 2002 levels. Reduction of Creativity losses and foreign exchange gains were the major factors contributing to earnings growth. Women's fiction revenue grew by $8 million, excluding the impact of foreign exchange.

INVESTING IN OUR BUSINESS

2003 was a year of significant investment in the key drivers of Harlequin's future growth across both series and single titles. These key drivers are:

- Editorial excellence – investing in our authors and editorial staff;
- Building brands: product and author – investing in increased advertising and author support; and
- Infrastructure and systems – investing in ourselves to support our growth initiatives.

In 2004 and beyond, Harlequin will continue building its position in the women's fiction market by:

- Creating growth in the series business;
- Continuing growth momentum in the global single-title business; and
- Exploring other opportunities that are close to the core.

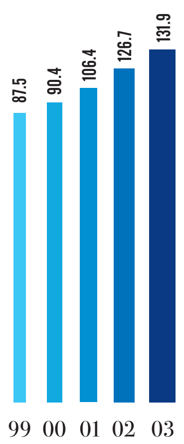
FOCUSING ON OUR AUTHORS

Harlequin is unique in the publishing industry, developing more new authors than any other publisher. Harlequin's authors achieve global recognition through a combination of publishing frequency, the power of the Harlequin brands and imprints, and individualized author growth strategies developed by our dedicated global editorial and marketing staff.

FOCUSING ON BRANDS

Harlequin is the brand expert in publishing, developing and growing brands that resonate with women globally. Harlequin spent close to $30 million in 2003 on retail advertising and promotion to support its brands and authors. Through its global Live the Emotion campaign, the annual Romance Report, eHarlequin and its quarterly reader service magazine, Harlequin created more than 750 million media impressions in 2003.

The series business, the foundation of Harlequin's success, offers women a range of romantic reads from traditional pure romance to suspense and inspirational



EBITDA ($ Millions)

CANADA • USA • ITALY • CHINA • GERMANY • AUSTRIA • SWITZERLAND • FRANCE • BELGIUM • MONACO • MOROCCO • SENEGAL • AUSTRALIA • GREECE • HUNGARY • UNITED KINGDOM • BARBADOS • DENMARK • MALTA •

NEW ZEALAND • NETHERLANDS • SWEDEN • ST. LUCIA • SPAIN • PORTUGAL • MEXICO • ARGENTINA • CHILE • PARAGUAY • CAYMAN ISLANDS • VENEZUELA • COSTA RICA • PANAMA • ECUADOR • HOLLAND • SLOVAKIA • CZECH REPUBLIC • POLAND • JAPAN • INDIA • INDONESIA • PARAGUAY • CHILE •

BOOK PUBLISHING Harlequin is unique in the women's fiction market, combining imprints – Harlequin, Silhouette, Steeple Hill, HQN, LUNA, MIRA and Red Dress Ink – that are well-recognized by readers, a global reach in 95 international markets, a highly successful reader service and a Web site that is second to none. These unique capabilities enable Harlequin to promote and sell its authors around the world, wherever and whenever women shop.

NEW ZEALAND • NETHERLANDS • SWEDEN • ST. LUCIA • SPAIN • PORTUGAL • MEXICO • ARGENTINA • CHILE • PARAGUAY • CAYMAN ISLANDS • VENEZUELA • COSTA RICA • PANAMA • ECUADOR • HOLLAND • SLOVAKIA • CZECH REPUBLIC • POLAND • JAPAN • INDIA • INDONESIA • GREECE • PERU

• CANADA • USA • ITALY • CHINA • GERMANY • AUSTRIA • SWITZERLAND • FRANCE • BELGIUM • MONACO • MOROCCO • SENEGAL • AUSTRALIA • GREECE • HUNGARY • UNITED KINGDOM • BARBADOS • DENMARK • MALTA •

FOCUSING ON BRANDS Showcasing existing and new products, Harlequin's brand advertising generated 190 million media impressions in North America alone in 2003. Specific campaigns were created for a new romantic comedy series, Harlequin Flipside, and for an expanded popular romantic suspense series, Harlequin Intrigue.

romance. In 2003, Harlequin continued to invest in the series business by:

- Redesigning the packaging for Harlequin, Silhouette and Steeple Hill imprints;
- Launching Harlequin Flipside, a new romantic comedy series;
- Expanding Harlequin Intrigue, a popular romantic suspense series;
- Expanding Love Inspired inspirational romance, one of Harlequin's fastest growing series; and
- Launching a new series revitalization process in most major overseas markets.

FOCUSING ON SINGLE TITLES

Whether chick-lit or thriller, mass-market paperback or hardcover, Harlequin's mainstream women's fiction single-title programs continue to develop and expand around the world.

In 2003, significant investment and strides were made to further expand Harlequin's diverse single-title programs including:

- Continuing investment in author acquisition and development, increasing title output in North America by 15 per cent;
- Increasing hardcover and trade title output by 80 per cent versus 2002;
- Launching a new inspirational single-title program, Steeple Hill Books, in trade format;
- Expanding Red Dress Ink to three titles per month; and
- Successfully broadening distribution into the bookstore channel in North America, Italy, France and Germany.

Harlequin has also combined its success in series and single titles to create branded single-title programs. Harlequin's Red Dress Ink (RDI) revolutionized chick-lit globally through its unique brand personality. In 2003, the launch of the RDI brand in France has been a resounding success, hitting bestseller lists of major retailers including Fnac, a large retail chain in France.

The company continued to invest in 2003 to bring our two strengths – branded series and single-title publishing – together, developing two new, branded single-title imprints launching in 2004. Stay tuned for LUNA, a new romantic fantasy imprint, and HQN Books, the new voice in mainstream romance.

FOCUSING ON INNOVATION

Innovation in product and process are critical to our ability to continue bringing increasingly relevant products to market better, faster and cheaper. Harlequin's global and multi-channel innovation process has resulted in a significant increase in the speed and number of product innovations the company will bring to the market in future years.

HARLEQUIN ENTERPRISES LTD.

FOCUSING ON GROWTH OPPORTUNITIES

Harlequin will continue to explore other growth opportunities that are close to the core and leverage Harlequin's unique capability set. This will include geographic expansion, demographic and/or product niches and potential acquisitions.

FOCUSING ON OUR EMPLOYEES

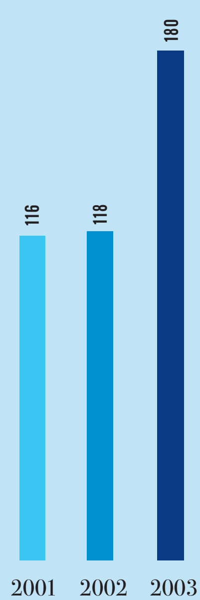
Harlequin's success is a result of the talent, dedication and innovation of its 1,200 employees worldwide. Harlequin leadership would like to thank them for the extraordinary results they produce year-in and year-out, and for the contributions they will continue to make in the future.

FOCUSING ON OUR FUTURE

Harlequin realized an unprecedented earnings level in 2003 while making significant investments in its key drivers and setting the foundation for future growth in 2004 and beyond.

FOCUSING ON SINGLE TITLES Further broadening its global distribution into the bookstore channel in 2003, Harlequin launched Red Dress Ink in France and I Chiaroscuri in Italy.

Since 2001, Harlequin has increased the number of weeks on the New York Times and the New York Times Extended Bestseller lists by 55 per cent.



TORSTAR CORPORATION is committed to maintaining an active and meaningful program in charitable giving consistent with the philanthropic traditions of its operating companies. Torstar is proud to be recognized as an Imagine Caring Company that donated more than one per cent of pre-tax profits to charitable causes in 2003. Torstar also provides in-kind contributions to magnify the impact of its charitable giving. Imagine A Caring Company

TORONTO STAR

The Toronto Star has a tradition of community support focused on children, literacy and journalism education. For more than 100 years, the Star has covered all administrative costs of the Toronto Star Children's Charities, so every penny donated by readers covers services for more than 65,000 children.

The Toronto Star Fresh Air Fund began in 1901 during one of the worst heat waves on record. Star Publisher Joseph Atkinson appealed to Star readers to help poor children escape the sweltering heat. Today, children with crippling illnesses, mental and physical disabilities and those from low-income families are able to enjoy some summer fun. Last year, the Toronto Star Fresh Air Fund raised $525,000 to send 25,000 children to 98 day and residential camps.

Having experienced poverty first hand, Joseph Atkinson launched a second appeal in 1906. The Toronto Star Santa Claus Fund helps limit the number of children who go without a gift at Christmas. Today, gift boxes filled with a sweater, hat, mitts, socks, candy, a book and a toy are delivered to children's homes by thousands of volunteers. In 2003, the Toronto Star and sister newspapers, The Mississauga News and Brampton Guardian, raised more than $1.2 million to give 44,000 needy children in Toronto, Brampton and Mississauga a Christmas gift box.

As part of its ongoing commitment to journalism education, the Toronto Star provided a landmark donation to the Ryerson School of Journalism to provide students with state-of-the-art technology. Additionally, the Star provides funding for an annual scholarship from the Children's Aid Foundation to help disadvantaged youth pursue post-secondary education.

Metroland

Metroland's numerous philanthropic initiatives help make a difference in the many communities the company serves. Metroland focuses its cash donations increasingly on initiatives that cross and influence the multiple markets served by its community newspapers, such as regional United Way campaigns and many local charitable events.

Sing Tao, Canada's leading Chinese language daily newspaper, contributes to the Chinese community through the Sing Tao Foundation. During 2003, the Sing Tao Foundation supported a summer camp for hundreds of under-privileged children of immigrant Chinese families.

Perhaps Metroland's largest contribution is in promotional newspaper space made available to hundreds of community causes and associations. The donated space – valued at more than $1 million in 2003 – is priceless to many beneficiaries, some of whom are quoted below:

- "Staff at the Mississauga News are very special friends and supporters of the Credit Valley Hospital Foundation."
- "Thank you to the Brampton Guardian for your Christmas campaign, participation and support for the Salvation Army."
- "Peterborough This Week plays a crucial role in fostering community support and funding for the Peterborough Regional Health Centre."
- "The sustaining support from the Etobicoke Guardian has been pivotal to the success of the Rotary Club of Etobicoke Youth Impact Awards."
- "I have had the privilege of dealing with many of your staff in regards to the sponsorship arrangement between Toronto Community News and Juvenile Diabetes Research Foundation."
- "It is an honour to describe the impact that the leadership of York Region Newspaper Group has had on Opera York's development in York Region."

The Mississauga News has partnered with its community to save the Port Credit log cabin.

POSITIVE IMPACT IN OUR COMMUNITIES

HARLEQUIN

Harlequin Enterprises understands the power of stories and their potential to move and inspire people. Harlequin More Than Words recognizes the accomplishments of women and shares their stories so readers everywhere might be inspired to get involved where they live.

Ordinary women are nominated for extraordinary contributions to their communities. Five will receive Harlequin More Than Words awards each year and will divide a $50,000 donation equally among their charities. In addition to the donation, Harlequin will substantially promote their causes to raise awareness and inspire action among readers. Leading Harlequin authors will publish a collection of short stories inspired by their lives. Proceeds from the book are reinvested in Harlequin's charitable initiatives.

Harlequin salutes the extraordinary women below whose lives have inspired the first fictional novella, titled More Than Words, which will be published in October 2004:

- Sue Cobley, though homeless herself, began seeking donations of surplus food to deliver to needy families in her community of Boise, Idaho. Her program, Chefs to the Rescue, has become an integral service of The Idaho Foodbank.
- Tera Leigh found a beautiful way to help mothers grieving the loss of an infant: hand-painted Memory Boxes to preserve photos and mementoes. Five hundred artists contribute to more than 54,000 boxes distributed in many countries.
- Dena Wortzel has given many Wisconsin families tools to overcome illiteracy. The Motheread/Fatheread program she introduced in prisons uses children's books to discuss parenting skills and teach incarcerated parents how to strengthen bonds with their children.
- June Nielsen's organization, Quilts from Caring Hands, makes and distributes handcrafted quilts to children's shelters and institutions in Corvallis, Oregon. To date, some 3,200 quilts have been distributed to needy children.
- Kathryn Babcock and Jan Richardson combined compassion and technology to create Shelternet.ca, which provides safe online information for abused women and their children seeking refuge anywhere in Canada.

From left to right: Award recipients Jan Richardson and Kathryn Babcock, with bestselling author Carla Neggers.

HARLEQUIN More Than Words

CityMedia GROUP

The Hamilton Spectator, The Record and the Guelph Mercury have each been partners in their communities for well over a century. They focus their cash and in-kind donations in the areas of literacy, education, health and wellness, and youth and families. The Spectator donates more than $1.2 million in cash and ad space each year to more than 80 community partners. The Record and Guelph Mercury provided more than $900,000 in cash and in-kind support to local groups in 2003.

CityMedia Group is proudest of the following programs:

- Taking a leadership role, The Hamilton Spectator provided the first $1 million in-kind donation to support Hamilton Health Science Corporation's three-year capital campaign. The Corporation operates four local hospitals servicing 500,000 people. This is the largest gift of its kind from The Spectator and will significantly improve the community's awareness of health-care programs and services available to them.
- The Record's James Summers Memorial Carrier Scholarship is named after James Summers, a Record carrier who died of heart failure in 2001 at the age of 13. Recipients of the award exemplify James' diligent, kind and encouraging nature. Four youths have so far received a total of $10,000 for post-secondary education.
- The Guelph Mercury Kids to Camp Fund enables disadvantaged children and youth in the Guelph area to enjoy the benefits of summer camp. An extension of this fund is the Bonnie Ewen Endowment Fund, established in memory of Bonnie, who was managing editor at the Mercury until her passing in November 2003. Summer camp funds at the Mercury and The Spectator have enabled more than 1,300 children to attend camp. Another 600 children benefit from day-camp programs funded in part by the Kids to Camp Fund.

Jennifer Broxterman and Joel Emery, 2003 recipients of The Record's James Summers Memorial Carrier Scholarship, are shown with Record Publisher Fred Kuntz.

TORSTAR INITIATIVES

Torstar Corporation is committed to growing its three market-leading franchises – daily newspapers, community newspapers and book publishing – while always looking for opportunities to expand beyond the core business. The following investments are a good fit for Torstar and are contributing to the company's growth strategy:

TRANSIT TELEVISION NETWORK

Transit Television Network (TTN) is a business that delivers full-motion, broadcast-quality information, entertainment and advertising to passengers on buses, rail and other modes of mass transit on LCD screens mounted in the vehicles. Revenues are principally derived from the sale of advertising. TTN was established in 2002 as a joint venture between Torstar and ITEC Entertainment Corporation until Torstar acquired 100 per cent of the business in the second quarter of 2003. The company is headquartered in Orlando, Florida.

The venture is still in its early stages and good progress was made in 2003. By the end of the year, the system was fully operational in Orlando and Milwaukee, Wisconsin. A contract has been awarded and installation of the system has begun in the suburbs of Chicago, Illinois. The transit systems in these three cities provide over 120 million rides annually, each averaging between 30 and 45 minutes in duration. In the United States, more than four billion trips are taken annually on public transit.

Over the course of 2004, the company expects to sign and execute contracts in at least two more major U.S. markets. A key benefit to transit authorities, in addition to a share of the advertising revenue, is the provision of an audible and visual stop announcement system for hearing and visually impaired passengers, allowing the transit authority to comply with the requirements of the Americans with Disabilities Act.

Torstar's share of operating losses was $4.8 million in 2003, an increase from a loss of $0.8 million in 2002.

BLACK PRESS

Torstar Corporation owns a 19.35 per cent share of Black Press Ltd., a privately-owned and operated company with its head office in Victoria, British Columbia. Black Press publishes 95 primarily community newspapers and has 13 printing plants in Western Canada, Washington State and Hawaii. Leveraging Metroland's expertise in community newspapers, Torstar's strategy is to help grow Black Press in the years ahead, adding significant new regions to Torstar's reach. Annual revenues at Black Press are approximately $240 million.

BLACK PRESS


news

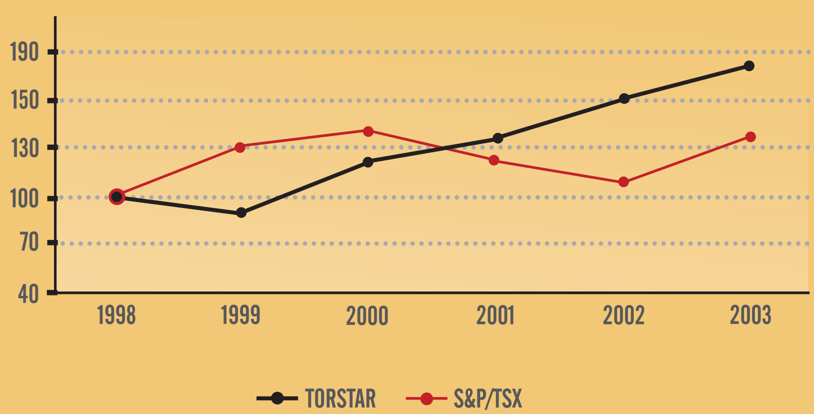

THE WILLIAMS LAKE
Tribune
POLICE: Officer


VALLEY


Transit Television Network

FINANCIAL REPORT

Torstar's operations have provided significant shareholder returns over the past five years. $100 invested in Torstar in December 1998 would be worth $184 today compared to $137 for an investment in the TSX Composite Index.



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FINANCIAL RESULTS

Torstar's record EBITDA performance in 2003 allowed it to acquire new community newspapers, invest in new business growth and provide additional funding to the company's employee pension plans while reducing debt and increasing the dividend by nearly 10 per cent.

Robert Steacy
Executive Vice-President
& Chief Financial Officer
Torstar

We are very pleased with the performance in 2003. We achieved record high earnings at both Harlequin and Metroland, and the daily newspapers performed very well in very challenging circumstances."

MANAGEMENT'S DISCUSSION & ANALYSIS

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

The principal activities of Torstar are the publication of newspapers and women's fiction. Torstar reports its operations in two segments: Newspapers and Book Publishing.

RESULTS OF OPERATIONS – FULL YEAR 2003

OVERALL PERFORMANCE

Total revenues were $1,488.3 million in 2003, up $13.3 million from $1,475.0 million in 2002. Revenues in the Newspaper segment were $903.4 million, up $46.4 million from 2002 with growth occurring in both the daily and community newspapers. Advertising linage was flat year over year in 2003 in the daily newspapers but increased in the community newspapers. Linage rates were up across all newspapers producing advertising revenue growth of approximately 5%. Book Publishing revenues were $584.9 million, down $33.2 million with local currency growth of $4.9 million offset by a $38.1 million reduction due to the increased value of the Canadian dollar.

Operating profits were up $8.2 million to $220.1 million in 2003. The Newspaper segment's operating profits grew by $4.6 million despite higher newsprint and labour costs. Book Publishing operating profits were up $4.9 million with $2.2 million from the net impact of foreign exchange. Corporate costs were $1.4 million higher in 2003 reflecting higher compensation costs from higher pension costs and the impact of long-term incentive plans.

Compensation costs rose throughout the organization in 2003 due partially to higher pension and long-term incentive costs. Pension costs increased $7.4 million reflecting lower investment returns in 2001 and 2002 and a lower discount rate in 2003. Long-term incentive costs increased for two reasons. First, Torstar began expensing stock options by adopting prospectively in 2003 the fair value method of accounting for stock-based compensation, which added $0.9 million of costs. Second, the number of stock options granted to executives was reduced by 60% in 2003 with the introduction of a three-year medium term cash incentive plan. The cost of this plan was $1.5 million or $0.01 per share (after tax) in 2003.

Interest expense was $12.8 million in 2003 consistent with 2002. Debt levels were lower throughout 2003 but effective interest rates were higher. Average net debt (long-term debt plus overdraft, net of cash) during 2003 was $382.0 million compared with $460.0 million in 2002. Torstar's effective interest rate on net debt was 3.4% in 2003, up slightly from 2.8% in 2002 due to the interest rate collars that Torstar had in place for 2003.

Torstar had a non-cash foreign exchange loss of $4.0 million in 2003 on the translation of its net U.S. dollar asset position. The U.S. dollar assets in Harlequin's U.S. operations are primarily current in nature and as such fluctuate daily making it difficult to match exactly against U.S. dollar debt. In 2003, the Canadian dollar appreciated 22% compared with the U.S. dollar.

Torstar reported a loss of $0.7 million in 2003 from unusual items compared with a $3.3 million loss in 2002. Torstar has reported these items as unusual as they did not occur in the normal course of Torstar's operating businesses and could otherwise distort an assessment of future operating results. The 2003 loss included $6.6 million for restructuring in the Newspaper segment, $4.4 million for the closure of Harlequin's craft kit business, and $3.0 million of write-downs on the interactive portfolio. Offsetting the losses were gains of $6.7 million realized on a sale of eight newspapers to Osprey Media Group Inc. and $6.6 million realized on the sale of an investment in Miles Kimball Company.

In 2002, the unusual items included a loss of $5.9 million related to the interactive portfolio and an income inclusion of $2.6 million that resulted from final settlements on sales tax and pension issues in foreign jurisdictions.

Torstar's effective tax rate was 39.1% in 2003 up from 36.6% in 2002. The cancellation of previously planned Ontario corporate tax rate reductions increased Torstar's tax expense by $4.7 million as future tax liabilities were adjusted. Excluding that adjustment, Torstar's effective tax rate would have been 36.8% in 2003.

Net income per share was $1.59 in 2003 compared with $1.64 in 2002. The $0.05 decrease includes the impact of the non-cash foreign exchange adjustment, the unusual items, the Ontario tax rate changes and the adoption of the fair value method of accounting for stock-based compensation. In addition, the number of shares outstanding increased during the year by 1.8 million to 78.6 million at December 31, 2003. The following chart isolates the after tax impact of these items on earnings per share.

Net income per share 2002	$1.64
Foreign exchange	(0.06)
Unusual items	0.05
Tax rate	(0.06)
Stock-based compensation	(0.01)
Earnings growth	0.06
Dilution effect	(0.03)
Net income per share 2003	**$1.59**

NEWSPAPERS

The Newspaper segment includes the newspaper, commercial printing and Internet results of the Toronto Star, CityMedia Group and Metroland Printing, Publishing and Distributing. CityMedia Group publishes three daily and 11 weekly or monthly publications. Its daily newspapers are The Hamilton Spectator, The Record (Kitchener, Cambridge and Waterloo) and the Guelph Mercury. Metroland publishes over 60 community newspapers, the jointly-owned daily commuter paper Metro and the Chinese language Sing Tao Daily as well as a number of specialty publications and operates several consumer shows. This segment also includes the results of Torstar Media Group Television ("TMG TV") and Transit Television Network ("TTN").

Advertising is the most significant source of revenue for newspapers. Circulation and readership are key performance indicators that support the value of advertising in a particular newspaper or market. The amount of advertising being purchased in a market is tied to the economy. When the economy is strong advertising spending increases. A strong economy coupled with job growth will increase the amount of employment advertising. The Internet competes with printed newspapers for advertising, particularly in the employment category. Recognizing that there has been a structural shift in advertising, Torstar's newspapers have all established Internet operations to complement their printed products. In addition, partial ownership of workopolis.com, Canada's largest employment website, ensures that Torstar maintains its share of the employment advertising market.

The economy in Southern Ontario continued to move slowly towards a recovery in 2003 but the impact was not fully realized in the advertising market. Employment advertising remained challenging although real estate advertising was higher in 2003. The community newspapers had a better year than the daily newspapers in 2003. Across the group, circulation levels were relatively stable during 2003, with revenues up year over year.

Newspaper revenues grew 5.4% in 2003 despite limited linage growth in the daily newspapers. The increase in revenues was partially offset by higher newsprint prices, increased labour costs, primarily pension costs and higher startup losses for TTN. Operating profits in the Newspaper segment were up $4.6 million or 4.4% over 2002. Excluding TTN, Newspaper revenues grew 5.3% and profits were up $8.6 million or 8.2% in 2003.

Newsprint pricing has a significant impact on the results of the Newspaper segment. Torstar's newspapers consume approximately 150,000 tonnes of newsprint each year. A $10 change in the price per tonne affects operating profits by $1.5 million. In 2003, newsprint prices were on average 7% higher than in 2002. Current uncertainty in the newsprint market caused a delay in the implementation of an industry announced March 2004 price increase for the Canadian market. As a result, current expectations are that the average price will increase by 4.5% in 2004. This could be higher if the U.S. economy strengthens significantly thereby increasing the demand for newsprint. Changes in the Canadian/U.S. dollar exchange rate could also impact pricing in 2004.

Labour is the other significant cost for the newspaper segment. Salary and wage cost increases are subject to several collective agreements and are generally tied to cost of living increases. Pension costs were $6.8 million higher in 2003. Pension costs for 2004 are expected to be slightly lower than 2003 levels. The Newspaper segment had costs of $1.0 million in 2003 related to the medium-term incentive plan and the expensing of stock-based compensation. These costs are expected to increase to $1.9 million in 2004.

The Toronto Star's collective agreements will all expire at the end of 2004. It is expected that talks will begin in the fourth quarter of 2004. CityMedia Group negotiated new contracts with four of its unions during 2003 and has 12 contracts covering 545 employees that are up for negotiation in 2004. Eight of those contracts expired at the end of 2003. Metroland has 130 employees under two collective agreements that expired at the end of 2003 which are currently under negotiation. Sing Tao is currently negotiating a new collective agreement that covers 175 employees.

Selected details (in thousands of dollars) are set out in the table below:

2003	Metroland	Toronto Star	CityMedia Group	Other[1]	Total
Operating revenue	$331,263	$418,517	$142,621	$10,984	$903,385
Operating profit	68,524	27,910	18,179	(4,497)	110,116
Depreciation	6,046	34,780	5,741	1,330	47,897
Segment EBITDA[2]	$74,570	$62,690	$23,920	($3,167)	$158,013
Return on Revenue					
Operating profit	20.7%	6.7%	12.7%	n/a	12.2%
Segment EBITDA	22.5%	15.0%	16.8%	n/a	17.5%
2002[3]					
Operating revenue	$308,872	$410,079	$126,720	$11,285	$856,956
Operating profit	61,917	29,747	12,842	989	105,495
Depreciation	6,249	36,526	6,246	797	49,818
Segment EBITDA	$68,166	$66,273	$19,088	$1,786	$155,313
Return on Revenue					
Operating profit	20.0%	7.3%	10.1%	8.8%	12.3%
Segment EBITDA	22.1%	16.2%	15.1%	15.8%	18.1%

[1] Consists of TMG TV, TTN and newspaper segment corporate and new venture costs. TTN was 51% owned from the third quarter of 2002 until the second quarter of 2003 when it became wholly owned by Torstar.

[2] Torstar reports its financial results under Canadian generally accepted accounting principles ("GAAP"). However, management believes that many of the company's shareholders, creditors, other stakeholders and analysts prefer to assess the company's performance using earnings before interest, taxes, depreciation and amortization of intangible assets ("EBITDA") in addition to the GAAP measures. Torstar calculates segment EBITDA as operating profit before depreciation and amortization of intangible assets. Torstar's method of calculating EBITDA may differ from other companies and accordingly, may not be comparable to measures used by other companies.

[3] 2002 results have been restated to reflect changes in management responsibilities for certain operations.

Metroland

Metroland had another very successful year with revenues of $331.3 million, EBITDA of $74.6 million and record operating profit of $68.5 million. During 2003, Metroland sold eight newspaper properties and made several acquisitions. It acquired the Orangeville Banner and the Flamborough Review in the second quarter and J.H. Robinson Publishing Ltd. and Silva Litho Solutions Inc., in the fourth quarter. Robinson publishes The Car Guide, The Boat Guide and Boating Business and Silva is a digital sheet-fed printer. Product expansion and innovation continued with almost 300 new products and shows created during the year. Metroland also acquired the 50% of toronto.com not previously owned by Torstar in 2003, making it a wholly owned operation.

Metroland's revenues were up $22.4 million in 2003 with $16.8 million from higher total advertising revenues. The community newspapers had linage growth of 3.1% and revenue growth of 6.4% in 2003. On a "same newspaper basis" (excluding the impact of the newspapers purchased and sold during 2003), linage was up 6.5% in the year. Real estate linage was very strong during 2003, up 14.8% year over year. Metro, the free daily commuter newspaper, contributed $2.2 million of increased advertising revenues in its second full year of operations despite the entry of a second free commuter paper in Toronto. toronto.com contributed $1.9 million of increased advertising revenues in the year. Metroland's distribution revenues were up $5.8 million in 2003. More than two billion pieces were delivered during 2003, an increase of 8.1% over 2002 volumes. Other revenues were down $0.2 million year over year.

Newsprint costs for Metroland were $2.0 million higher in 2003. About three-quarters of the cost increase was from higher consumption due to higher press runs for several publications and an increased number of special sections in 2003.

Labour costs were up $8.5 million or 8.0% in 2003. The increase reflected both increases in the number of employees and higher wage costs. The addition of new products and the full ownership of toronto.com contributed to the increased staffing levels. Metroland has also been investing in its computer systems and infrastructure in order to support the continued growth of its decentralized operations. This resulted in higher staff counts in Metroland's information technology department in 2003. In addition to general wage increases, commissions were $1.6 million higher in 2003 (reflecting the higher advertising revenues), pension costs were up $0.4 million and the medium-term incentive plan and stock-based compensation costs were $0.6 million.

Other costs were up $5.5 million, or 4.9%, in 2003. This included $2.5 million of higher distribution costs directly related to the higher distribution revenues.

Metroland's EBITDA was up $6.4 million to $74.6 million in 2003. Operating profits were up $6.6 million to $68.5 million.

Toronto Star

The Toronto Star faced a challenging advertising market during 2003. The severe winter weather in early 2003, the war in Iraq, SARS and the August power blackout all had negative impacts on Toronto's economy and advertisers. Despite these challenges, the Toronto Star increased revenues by $8.4 million, including a $5.3 million increase in total print and Internet advertising revenues.

The Toronto Star's advertising linage was down 1.5% year over year. Travel and employment linage for the year were down 14% and 21% respectively as both categories continued to struggle during 2003. Linage for all other categories increased 1.5% year over year. Automotive linage was strong in 2003, up 18% year over year. In September 2003, the Toronto Star introduced "AutoZone", a weekly regionalized advertising product targeted to the retail automotive market place. Revenues from the Toronto Star's Internet operations were up $1.0 million including a $0.7 million or 23% increase in on-line classified advertising revenues for thestar.com.

The Toronto Star's weekday and Saturday circulation volumes were steady throughout 2003 despite the addition of a second free commuter paper in the Toronto market. Sunday circulation volumes increased during the year. Circulation revenues were up $0.9 million or 1.6%. Commercial printing revenues were $2.2 million higher in 2003, reflecting contract renewals during the year as well as the pass-through effect of higher newsprint costs.

Newsprint costs for the Toronto Star were $4.0 million higher in 2003. Consumption was down, due to lower advertising linage, partially offsetting the 7% increase in prices. Labour costs were up $6.2 million for the Toronto Star from a $5.8 million increase in pension costs and $0.4 related to the medium-term incentive plan and stock-based compensation. Other costs were up $1.8 million as cost containment initiatives were more than offset by higher circulation costs (incurred to maintain circulation and readership levels) and increased costs in the Internet operations.

Toronto Star's EBITDA was down $3.6 million to $62.7 million in 2003. Depreciation costs were lower by $1.8 million in 2003. Operating profits were $27.9 million, down $1.8 million from $29.7 million in 2002.

CityMedia Group

2003 was a year of change and accomplishment for the CityMedia Group. The acquisition of the Brabant community newspapers in Hamilton, the Fairway community newspapers in Waterloo, Cambridge, Guelph and New Hamburg, and the Hamilton Web printing operations late in the second quarter broadened the focus beyond daily newspapers and precipitated the name change from the "Regional Dailies" to "CityMedia Group". The Grand River Valley Newspapers (The Record and the Guelph Mercury) benefited in 2003 from structural changes made in 2002.

CityMedia revenues were $142.6 million in 2003, up $15.9 million from $126.7 million in 2002. Revenues were up $1.0 million at The Hamilton Spectator with increases in both advertising and commercial printing revenues. Advertising linage was up 0.6% year over year with strong local linage growth. Circulation revenues and volumes were steady at The Hamilton Spectator during 2003. The Grand River Valley Newspapers had revenue growth of $2.7 million with $2.4 million from higher total advertising revenues including $0.5 million from higher insert revenue. At The Record, advertising revenue and linage were up 4.5% and 0.8% respectively. The Guelph Mercury's commercial printing revenues increased $0.4 million in 2003. The acquired Brabant, Fairway and Hamilton Web properties had revenues of $12.2 million, including $7.1 million of advertising revenue and $3.4 million of commercial printing revenue.

Newsprint costs increased $1.0 million for The Hamilton Spectator and the Grand River Valley Newspapers, primarily from higher newsprint prices. Labour costs at these newspapers were up $1.5 million with about one half of the increase from higher pension costs. The balance of the increase reflected changes in contractual wage increases. Other costs were down $1.3 million at these papers as a result of cost containment efforts.

CityMedia Group's EBITDA was $23.9 million in 2003, up $4.8 million from $19.1 million in 2002. Excluding the impact of the acquisition, EBITDA was up $2.5 million or 12.9% during 2003. Operating profits were up $5.3 million to $18.2 million with $2.3 million from the acquired operations.

MANAGEMENT'S DISCUSSION & ANALYSIS

Other

TMG TV is a direct response television business operating the Shop TV Canada channel. 2003 was a difficult year for Shop TV with world events and the SARS outbreak in Toronto causing many advertisers to reduce their television schedules. TMG TV reduced its cost structure in 2003 in order to offset part of the revenue decline. Operating profits were $1.1 million in 2003, down from $2.0 million in 2002. The restructuring should position TMG TV to increase operating results in 2004 as advertising is expected to return to previous levels.

TTN is a U.S. based operation that delivers full motion, broadcast-quality information and entertainment to passengers on buses, rail and other modes of mass transit on screens mounted in the vehicle. Originally a joint venture between Torstar and ITEC Entertainment Corporation, Torstar acquired 100% of the business in the second quarter of 2003. TTN continued to develop its business during 2003. At December 31, 2003, the system was fully operational in Orlando and Milwaukee and a contract had been awarded for installation in the Chicago suburbs starting in 2004. Torstar's share of operating losses was $4.8 million in 2003, an increase from a loss of $0.8 million in 2002.

Other costs of $0.8 million were incurred in 2003 related to the startup of new ventures across the Newspaper segment.

2004 Outlook

The performance of the Newspaper segment in 2004 depends on the economy in Southern Ontario. Over the past year, the volatility of advertising linage has increased making it very difficult to predict trends. Newsprint and labour costs are both expected to increase in 2004, however the increases are not expected to be as large as they were in 2003. Torstar's newspapers have maintained circulation and readership over the past year and are well positioned to realize on any improvements in the economy in 2004.

TTN will continue to be in a growth phase during 2004 as contracts are acquired and installations completed. Operating losses will increase as the number of new markets grows. The existing markets of Orlando and Milwaukee are expected to approach break-even profit levels in 2004.

BOOK PUBLISHING

The Book Publishing segment includes the results of Harlequin Enterprises Limited, a leading global publisher of women's fiction, offering women a broad range of books, from romance to psychological thrillers to relationship novels, whenever and however they choose to buy. Harlequin publishes women's fiction around the world, selling books through the retail channel and directly to the consumer by mail and the Internet. In 2003, Harlequin sold 144 million books in 27 languages in 95 international markets.

The Book Publishing segment also includes a Creativity division that develops and markets craft kits and operates a children's direct-to-home continuity program. Harlequin has decided to discontinue the craft kit business and to combine the children's direct-to-home continuity program with the women's fiction Direct-To-Consumer operations. The provision relating to this restructuring has been included in unusual items in the consolidated statements of income.

Harlequin sells books under several imprints including Harlequin, Silhouette, MIRA, Red Dress Ink, Steeple Hill and LUNA. Harlequin publishes series romance titles primarily under the Harlequin and Silhouette imprints. Each series typically has a preset number of titles that are published monthly. Harlequin also has a single title women's fiction publishing program. These books are generally longer, more diverse in content and have a longer shelf life. The MIRA imprint is used exclusively for single titles while some single titles are published under the Harlequin and Silhouette imprints. The Red Dress Ink imprint publishes single title books that reflect the lifestyles of today's urban, single women. The Steeple Hill imprint publishes inspirational romance and women's fiction in both series and single titles. LUNA, the newest Harlequin imprint, publishes single title books in the romantic fantasy genre.

Selected details (in thousands of dollars) are set out in the table below:

	2003	2002
Operating revenue	**$584,924**	$618,093
Operating profit	**124,121**	119,168
Depreciation and amortization	**7,780**	7,512
Segment EBITDA	**$131,901**	$126,680
Return on Revenue		
Operating profit	**21.2%**	19.3%
Segment EBITDA	**22.6%**	20.5%
Books sold (thousands)		
North America	76,100	76,600
Overseas	67,800	69,200
	143,900	145,800

Harlequin's reported operating revenues were down $33.2 million in 2003. Changes in foreign exchange rates caused a $38.1 million decline offsetting local currency operating growth of $4.9 million. Reported operating profits grew to

$124.1 million in 2003, up $4.9 million from $119.2 million in 2002. Local currency operating profit growth was $2.7 million and foreign exchange contributed $2.2 million due to U.S. dollar hedging transactions as noted below.

Torstar has hedged the majority of its foreign currency operating exposure through foreign currency contracts. The gains or losses realized on these contracts during the year were included in operating profits. The U.S. dollar contracts realized a year-over-year gain of $14.9 million in 2003. Other currency contracts, primarily Euros, realized a year-over-year gain of $0.5 million in 2003. The $15.4 million year over year gain from foreign exchange contracts offset a $13.2 million decline in reported operating profits from changes in foreign exchange rates. Excluding the impact of the foreign exchange contracts on operating profit and segment EBITDA, the return on revenue would be:

	2003	2002
Return on Revenue		
Operating profit	**18.7%**	19.4%
Segment EBITDA	**20.0%**	20.6%

Included in the 2003 results were $6.3 million of revenues and $2.7 million of operating losses related to the craft kit business.

Harlequin's women's fiction publishing operations are comprised of three divisions: North America Retail, North America Direct-To-Consumer and Overseas.

North America Retail

North America Retail revenues were up $14.7 million in 2003 before the impact of foreign exchange. Reported revenues were down $5.8 million. In retail, both the number of books that are distributed and the number sold are important factors for profitability. In 2003, 4% more books were distributed by Harlequin's North America Retail division and 5% more were sold. Single title sales increased year over year offsetting modest declines in the series business. North America Retail's overall increase in the number of books sold was significant, given the difficulties faced by the North American retail book market in 2003.

North America Retail operating profits were up $1.4 million before the impact of foreign exchange. The increase reflects the higher sales volume and mid-year cover price increases, net of higher promotional spending and other cost increases.

North America Direct-to-Consumer

North America Direct-To-Consumer revenues were down $8.6 million before the impact of foreign exchange. Reported revenues were down $25.9 million. This division reports all North American book sales that are made directly to the consumer either through direct marketing or the Internet. The number of books sold by this division depends on Harlequin's ability to keep existing customers and continually find new ones. Volumes continue to decline as a result of competitive pressures from alternate channels and a challenging direct marketing environment. The industry continues to suffer from a lack of available mailing lists that reduces the number of potential new customers acquired each year. The Direct-To-Consumer division continues to focus on acquiring new customers and retaining its existing customers through promotions of new products and loyalty programs.

North America Direct-To-Consumer operating profits were down $0.8 million before the impact of foreign exchange. Higher prices and lower overhead costs partially offset the impact of a 10% decrease in the number of books sold.

Overseas

Overseas revenues were up $2.1 million in 2003 before the impact of foreign exchange. Reported revenues were up $6.0 million. The Overseas division has both retail and direct-to-consumer sales. Overseas operating profits were down $0.4 million before the impact of foreign exchange.

U.K. operating profits were down $0.7 million in the year. Books sold by the U.K. operation in 2003 were slightly lower than in 2002 as increases in the retail channel were offset by lower sales in the direct-to-consumer and export channels. Japan's operating profits were down $0.8 million in 2003. Japanese retail series volumes and contribution declined during the year, offset partially by increases in the retail single title program. Japan and the U.K. are Harlequin's two largest overseas markets. Performance was disappointing in 2003 and new management teams have been put in place in both markets.

Spain and Latin America's operating profits were down by $0.8 million primarily from the Mexican market where a net unit decline was coupled with unfavourable exchange rates. Germany's operating results were up $1.0 million, partially due to positive results from its single title program which was launched in July 2002 and to non-recurring reorganization costs incurred in 2002. The other overseas publishing operations were up $0.4 million in 2003 and overseas corporate costs were down $0.5 million.

Creativity

Creativity revenues were down $3.3 million in 2003 before the impact of foreign exchange. Reported revenues were down $7.5 million. Revenue was $3.6 million lower due to an adult craft continuity program from 2002 that was not continued in 2003. Creativity operating losses were $2.5 million lower in 2003 due to reduced losses from the craft kit business and non-recurring losses in 2002 from the adult craft continuity program.

2004 Outlook

Harlequin's focus in 2004 will be on continuing to expand its share of the women's fiction market.

North America Retail will focus on creating growth in the series business and continuing the growth momentum in the single title business through revitalization of series product and continued emphasis on new product innovation. In addition to LUNA, which launched in January 2004, North America Retail will launch a new single title romance imprint, "HQN Books", and a new series, "Silhouette Bombshell". North America Retail 2004 results will depend on how well the retail book market recovers. North America Direct-To-Consumer will focus on stabilizing the number of books sold in 2004. New marketing promotions, tested in 2003, have been implemented and should help to increase new direct customer acquisition. The Direct-To-Consumer division has made changes to its promotional mailings and book return processing that will reduce costs in 2004. No U.S. postal price increases are anticipated in 2004. North American paper costs are expected to increase an average of 5% in 2004. This would negatively impact Harlequin's earnings by $0.8 million.

The Overseas division plans to revitalize the series business in 2004 through a relaunch in most major markets and to continue to aggressively grow the single title business including launching new single title programs in France and Holland. The Overseas division is also exploring the opportunity of publishing directly in Brazil rather than through a licensee as has been done in the past. Challenges include a change of distributor by the U.K. and the increased competitiveness for shelf space in most of the overseas markets.

ASSOCIATED BUSINESS

Torstar has a 19.35% equity investment in Black Press Ltd. that was acquired on October 1, 2002. Black Press Ltd. is a privately held company that publishes 95 newspapers (both dailies and weeklies) and has 13 printing plants in Western Canada, Washington State and Hawaii. This investment is accounted for using the equity method. Torstar may make additional investments in Black Press under certain circumstances.

Torstar's share of Black Press' net income was $0.1 million in 2003 and $0.5 million in 2002.

FOURTH QUARTER – 2003

OVERALL PERFORMANCE

Total revenues were down $17.5 million in the fourth quarter. Revenues were up $9.5 million in the Newspaper segment in the fourth quarter of 2004 with strong performance at Metroland. CityMedia's Brabant, Fairway and Hamilton Web operations provided $5.6 million of the growth in the quarter. Book Publishing revenues were down $27.0 million in the fourth quarter with foreign exchange, mainly the lower U.S. dollar, causing $18.2 million of the decline.

Operating profit was up $0.5 million in the fourth quarter year over year. Newspaper segment operating profits were up $2.2 million primarily from higher operating profits at Metroland. Book Publishing operating profits were down $1.9 million primarily as a result of lower volumes. Corporate expenses were down $0.2 million in the fourth quarter.

Interest expense was $3.5 million in the fourth quarter, up $1.0 million from the fourth quarter of 2002. This reflected higher interest rates in the fourth quarter of 2003. Overall net debt levels were down in the fourth quarter compared with 2002.

The fourth quarter loss of $7.8 million from unusual items included $4.6 million for restructuring in the Newspaper segment and $4.4 million for the closure of Harlequin's craft kit business. Offsetting the losses was a $1.2 million gain that arose from the finalization of the gain realized on the sale of newspapers to Osprey Media Group Inc. in the second quarter and additional proceeds from the first quarter sale of an investment in Miles Kimball Company.

Torstar's effective tax rate was 47.0% in the fourth quarter up from 36.5% in the fourth quarter of 2002. The cancellation of previously provided Ontario corporate tax rate reductions increased Torstar's tax expense by $4.7 million as future tax liabilities were adjusted. Excluding that adjustment, Torstar's effective tax rate would have been 38.7% in the fourth quarter. This higher fourth quarter rate in 2003 resulted from the mix of income in the fourth quarter.

Torstar had income of $0.4 million in the fourth quarter from its equity investment in Black Press compared with $0.5 million in 2002.

Net income per share was $0.39 in the fourth quarter compared with $0.54 in the fourth quarter of 2002. The $0.15 decrease in earnings includes the impact of the non-cash foreign exchange adjustment, the unusual items and the Ontario tax rate changes. In addition, the average number of shares outstanding was 1.3 million higher than in the fourth quarter of 2002. The following chart isolates the after-tax impact of these items on earnings per share:

Net income per share 2002	$0.54
Foreign exchange	0.01
Unusual items	(0.07)
Tax rate	(0.06)
Earnings decrease	(0.02)
Dilution effect	(0.01)
Net income per share 2003	**$0.39**

NEWSPAPERS

Newspaper revenues were $250.8 million in the fourth quarter, up $9.5 million, or 4.0%, from $241.3 million in 2002. The growth was from Metroland and the acquisition of the Brabant, Fairway and Hamilton Web operations. The daily newspapers experienced a soft fourth quarter with advertising linage down year over year. In the fourth quarter, Torstar acquired J.H. Robinson Publishing Ltd. and Silva Litho Solutions Inc. Robinson, the publisher of The Car Guide, The Boat Guide and Boating Business, and Silva, a digital sheet-fed printer, will be managed by and reported with Metroland.

Metroland's advertising revenue was up $3.2 million despite the community newspapers' linage being flat in the quarter. On a same newspaper basis, Metroland's community newspapers' linage was up 3.9% in the fourth quarter. Distributions were up 7.5% in the quarter with a $1.6 million increase in revenue. The Brabant, Fairway and Hamilton Web properties that were acquired in the second quarter had revenues of $5.6 million in the fourth quarter. Advertising linage was down 0.8% at the Toronto Star, as the strengthening demand in the third quarter did not continue through the fourth. This decrease, combined with a lower average advertising line rate, reduced advertising revenues 1.9% in the quarter. Linage was down 4.5% at The Hamilton Spectator, with automotive advertising down 31%. Advertising revenues were up marginally year over year at The Hamilton Spectator as the linage decrease was offset by a 3.6% increase in average line rates and higher insert revenues.

Newsprint costs were flat in the quarter with reduced consumption offset by higher prices. Labour costs were up $6.5 million in the fourth quarter reflecting the increased number of employees from acquisitions and internal growth, increased pension and long-term incentive costs. Other costs were up $1.6 million in the quarter, including $0.8 million of higher startup costs for TTN and $0.3 million of development costs on projects applicable to the newspaper segment.

The newspaper segment's EBITDA was $54.3 million in the fourth quarter of 2003, up $1.4 million from $52.9 million in 2002. Metroland's EBITDA was $21.3 million, up $2.6 million from $18.7 million in 2002. The Toronto Star's EBITDA was $25.2 million, down $0.5 million from $25.7 million in 2002. CityMedia Group's EBITDA was $9.3 million, up $0.9 million from $8.4 million in 2002. This fourth quarter growth was provided by the Brabant Fairway and Hamilton Web operations. Other newspaper operations had an EBITDA loss of $1.5 million in the fourth quarter compared with EBITDA of $0.1 million in 2002.

Operating profit was $42.2 million for the newspaper segment in the fourth quarter, up $2.2 million from $40.0 million in 2002.

BOOK PUBLISHING

Reported operating revenues were $137.0 million in the fourth quarter, down $27.0 million from $164.0 million in 2002. Changes in foreign exchange rates, mainly the U.S. dollar, caused $18.2 million of the reported decline. Reported operating profits were down $1.9 million in the fourth quarter with $0.3 million of the decline from changes in foreign exchange rates.

North America Retail revenues prior to the impact of foreign exchange were down $3.8 million due to differences in the publishing schedule year over year and a lower net sale rate. Operating profits were down $4.9 million as lower revenues combined with higher promotional spending in the fourth quarter.

North America Direct-To-Consumer revenues prior to the impact of foreign exchange were down $3.0 million due to lower volumes. Operating profits were flat year over year in the fourth quarter as revenue declines associated with the lower volumes were offset by reduced overheads and other cost savings.

Overseas revenues prior to the impact of foreign exchange were down $1.2 million with declines in Japan, Australia and Scandinavia offsetting small increases in the other markets. Overseas operating profits were up $1.4 million in the fourth quarter. Overseas corporate costs were lower by $1.1 million year over year due primarily to non-recurring professional fees incurred in the fourth quarter of 2002. The Overseas publishing operations had mixed results in the fourth quarter and were up $0.3 million overall.

Creativity revenues prior to the impact of foreign exchange were down $0.8 million in the fourth quarter. Creativity operating losses were $1.9 million lower in the fourth quarter due to lower losses from the craft kit business and non-recurring losses in the fourth quarter of 2002 from the adult craft continuity program.

FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE

Harlequin's international operations provide Torstar with approximately 40% of its operating revenues. As a result, fluctuations in exchange rates can have a significant impact in Torstar's reported profitability year over year.

In order to offset the exchange risk on its balance sheet from U.S. dollar denominated assets, Torstar maintains a certain level of U.S. dollar denominated debt. These 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 foreign exchange gain or loss is recognized in earnings.

To manage the exchange risk in its operating results, Torstar has entered into forward foreign exchange and currency options contracts. Torstar's most significant exposure is to the movements in the U.S.$/Cdn.$ exchange rate, but it also manages its exchange risk on movements in the Euro, Pound Sterling and Yen relative to the Canadian dollar. Torstar does not recognize any gain or loss on foreign currency contracts until the contract matures. The gain or loss realized on the contracts is reported in the Book Publishing operating profit. During 2003, gains of $13.7 million and $0.6 million were realized and reported on the U.S. dollar and Euro contracts respectively. In 2002, there was a loss of $1.2 million realized on the U.S. dollar contracts and a gain of $0.2 million realized on the Euro contracts.

At December 31, 2003, Torstar had entered into forward foreign exchange and currency option contracts to establish the following exchange rates or ranges:

Year	Currency	Amount	Exchange Rate or Range
2004	U.S. dollars	75,000,000	$1.58 – 1.64
2005	U.S. dollars	76,000,000	$1.59 – 1.64
2004	Euros	6,000,000	$1.65
2005	Euros	6,000,000	$1.67
2006	Euros	4,000,000	$1.68

These rates are favourable compared to the average exchange rate of $1.57 applicable to 2003 U.S. dollar earnings and $1.63 applicable to 2003 Euro earnings. If the outstanding foreign currency contracts were marked-to-market at December 31, 2003, there would be an unrealized gain of $41.1 million on the above U.S. dollar contracts. The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings.

As discussed under "Changes in Accounting Policies", new Canadian accounting guidelines will not permit the Euro contracts to be accounted for as a hedge against operating results from the self-sustaining European subsidiaries. As a result, starting in 2004, Torstar will be required to mark to market the Euro contracts each quarter. Early in 2004, Torstar determined that it would close out 6.0 million of its 2005 and 2006 Euro contracts evenly throughout 2004. Therefore, the effective exchange rate on 12 million Euros in 2004 is estimated to be $1.65.

In February 2004, Torstar entered into forward foreign exchange contracts which will establish the following exchange rates:

Year	Currency	Amount	Exchange Rate
2004	U.K. Pound Sterling	5,000,000	$2.47
2004	Yen	785,000,000	$0.013

As these contracts relate to earnings in self-sustaining subsidiaries, these contracts will be marked to market each quarter until they mature and are settled.

Further details are contained in Note 13 of the consolidated financial statements.

INTEREST RATES

In order to manage its interest rate risk on its long-term debt, Torstar has entered into interest rate swaps and collars. In 2003, these instruments established an interest rate in the range of 1.1% to 1.8% on $75 million of U.S. dollar denominated debt and 3.2% to 3.5% on $250 million of Canadian dollar denominated debt.

In the second quarter of 2003, Torstar entered into a U.S. interest rate swap arrangement that fixed the interest rate on U.S. $80 million of borrowings at approximately 3.5% for four years beginning December 2003.

In the third quarter of 2003, Torstar entered into an interest rate collar agreement that established a Canadian dollar weighted average interest range for 2004 of 2.7% to 3.4%. The collar is for $250 million of Canadian dollar denominated debt in the first quarter of 2004 and is reduced by $30 million each quarter for the remainder of 2004.

Torstar's exposure to credit related losses in the event of non-performance by counterparties to the interest rate swap and collar arrangements is mitigated by accepting only major financial institutions with high credit ratings as counterparties.

Further details are contained in Note 6 of the consolidated financial statements.

PENSION OBLIGATIONS

Torstar maintains a number of defined benefit plans which provide pension benefits to its employees in Canada and the U.S. Torstar also maintains defined contribution plans in the U.S. and in certain of Harlequin's overseas operations.

During the fourth quarter of 2003, Torstar made an incremental payment of $23 million into its employee defined benefit pension plans bringing total company contributions for 2003 to $33 million. This incremental payment was made recognizing the need to reduce the deficit funded status of the defined pension plans after the reduced investment market returns over the past few years.

The accounting for defined benefit plans requires the use of actuarial estimates for pension expense and pension plan obligations. In making the estimates, certain assumptions must be used. The significant assumptions used by Torstar in 2003 and 2002 were:

	2003	2002
Pension obligation discount rate	**6%**	6.5%
Expected long-term rate of return on plan assets	**7%**	7%
Rate of compensation increase	**4%**	4%
Average remaining service period of active employees (years)	**13 to 18**	13 to 18

The discount rate of 6% is the yield at December 31, 2003 on high quality fixed income investments with maturities that match the expected maturity of the pension obligations (as prescribed by the Canadian Institute of Chartered Accountants ("CICA")). A one percent increase in the discount rate would result in a decrease in the total pension plan obligation of $69.0 million and a decrease in the current year expense of $6.8 million. A one percent decrease in the discount rate would increase the total pension plan obligation by $79.6 million and increase current year expense by $7.3 million.

Although market returns have been low or negative over the past few years, the return for 2003 exceeded 7% and the expected long-term rate of return on plan assets of 7% is still considered a reasonable estimate. A one percent decrease in the expected return on plan assets would increase the current year expense by $4.2 million.

A one percent increase in the expected rate of compensation increase would increase the total pension plan obligation by $13.4 million and increase the current year expense by $2.6 million.

Torstar's pension plans are in a net unfunded position of $51.6 million at December 31, 2003 down from $68.0 million at the end of 2002. This balance includes $23.6 million ($21.8 million in 2002) for an executive retirement plan, which is not funded until payments are made to the executives, but is supported by a letter of credit. Excluding the executive retirement plan, the net unfunded position decreased from $46.2 million in 2002 to $28.0 million in 2003. Torstar will continue to monitor the net unfunded position of its pension plans and will review whether to make another incremental payment during 2004.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents net of bank overdraft increased by $12.9 million in 2003 compared to a decrease of $25.3 million in 2002. Operating activities provided $163.0 million of cash during the year while $95.5 million was used for investing activities and $53.1 million was used for financing activities.

OPERATING ACTIVITIES

Cash provided by operating activities was $163.0 million in 2003, down $4.7 million from $167.7 million in 2002.

Torstar made an incremental contribution of $23.0 million to the pension plans in the fourth quarter of 2003. Taxes related to this incremental contribution and the fourth quarter Ontario tax rate change provide slightly more than half of the $23.1 million non-cash adjustment for future income taxes.

The other non-cash adjustments of $7.4 million included adjusting the pension expense to the required cash contributed, the non-cash foreign exchange loss, stock-based compensation expense and the write-down of investments, offset by the gains realized on the sale of community newspapers and an investment in Miles Kimball Company. $5.0 million of the other non-cash adjustments arose in the fourth quarter, primarily from the adjustment to pension expense.

Working capital requirements increased $23.7 million in 2003, compared with an increase of $35.1 million in 2002. Receivables were higher, before the impact of foreign exchange, due to higher revenues. Payables were lower in 2003 due to the timing of payments. Revenue growth was stronger in the fourth quarter of 2002, which contributed to the larger increase in working capital in 2002.

INVESTING ACTIVITIES

During 2003, $95.5 million of cash was used in investing activities, up $37.2 million from $58.3 million in 2002.

$51.5 million was used for acquisitions, primarily of community newspapers and printing operations. In the second quarter, $40.6 million was used to purchase the Brabant and Fairway weekly newspaper groups, the Orangeville Banner, the Flamborough Review and the Hamilton Web printing operations. In the fourth quarter $8.9 million was used to purchase J.H. Robinson Publishing Ltd. and Silva Litho Solutions Inc. In 2002, $4.9 million was used primarily for the acquisition of 51% of TTN and $20.7 million was used to make the investment in Black Press Ltd.

Additions to property, plant and equipment were $59.0 million in 2003 compared with $35.2 million in 2002. $28.5 million of this total related to the new printing press for Metroland and a colour expansion for The Hamilton Spectator's press. In 2002, $2.5 million was spent on the new printing press for Metroland.

Cash of $15.9 million was received on the sale of community newspapers and the sale of an investment in Miles Kimball Company.

FINANCING ACTIVITIES

Cash of $53.1 million was used in financing activities, down $84.0 million from $137.1 million in 2002.

In 2003, net debt of $36.0 million was repaid, down from $115.2 million that was repaid in 2002. Less debt was repaid in 2003 as more cash was spent on acquisitions and the 2002 debt repayment included cash that had been received late in 2001 from the sale of discontinued operations.

The higher annual dividend rate of $0.64 per share and the increased number of shares outstanding increased the cash dividend to $47.5 million compared with $43.1 million in 2002.

Cash of $26.7 million was received in 2003 from the exercise of stock options, up from $17.8 million in 2002. Cash of $3.8 million was received in 2003 from the purchase of shares under the employee share purchase plan.

2004 CAPITAL EXPENDITURES

Capital expenditures in 2004 are expected to be approximately $60 million, consistent with 2003. In 2004 capital expenditures for TTN are expected to reach $13 million for installations in up to three new cities. $10.0 million will be spent on presses including the final $6.1 million for Metroland's new press and $3.0 million for the colour upgrade at The Hamilton Spectator. Other projects include leasehold improvements for several newspapers that will be relocating facilities during 2004, production equipment renewals and computer systems.

LONG-TERM DEBT

At December 31, 2003, Torstar had long-term debt of $387.8 million outstanding. The debt consisted of U.S. dollar commercial paper of $137.4 million, Canadian dollar commercial paper of $55.4 million and Canadian dollar medium term notes of $195.0 million.

Torstar has a long-term credit facility for $200 million that will expire on January 31, 2007 and a 364-day revolving facility for $250 million that will expire on January 27, 2005. The 364-day revolving loan can be extended for up to two additional 364-day terms with the lenders' consent or can be converted to a 364-day term loan at the company's option. At December 31, 2003, there were no funds drawn under either of these facilities. These facilities are designated as standby lines in support of the commercial paper program and letters of credit. At December 31, 2003 there was a $31.5 million letter of credit outstanding related to the executive retirement plan.

The commercial paper notes are generally issued for a term of less than one year in order to provide for flexibility in borrowing. However, the commercial paper program has been and is intended to continue to be an ongoing source of financing for Torstar. Recognizing this and the long-term nature of the supporting $450 million credit facilities, outstanding commercial paper is classified as long-term debt on Torstar's balance sheet.

Torstar has two $75 million medium term notes outstanding that will mature during 2004. The third medium term note for $45 million will mature on September 19, 2005. It is Torstar's intention to refinance the $150 million of medium term notes that mature in 2004 either through the issuance of new medium term notes or under the commercial paper program. As there is sufficient credit available under the $450 million designated standby facilities to support the outstanding $31.5 million letter of credit, the $192.8 million of outstanding commercial paper and the refinancing of the $150 million of medium term notes that will mature in 2004, the medium term notes are classified as long-term debt at December 31, 2003.

Torstar has a policy of maintaining a sufficient level of U.S. dollar denominated debt in order to provide a hedge against its U.S. dollar assets. It is expected that the level of U.S. dollar debt will remain relatively constant during 2004.

CONTRACTUAL OBLIGATIONS

Torstar has the following significant contractual obligations:

Nature of obligation	Total	2004	2005 -2006	2007 -2008	2009 +
Office leases	$170,771	$11,619	$23,633	$23,366	$112,153
Capital purchases	13,246	10,794	2,024	428	
Long-term debt	387,800			387,800	
Total	$571,817	$22,413	$25,657	$411,594	$112,153

Office leases include the offices at One Yonge Street, in Toronto for Torstar and the Toronto Star. These are long-term leases that extend until August 2020.

The capital purchases include presses at Metroland and Hamilton as discussed under 2004 capital obligations above, as well as operating software commitments at the Toronto Star.

The long-term debt is shown as payable in 2007 as the long-term credit facilities will expire in January 2007. Torstar expects to be able to renew its credit facilities at that time.

CONCLUSION

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Torstar prepares its consolidated financial statements in Canadian dollars and in accordance with Canadian GAAP. A summary of Torstar's significant accounting policies is presented in Note 1 of the consolidated financial statements. Some of Torstar's accounting policies require subjective, complex judgments and estimates as they relate to matters that are inherently uncertain. Changes in these judgments or estimates could have a significant impact on Torstar's financial statements. Critical accounting estimates that require management's judgments include the provision for book returns, valuation of goodwill and accounting for income taxes.

PROVISION FOR BOOK RETURNS

Revenue from the sale of books, net of provisions for estimated returns and direct-to-consumer bad debts, is recognized when they are shipped and title has transferred.

The provision for estimated returns is significant for retail sales where books are sold with a right of return. As books are shipped, a provision is recorded for returns. This provision is estimated by management, based primarily on historic sales performance of that type of book and the author. Books are returned over time and are adjusted against the returns provision. On a quarterly basis the actual return experience is used to assess the adequacy of the provision.

Series books are on sale for approximately one month and returns are normally received within one year, with more than 95% received within the first six months. Harlequin has been publishing series books for more than 20 years and has significant experience in projecting returns for this business. Single title books are on sale for several months and, as a result, experience a longer return period. The single title publishing program has grown over the past ten years. Harlequin's experience with the returns patterns and methodology used by management to project returns for single title books has also evolved over that time period. For these books, there is more variation in net sale rates between titles, even for the same author. As a result, the estimate for returns on these titles has more variability than that for the series titles.

At December 31, 2003, the returns provision deducted from accounts receivable on the consolidated balance sheets was $101 million. A one percent change in the average net sale rate used in calculating the global retail returns provision on sales from July to December 2003 would result in a $4 million change in reported 2003 revenue.

VALUATION OF GOODWILL

Under Canadian GAAP, goodwill is not amortized but is assessed for impairment at the reporting unit level at least on an annual basis. Goodwill is assessed for impairment using a two-step approach. The first step is to assess whether the fair value of the reporting unit to which the goodwill is associated is less than its carrying value. If the fair value of the reporting unit is less than the carrying value, the second step is required. The second step is a comparison of the fair value of goodwill to its carrying amount. If the fair value of goodwill is less than its carrying value, goodwill is considered impaired and a charge for impairment must be recognized immediately.

Reporting units are identified based on the nature of the business and the level of integration between operations. Torstar uses a market approach to determine the fair value of its reporting units. This approach uses several factors including normalized or projected earnings and price earnings multiples. Comparable transactions are reviewed for appropriate price earnings multiples. The fair value of an asset is defined as the amount at which it could be bought or sold in a current transaction between willing parties.

Torstar has completed its annual impairment test and no adjustment for impairment was required.

ACCOUNTING FOR INCOME TAXES

Future income taxes are recorded to account for the effects of future taxes on transactions occurring in the current period. Management uses judgment and estimates in determining the appropriate rates and amounts to record for future taxes, giving consideration to timing and probability. Previously recorded tax assets and liabilities are adjusted if the expected tax rate is revised based on current information.

The recording of future tax assets also requires an assessment of recoverability. A valuation allowance is recorded when Torstar believes, based on all available evidence, that it is not more likely than not that all of the future tax assets recognized will be realized prior to their expiration. This assessment includes a projection of future year earnings based on historical results and known changes in operations.

More information on Torstar's income taxes is provided in Note 10 of the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

STOCK-BASED COMPENSATION

As of January 1, 2002, Torstar adopted the new accounting standard on stock-based compensation. Under this standard, Torstar provided note disclosure of the compensation expense related to stock options granted to senior executives after January 1, 2002 and the 2002 employee share purchase plan.

In order to be able to adopt the fair value method of accounting for stock-based compensation on a prospective basis under the revised accounting standard that was issued in late 2003, Torstar has adopted the fair value method effective January 1, 2003. This method was applied to stock options granted after January 1, 2003 and for the annual employee share purchase plan that commenced in 2003.

HEDGING RELATIONSHIPS

Torstar will adopt Accounting Guideline 13 "Hedging Relationships" effective January 1, 2004. This new guideline establishes conditions for applying or discontinuing hedge accounting as well as addressing new documentation requirements and effectiveness testing requirements.

Torstar has the following derivatives in place at December 31, 2003:

1. Interest rate swaps and contracts to hedge interest rate movements on portions of its U.S. and Canadian dollar denominated debt.
2. Foreign currency contracts to hedge the purchase price on purchases of capital assets in U.S. dollars and Euros.
3. Foreign currency contracts and options to hedge U.S. dollar operating earnings from integrated U.S. dollar operations.
4. Foreign currency contracts to hedge Euro operating earnings from self-sustaining Euro operations.

Torstar has determined that the first two categories of derivatives will continue to qualify as hedges under the new guideline. The third category, the U.S. dollar hedges, will also qualify as hedges under the new guideline. Starting in 2004, they will be designated as hedges on U.S. dollar revenues and as a result, the gains or losses on the derivatives will be recorded against U.S. dollar revenues rather than against operating profits.

The new guideline does not permit hedge accounting for an economic hedge on a foreign self-sustaining operation. As a result, Torstar will begin to mark to market the Euro contracts each quarter until they mature and are settled. The realized and unrealized gain or loss on these derivatives each quarter will be reported as part of the Book Publishing segment's operating results.

Torstar has determined that the adoption of AcG13 will not have a material impact on its financial position or results from operations.

ANNUAL INFORMATION – 3 YEAR SUMMARY

(In thousands of dollars except for per share amounts)

	2003	2002	2001
Revenue	**$1,488,309**	$1,475,049	$1,422,663
Net income from continuing operations	**$123,515**	$125,325	$2,980
Per share (basic)	**$1.59**	$1.64	$0.04
Per share (diluted)	**$1.57**	$1.62	$0.04
Net income (loss)	**$123,515**	$125,325	($87,020)
Per share (basic)	**$1.59**	$1.64	($1.16)
Per share (diluted)	**$1.57**	$1.62	($1.15)
Total assets	**$1,511,767**	$1,480,721	$1,490,154
Total long-term debt	**387,800**	448,390	564,729
Cash dividends per share	**$0.64**	$0.58	$0.58

Net income from continuing operations in 2001 of $3.0 million included several significant items that result in a much lower net income from continuing operations than in 2002 and 2003.

- $18.0 million of goodwill amortization. 2001 was the last year that goodwill was amortized under Canadian GAAP.
- An $8.0 million loss from associated businesses relating to an equity investment in ITI Education Corporation, a postgraduate information technology-related school that declared bankruptcy in 2001.
- A loss of $29.3 million related to the write-off of Torstar's investment in ITI Education Corporation.
- $24.6 million of strike costs arising in the Newspaper segment.
- $13.0 million of restructuring costs.

The net loss in 2001 of $87.0 million resulted from a $90.0 million provision for discontinued operations. This was a final provision related to the sale of the Children's Supplementary Education Publishing segment, which had begun in late 2000.

Long-term debt has declined over the past three years as cash generated from operations has been used to pay down debt.

Torstar increased its annual dividend to $0.64 per share effective with the first quarter of 2003.

SUMMARY OF QUARTERLY RESULTS

(In thousands of dollars except for per share amounts)

2003 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31
Revenue	$353,173	$379,256	$368,040	$387,840
Net income	$25,115	$38,330	$29,715	$30,355
Net income per Class A voting and Class B non-voting share				
Basic	$0.33	$0.50	$0.38	$0.39
Diluted	$0.32	$0.49	$0.38	$0.38

2002 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31
Revenue	$338,246	$368,932	$362,609	$405,262
Net income	$23,330	$35,094	$25,292	$41,609
Net income per Class A voting and Class B non-voting share				
Basic	$0.31	$0.46	$0.33	$0.54
Diluted	$0.31	$0.45	$0.33	$0.53

The summary of quarterly results illustrates the cyclical nature of revenues and operating profit in the Newspaper segment. The fourth quarter is generally the strongest for the daily newspapers. The weekly and community newspapers tend to have a more even performance during the year. Revenues were lower in the fourth quarter of 2003 as the daily newspapers had a soft quarter and foreign exchange and lower volumes impacted Book Publishing. Net income in the fourth quarter of 2003 was lower than the trend would suggest due to a pre-tax unusual loss of $7.8 million and a $4.7 million adjustment to tax liabilities that resulted from a change in provincial tax rates. Torstar had 78.6 million shares outstanding at December 31, 2003 and 76.8 million at December 31, 2002.

OTHER

At January 31, 2004, Torstar had 9,920,575 Class A voting shares and 69,047,173 Class B non-voting shares outstanding. More information on Torstar share capital is provided in Note 8 of the consolidated financial statements.

At January 31, 2004, Torstar had 5,698,925 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 consolidated financial statements.

Additional information relating to Torstar including the Annual Information Form is available on SEDAR at www.sedar.com.

Dated: March 1, 2004.

CONSOLIDATED FINANCIAL STATEMENTS

Management's Report on Responsibility for Financial Reporting

Management is responsible for preparation of the consolidated financial statements, notes hereto, and other financial information contained in this annual report. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles using the best estimates and judgments of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the financial statements.

Management is also responsible for maintaining a system of internal control designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities by the Audit Committee of the Board. The Committee meets quarterly with management and the internal and external auditors, and separately with the internal and external auditors, to satisfy itself that management's responsibilities are properly discharged, and to discuss accounting and auditing matters. The Committee reviews the consolidated financial statements and recommends approval of the consolidated financial statements to the Board.

The internal and external auditors have full and unrestricted access to the Audit Committee to discuss their audits and their related findings as to the integrity of the financial reporting process.

J. Robert S. Prichard
President and Chief Executive Officer
February 23, 2004

Robert J. Steacy
Executive Vice-President
and Chief Financial Officer

Auditors' Report to the Shareholders of Torstar Corporation

We have audited the consolidated balance sheets of Torstar Corporation as at December 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario,
February 23, 2004

Ernst & Young LLP
Chartered Accountants

TORSTAR CORPORATION

(INCORPORATED UNDER THE LAWS OF ONTARIO)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(thousands of dollars)	2003	2002
Assets		
Current:		
Cash and cash equivalents	$53,660	$39,966
Receivables (note 2)	245,697	251,374
Inventories	38,041	43,607
Prepaid expenses	73,971	77,537
Prepaid and recoverable income taxes	837	5,474
Future income tax assets (note 10)	23,597	26,210
Total current assets	435,803	444,168
Property, plant and equipment (net) (note 3)	401,172	391,521
Investment in associated business (note 4)	21,074	21,233
Goodwill (net)	488,258	446,903
Other assets (note 5)	100,930	91,118
Future income tax assets (note 10)	64,530	85,778
Total assets	$1,511,767	$1,480,721
Liabilities and Shareholders' Equity		
Current:		
Bank overdraft	$3,243	$2,432
Accounts payable and accrued liabilities	204,779	224,046
Income taxes payable	19,032	30,081
Total current liabilities	227,054	256,559
Long-term debt (note 6)	387,800	448,390
Other liabilities (note 7)	87,174	81,277
Future income tax liabilities (note 10)	64,684	50,989
Shareholders' equity:		
Share capital (note 8)	349,921	317,690
Contributed surplus (note 9(d))	878	
Retained earnings	395,758	321,992
Foreign currency translation adjustment	(1,502)	3,824
	745,055	643,506
Total liabilities and shareholders' equity	$1,511,767	$1,480,721

Commitments and contingencies (note 16)

(See accompanying notes)

On Behalf of the Board

John R. Evans
Director

J. Spencer Lanthier
Director

TORSTAR CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2003 AND 2002

(thousands of dollars)	2003	2002
Operating revenue		
Newspapers	$903,385	$856,956
Book publishing	584,924	618,093
	$1,488,309	$1,475,049
Operating profit		
Newspapers	$110,116	$105,495
Book publishing	124,121	119,168
Corporate	(14,166)	(12,764)
	220,071	211,899
Interest (note 6(g))	(12,806)	(12,751)
Foreign exchange	(4,011)	973
Unusual items (note 14)	(673)	(3,300)
Income before taxes	202,581	196,821
Income and other taxes (note 10)	(79,200)	(72,000)
Income before income of associated business	123,381	124,821
Income of associated business (note 4)	134	504
Net income	$123,515	$125,325
Earnings per Class A and Class B share (note 8(c))		
Net income – Basic	$1.59	$1.64
Net income – Diluted	$1.57	$1.62

(See accompanying notes)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(thousands of dollars)	2003	2002
Retained earnings, beginning of year	$321,992	$240,975
Net income	125,515	125,325
Dividends	(49,749)	(44,308)
Retained earnings, end of year	$395,758	$321,992

(See accompanying notes)

TORSTAR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

(thousands of dollars)	2003	2002
Cash was provided by (used in)		
Operating activities	$162,976	$167,732
Investing activities	(95,519)	(58,252)
Financing activities	(53,101)	(137,131)
Increase (decrease) in cash	14,356	(27,651)
Effect of exchange rate changes	(1,473)	2,331
Cash, beginning of year	37,534	62,854
Cash, end of year	$50,417	$37,534
Operating activities:		
Net income	$123,515	$125,325
Depreciation	53,374	55,276
Amortization	2,430	2,170
Future income taxes	23,076	14,183
Income of associated businesses	(134)	(504)
Incremental pension contribution (note 12)	(23,000)	
Other (note 15)	7,381	6,395
	186,642	202,845
Increase in non-cash working capital	(23,666)	(35,113)
Cash provided by operating activities	$162,976	$167,732
Investing activities:		
Acquisitions (note 11)	($51,493)	($4,852)
Additions to property, plant and equipment	(59,020)	(35,167)
Proceeds on sale of businesses (note 14)	15,881	
Investment in associated business (note 4)		(20,729)
Other	(887)	2,496
Cash used in investing activities	($95,519)	($58,252)
Financing activities:		
Repayment of medium-term notes	($102,384)	($53,716)
Issuance of medium-term notes	45,000	
Net issuance (repayment) of commercial paper debt	21,355	(61,452)
Dividends	(47,509)	(43,092)
Exercise of stock options (note 8(b))	26,687	17,772
Other	3,750	3,357
Cash used in financing activities	($53,101)	($137,131)
Cash represented by:		
Cash and cash equivalents	$53,660	$39,966
Bank overdraft	(3,243)	(2,432)
	$50,417	$37,534

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(Tabular amounts in thousands of dollars)

1. ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies.

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and all its subsidiaries and joint ventures. The major subsidiaries are: Toronto Star Newspapers Limited; Harlequin Enterprises Limited ("Harlequin"); Metroland Printing, Publishing & Distributing Ltd. ("Metroland"), and CityMedia Group Inc. The company proportionately consolidates its joint ventures.

(b) Foreign currency translation

Assets and liabilities denominated in foreign currencies have been translated to Canadian dollars primarily at exchange rates prevailing at the year end. Revenues and expenses are translated at average rates for the year. Translation exchange gains or losses relating to self-sustaining foreign operations, principally in Europe and Asia, are deferred and included in shareholders' equity as foreign currency translation adjustments.

A proportionate amount of these deferred gains or losses are recognized in income when there is a reduction in the company's net investment in the foreign operation.

(c) Derivative financial instruments

The company manages its exposure to currency fluctuations, primarily U.S. dollars, through the use of derivative financial instruments. Foreign exchange contracts and options to sell U.S. dollars, and certain other foreign currencies, have been designated as hedges against future operating earnings. Gains and losses on these instruments are not recognized until realized (see note 1(p)).

The company uses interest rate swap contracts to manage interest rate risks. Payments and receipts under interest rate swap contracts are recognized as adjustments to interest expense on an accrual basis. Any resulting carrying amounts are included in receivables in the case of favourable contracts and accounts payable in the case of unfavourable contracts.

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

The fair value of derivative financial instruments reflects the estimated amount that the company would have been required to pay if forced to settle all unfavourable outstanding contracts or the amount that would be received if forced to settle all favourable contracts at year end. The fair value represents a point-in-time estimate that may not be relevant in predicting the company's future earnings or cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents consists of cash in bank and short-term investments with original maturities on acquisition of 90 days or less.

(e) Receivables

Receivables are reduced by provisions for anticipated book returns and estimated direct-to-consumer bad debts which are determined by reference to past experience and expectations.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value.

(g) Property, plant and equipment

These assets are recorded at cost and depreciated over their estimated useful lives. The rates and methods used for the major depreciable assets are:

Buildings:

- straight line over 25 years or 5% diminishing balance.

Leasehold Improvements:

- straight-line over the life of the lease

Machinery and Equipment:

- straight-line over 10 to 20 years or 20% diminishing balance.

(h) Investments in associated businesses

Investments in associated businesses are accounted for using the equity method.

(i) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment on an annual basis. Goodwill is allocated to reporting units and any potential impairment is identified by comparing the carrying value of the reporting unit with its fair value. Any impairment loss would be charged against current period earnings and shown as a separate item in the Consolidated Statement of Income.

(j) Other assets

The cost of a distribution services agreement is amortized on a straight-line basis over the 10-year term of the agreement. Portfolio investments are accounted for by the cost method.

(k) Employee future benefits

Details with respect to accounting for employee future benefits are as follows:

- The cost and obligations of pensions and post employment benefits earned by employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of assumptions of future investment returns for funded plans, salary changes, retirement ages of employees and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- As prescribed by the CICA, the discount rate used for determining the benefit obligation is the current interest rate at the balance sheet date on high quality fixed income investments with maturities that match the expected maturity of the obligations.

- Past service costs resulting from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the plans ranges from 13 to 18 years.

Company pension contributions in excess of the amounts expensed in the statements of income are recorded as accrued benefit assets in other assets in the balance sheet. Liabilities related to unfunded post employment benefits and an executive retirement plan are included as post employment benefits in other long-term liabilities.

(l) Stock-based compensation plans

The company has a stock option plan, an employee share purchase plan and two deferred share unit plans.

Effective January 1, 2003, the company elected to adopt on a prospective basis, the fair value method of accounting for stock option awards granted subsequent to December 31, 2002. Under this method, the fair value of the stock options is determined at the date of issue using an option pricing model. Over the vesting period, this fair value is recognized as compensation expense and a related credit to contributed surplus. The contributed surplus balance is reduced as options are exercised through a credit to share capital. No compensation expense has been recorded for stock options awarded and outstanding prior to January 1, 2003. The consideration paid by option holders is credited to share capital when these options are exercised.

Effective January 1, 2003, the company elected to adopt, on a prospective basis, the fair value method of accounting for the company's annual employee share purchase plans. This accounting treatment applies to plans originating subsequent to December 31, 2002. Under this method, the company recognizes a compensation expense and a related credit to contributed surplus each period, based on the excess of the current share price over the opening price, in accordance with the terms that would apply if the plan had currently matured. Upon maturity of the plan, contributed surplus is eliminated and share capital is credited. No compensation expense has been recorded for plans originating prior to January 1, 2003. The consideration paid by the plan members is credited to share capital when the plan matures.

Eligible executives and non-employee directors may receive or elect to receive deferred share units equivalent in value to Class B non-voting shares of the company. A compensation expense is recorded in the year of granting of the deferred share units and changes in the value of outstanding deferred share units, including deemed dividend equivalents, are recorded as an expense in the period that they occur. Outstanding deferred share units are recorded as long-term liabilities.

(m) Income taxes

The company follows the liability method of accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(n) Revenue recognition

Circulation and advertising revenue is recognized when the publication is delivered. Revenue from the sale of books is recognized when they are shipped and title has transferred, net of provisions for estimated returns and direct-to-consumer bad debts which are primarily based on past experience.

(o) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

(p) Proposed accounting policy

Hedging relationships

The CICA has issued Accounting Guideline 13 "Hedging Relationships" (AcG 13) which is effective for fiscal years beginning on or after July 1, 2003. AcG 13 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying or discontinuing hedge accounting. Under the new guideline, the company will be required to document its hedging transactions and explicitly demonstrate that the hedges are sufficiently effective in order to continue accrual accounting for positions hedged with derivatives. The company has determined that the adoption of AcG 13 will not have a material effect on its financial position or results from operations.

At December 31, 2003, the company has in place derivatives to hedge interest rates described in Note 6. The company also has in place foreign currency and option contracts relating to the purchase of capital assets, and the hedging of future U.S. dollar earnings as described in Note 13. Effective January 1, 2004, the company has determined that these derivatives will qualify for hedge accounting. Gains or losses from the U.S. dollar foreign currency and option contracts will be included in Book Publishing revenues.

The company currently uses derivatives to hedge the translation exposure of earnings from self-sustaining foreign operations. AcG 13 does not permit such hedge accounting. As a result, effective January 1, 2004, the company will mark to market foreign currency contracts and options related to earnings of self-sustaining foreign operations and will record the gain or loss in Book Publishing operating profits.

2. RECEIVABLES

The provisions for anticipated book returns and direct to consumer bad debts deducted from receivables at December 31, 2003 amounted to $120 million (December 31, 2002 - $147 million).

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net
2003			
Land	**$11,318**		**$11,318**
Buildings and leasehold improvements	**219,488**	**$98,084**	**121,404**
Machinery and equipment	**682,464**	**414,014**	**268,450**
Total	**$913,270**	**$512,098**	**$401,172**
2002			
Land	$11,302		$11,302
Buildings and leasehold improvements	213,390	$90,104	123,286
Machinery and equipment	641,713	384,780	256,933
Total	$866,405	$474,884	$391,521

4. INVESTMENT IN ASSOCIATED BUSINESS

Effective October 1, 2002, the company completed the purchase of a 19.35% interest in Black Press Ltd. The $20.7 million initial investment included $17.9 million of goodwill. Additional investments may be made under certain circumstances.

5. OTHER ASSETS

	2003	2002
Accrued benefit assets (note 12)	**$86,752**	$71,435
Portfolio investments	**4,077**	6,541
Distribution Services Agreement	**6,378**	8,504
Other	**3,723**	4,638
	$100,930	$91,118

6. LONG-TERM DEBT

	2003	2002
Commercial Paper:		
Cdn. dollar denominated	**$55,364**	$133,481
U.S. dollar denominated	**137,436**	48,178
	192,800	181,659
Medium-Term Notes:		
Cdn. dollar denominated	**195,000**	185,000
U.S. dollar denominated		81,731
	195,000	266,731
	$387,800	$448,390

(a) Bank debt

(i) On January 31, 2002, the company entered into long-term credit facilities comprising a $200 million five-year revolving loan and a $250 million 364-day revolving loan. The 364-day loan facility was extended for an additional 364-day term on January 29, 2004. This loan can be extended for up to two additional 364-day terms with the lenders' consent or can be converted to a 364-day term loan at the company's option. Amounts may be drawn in Canadian or U.S. dollars.

(ii) Amounts borrowed under the bank credit facilities would primarily be in the form of bankers' acceptances at varying interest rates and would normally mature over periods of 30 to 90 days. The interest rate spread above the bankers' acceptance rate if in Canadian dollars, or LIBOR rate if in U.S. dollars, is currently 0.8% and varies based on the company's long-term credit rating.

(iii) The unused facilities are designated as standby lines in support of the commercial paper program, medium term notes maturing within the year and letters of credit.

(b) Commercial paper

(i) A facility exists for the company to issue short-term notes in the form of commercial paper. These notes may be issued in Canadian or U.S. dollars to an authorized aggregate principal amount of Canadian $550 million outstanding at any one time. While the terms of the individual notes are less than one year, they have been classified as long-term as it is intended that the commercial paper program will be an ongoing source of financing and up to $450 million of the outstanding notes could be replaced at any time by bank debt as noted in (a)(iii) above.

(ii) The average rate on Canadian dollar commercial paper outstanding at December 31, 2003 was 2.9% (December 31, 2002 – 2.9%) (see note 6 (e)).

(iii) Commercial paper outstanding at December 31, 2003 included U.S. dollar borrowings of U.S. $106.3 million (December 31, 2002 – U.S. $30.5 million). The average rate on U.S. dollar commercial paper outstanding at December 31, 2003 was 1.1% (December 31, 2002 – 1.4%). Including the effect of the interest rate swap noted in 6(e) the effective rate was 2.9% at December 31, 2003.

(c) Medium-Term Notes

(i) On February 9, 1999, the company issued Canadian $75 million 5.6% notes that matured February 9, 2004. The company has entered into a swap agreement, effectively converting this obligation into a floating rate debt based on 90-day bankers' acceptance rates plus 0.32%.

(ii) On July 27, 1999, the company issued Canadian $75 million 5.95% notes maturing July 27, 2004. The company has entered into a swap agreement, effectively converting this debt into a floating rate debt based on 90-day bankers' acceptance rates plus 0.27%.

(iii) On September 19, 2003 and September 23, 2003, the Company issued respectively Canadian $35 million and $10 million of floating rate notes maturing September 19, 2005. Interest is based on 90-day bankers' acceptance rates plus 0.39%. Interest is paid quarterly.

(iv) The notes identified in (i) and (ii) above, which mature in 2004, have been classified as long-term debt as the company has the ability and intent to refinance these amounts under existing credit facilities.

(v) In each of (i) – (ii), interest on the medium-term notes as well as payments under the swap agreements is paid semi-annually.

The swap agreements mature on the due dates of the respective notes.

(vi) The effective interest rate on the medium-term notes outstanding at December 31, 2003 was 3.2% (December 31, 2002 - 3.0%) (see note 6(e)).

(d) The fair value of the medium-term notes exceed their related carrying values by $1.6 million at December 31, 2003. The fair value of the interest rate swap agreements described above in 6(c)(i-ii) was $2.6 million favourable at December 31, 2003.

(e) The company has entered into an interest rate collar agreement that will establish a Canadian dollar weighted average interest rate range for 2004 of 2.7% to 3.4%. The collar applies to $250 million of the company's Canadian dollar debt during the first quarter of 2004 and is reduced by $30 million each quarter for the remainder of 2004. The company has also entered into an interest rate swap arrangement that will fix the interest rate on U.S. $80 million of borrowings at approximately 3.5% for four years beginning December 2003. The fair values of the Canadian dollar interest rate collar and the U.S. interest rate swap arrangement were $0.5 million unfavourable and $1.3 million unfavourable respectively at December 31, 2003.

(f) The company is exposed to credit related losses in the event of non-performance by counterparties to the above described derivative instruments, but it does not anticipate any counterparties to fail to meet their obligations given their high credit ratings. The company has a policy of only accepting major financial institutions, as approved by the Board of Directors, as counterparties.

(g) Interest expense includes interest on long-term debt of $13,034 (2002 - $13,137).

(h) Interest of $12,934 was paid during the year (2002 - $14,890).

7. OTHER LIABILITIES

	2003	2002
Post employment benefits (note 12)	**$73,578**	$69,435
Employees' shares subscribed (note 9)	**8,385**	7,280
Deferred share unit plan (note 9)	**802**	
Other	**4,409**	4,562
	$87,174	$81,277

8. SHARE CAPITAL

(a) Rights attaching to the company's share capital:

(i) Class A (voting) and Class B (non-voting) shares

Class A and Class B shareholders may elect to receive dividends in cash or stock dividends in the form of Class B shares. Class A shares are convertible at any time at the option of the holder into Class B shares.

(ii) Voting provisions

Class B shares are non-voting unless eight consecutive quarterly dividends have not been paid.

(iii) Restrictions on transfer

Registration of the transfer of any of the company's shares may be refused if such transfer could jeopardize either the ability of the company to engage in broadcasting or its status as a Canadian newspaper publisher.

(b) Summary of changes in the company's share capital:

Class A (voting) and Class B (non-voting) shares

Class A shares

The only changes in the Class A shares were the conversion to Class B shares of 24,660 shares (with a stated value of $7,000) in 2003 and 9,000 shares (with a stated value of $2,000) in 2002. Total Class A shares outstanding at December 31 were:

	Shares	Amount
2002	9,948,835	$2,703
2003	**9,924,175**	**$2,696**

Class B Shares

	Shares	Amount
January 1, 2002	65,474,249	$292,666
Converted from Class A	9,000	2
Issued under Employee Share Purchase Plan	190,770	3,297
Stock options exercised	1,099,300	17,772
Stock dividends issued	52,606	1,216
Other	1,509	34
December 31, 2002	**66,827,434**	**314,987**
Converted from Class A	**24,660**	**7**
Issued under Employee Share Purchase Plan	**176,679**	**3,264**
Stock options exercised	**1,521,342**	**26,687**
Stock dividends issued	**79,004**	**2,240**
Other	**1,540**	**40**
December 31, 2003	**68,630,659**	**$347,225**

Totals

The total Class A and Class B shares outstanding at December 31 were:

	Shares	Amount
2002	76,776,269	$317,690
2003	**78,554,834**	**$349,921**

An unlimited number of Class B shares is authorized. While the number of authorized Class A shares is unlimited, the issuance of further Class A shares, may under certain circumstances, require unanimous board approval.

(c) **Earnings per share**

Basic per share amounts have been determined by dividing income by the weighted average number of Class A and Class B shares outstanding during the year.

The treasury stock method is used for the calculation of the dilutive effect of stock options and other dilutive securities. In calculating diluted per share amounts under the treasury stock method, the numerator remains unchanged from the basic per share calculation as the assumed exercise of the company's stock options and employee share purchase plan does not result in an adjustment to income.

The reconciliation of the denominator in calculating diluted per share amounts is as follows:

(thousands of shares)	2003	2002
Weighted average number of shares outstanding, basic	77,645	76,329
Effect of dilutive securities		
- stock options	1,101	1,082
- employee share purchase plan	17	40
Weighted average number of shares outstanding, diluted	78,763	77,451

9. STOCK-BASED COMPENSATION PLANS

(a) Stock option plan

Eligible senior executives may be granted options to purchase Class B shares at an option price which shall not be less than the closing market price of the shares on the last trading day before the grant. Prior to January 1, 2003, non-executive directors were also eligible to be granted options. The maximum number of shares that may be issued under the stock option plan is 10,500,000 shares of which 9,331,567 have been issued. In addition, the number of shares reserved for issuance to insiders cannot exceed 10% of the outstanding shares. The term of the options shall not exceed ten years from the date the option is granted. Up to 25% of an option grant may be exercised twelve months after the date granted, and a further 25% after each subsequent anniversary.

(b) A summary of changes in the stock option plan is as follows:

	Shares	Weighted average exercise price
January 1, 2002	6,147,249	18.65
Granted	1,582,668	22.20
Exercised	(1,099,300)	16.17
Cancelled	(183,800)	20.14
December 31, 2002	6,446,817	19.91
Granted	620,625	25.50
Exercised	(1,521,342)	17.54
Cancelled	(91,875)	19.60
December 31, 2003	5,454,225	21.19

As at December 31, 2003 outstanding stock options were as follows:

Options Outstanding

Range of exercise price	Number outstanding December 31,2003	Weighted average remaining contractual life	Weighted average exercise price
$10.19-11.50	8,600	1.7 years	$11.16
$15.75-18.05	950,500	5.0 years	$16.80
$18.50-22.20	3,248,875	6.5 years	$20.93
$25.00-26.75	1,246,250	6.4 years	$25.27
$10.19-26.75	5,454,225	6.2 years	$21.19

Options Exercisable

Range of exercise price	Number exercisable December 31,2003	Weighted average exercise price
$10.19-11.50	8,600	$11.16
$15.75-18.05	613,100	$17.37
$18.50-22.20	1,180,584	$20.56
$25.00-26.75	635,000	$25.06
$10.19-26.75	2,437,284	$20.90

Subsequent to year-end, 661,300 stock options were granted at an exercise price of $29.01 per share.

(c) Under the company's annual employee share purchase plans, employees may subscribe for Class B shares to be paid for through payroll deductions over two-year periods at a purchase price which is the lower of the market price on the entry date or the market price at the end of the payment period. The value of the shares that an employee may subscribe for is restricted to a maximum of 20% of salary at the beginning of the two-year period. As at December 31, outstanding employee subscriptions were as follows:

	2003		2002	
Maturing	2004	2005	2003	2004
Subscription price	$23.76	$26.45	$18.45	$23.76
Number of shares	154,201	178,531	176,642	169,248

(d) The company has recognized in 2003 compensation expense totalling $0.9 million for the stock options granted in 2003 and the employee share purchase plan originating in 2003. The fair value of the executive stock options granted in 2003 was estimated to be $5.28 per option at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk-free interest rate of 4.1%, expected dividend yield of 2.5%, expected volatility of 23.2%, and an expected time until exercise of 5 years.

(e) No compensation expenses were recognized in 2002 for the company's stock-based compensation plans. However, had compensation cost been determined for these plans based on the fair value method of accounting for stock-based compensation, the company's 2003 and 2002 net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		2003	2002
Net income	•As reported	$123,515	$125,325
	•Pro forma	$121,149	$123,458
Earnings per share – Basic	•As reported	$1.59	$1.64
	•Pro forma	$1.56	$1.62
Earnings per share – Diluted	•As reported	$1.57	$1.62
	•Pro forma	$1.54	$1.59

The fair value of the executive stock options granted in 2002 was estimated to be $4.98 per option at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk-free interest rate of 4.7%, expected dividend yield of 2.6%, expected volatility of 24.7% and an expected time until exercise of 5 years.

(f) The company adopted a Deferred Share Unit Plan ("DSU"), for executives and non-employee directors during 2003.

An executive may elect to receive certain cash incentive compensation in the form of DSU units. Each unit is equal in value to one Class B non-voting share of the company. The units are issued on the basis of the closing sale price per share of Torstar Class B non-voting shares on the Toronto Stock Exchange on the date of issue. The units also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Torstar Class B non-voting shares. DSU units mature upon termination of employment, whereupon an executive is entitled to receive the fair market value of the equivalent number of Class B non-voting shares, net of withholdings, in cash.

The company has also adopted a DSU for non-employee directors. Each non-employee director receives an award of DSU units as part of his or her annual Board retainer. In addition, a non-employee director holding less than 8,000 Class B non-voting shares, Class A voting shares, or DSU units, or a combination thereof, receives the cash portion of his or her annual Board retainer in the form of DSU units. Any non-employee director may elect to participate in the DSU in respect of part or all of his or her retainer and attendance fees. The terms of the director DSU are substantially the same as the executive DSU.

As at December 31, 2003, 27,636 units were outstanding at a value of $0.8 million.

10. INCOME AND OTHER TAXES

A reconciliation of income taxes at the average statutory tax rate to actual income taxes is as follows:

	2003	2002
Income before taxes	$202,581	$196,821
Provision for income taxes based on Canadian statutory rate of 36.6% (2002 – 38.6%)	($74,200)	($76,000)
(Increase) decrease in taxes resulting from:		
Foreign income taxed at lower rates	3,350	5,500
Foreign losses not tax effected	(1,760)	
Manufacturing and processing profits allowance	3,410	4,800
Large Corporations tax and other taxes	(2,950)	(3,400)
Future taxes resulting from changes in statutory tax rates	(4,700)	
Permanent differences	(2,350)	(2,900)
	($79,200)	($72,000)
Effective income tax rate	39.1%	36.6%

Income taxes of $48.0 million were paid during the year (2002 - $37.9 million).

The components of the provision for income taxes are as follows:

	2003	2002
Current tax provision	$56,400	$57,942
Future tax provision	22,800	14,058
Total tax provision	$79,200	$72,000

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's future income tax assets and liabilities as of December 31 are as follows:

	2003	2002
Current future income tax assets:		
Receivables	$18,694	$21,312
Other	4,903	4,898
	$23,597	$26,210
Non-current future income tax assets:		
Tax losses carried forward	$59,345	$77,025
Pensions	4,623	3,570
Other	562	5,183
	$64,530	$85,778
Non-current future income tax liabilities:		
Property, plant and equipment	$49,361	$44,937
Pensions	8,069	2,942
Goodwill and other	7,254	3,110
	$64,684	$50,989

At December 31, 2003, the company had net operating loss carryforwards of approximately U.S. $38.5 million for income tax purposes for which no future tax asset has been recognized. U.S. $35.0 million of the U.S. carryforward will expire in 2021 and U.S. $3.5 million will expire in 2023.

11. ACQUISITIONS

On June 6, 2003, the company acquired for $40.6 million the assets of the Brabant and Fairway newspaper groups, the printing operations of the Hamilton Printing Group, the Flamborough Review and the Orangeville Banner. Net tangible assets acquired were $4.3 million including $2.2 million of property, plant and equipment. $36.3 million of the purchase price has been allocated to goodwill.

The company purchased on December 1, 2003, J.H. Robinson Publishing Limited and Silva Litho Solutions Inc., for a purchase price of $8.9 million. Net tangible assets acquired were $3.2 million including $1.6 million of property, plant and equipment. $5.7 million of the purchase price has been allocated to goodwill. A number of other smaller community newspaper purchases were completed during 2003 for a total purchase price of $1.1 million including $0.9 million allocated to goodwill. During 2002, a number of smaller community newspapers acquisitions were completed for a purchase price of $0.8 million, all of which has been allocated to goodwill.

At December 31, 2003, the company has a 100% interest in the Transit Television Network. On September 9, 2002, the company acquired a 51% interest for a purchase price of $4.0 million. On May 8, 2003, the remaining 49% interest was purchased for $0.8 million plus a contingent purchase price based on future operating results.

Each of the acquisitions above were accounted for under the purchase method. The consideration for each acquisition was cash. The amount of goodwill that is expected to be deductible for tax purposes is $27.7 million.

12. EMPLOYEE FUTURE BENEFITS

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

Information concerning the company's post employment benefit plans as at December 31 is as follows:

(thousands of dollars)	Pension Plans		Post-employment Benefit Plans	
	2003	**2002**	**2003**	**2002**
Accrued benefit obligations				
Balance, beginning of year	**$489,798**	$469,109	**$48,094**	$45,793
Current service cost	**11,067**	10,541	**589**	609
Interest cost	**31,785**	29,979	**3,086**	3,368
Benefits paid	**(21,292)**	(23,699)	**(2,099)**	(1,676)
Actuarial losses	**34,106**	5,662	**7,430**	
Participant contributions	**7,387**	7,140		
Past service costs	**14**	176		
Foreign exchange	**(2,159)**	(92)		
Corporate restructuring giving rise to:				
Settlements		(17,722)		
Special termination benefits		51		
Acquisitions	**430**		**200**	
Plan amendments	**3,063**	8,653		
Balance, end of year	**$554,199**	$489,798	**$57,300**	$48,094
Plans' assets				
Fair value, beginning of year	**$421,844**	$456,537		
Return on plan assets	**63,359**	(19,461)		
Benefits paid	**(21,292)**	(23,699)		
Contributions to plan	**17,057**	18,370		
Incremental employer contribution	**23,000**			
Foreign exchange	**(1,396)**	(78)		
Corporate restructuring giving rise to:				
Settlements		(9,825)		
Fair value, end of year	**$502,572**	$421,844		
Funded status – deficit	**($51,627)**	($67,954)	**($57,300)**	($48,094)
Unamortized losses	**104,431**	110,203	**8,745**	1,328
Unrecognized prior service costs	**8,925**	6,517		
Accrued benefit asset (liability)	**$61,729**	$48,766	**($48,555)**	($46,766)
Net benefit expense for the year				
Current service cost	**$11,067**	$10,541	**$589**	$609
Interest cost	**31,785**	29,979	**3,086**	3,368
Expected return on plan assets	**(29,353)**	(31,047)		
Past service costs	**773**	634		
Special termination benefit		51		
Amortization of losses	**4,282**	1,013	**3**	4
Net benefit expense	**$18,554**	$11,171	**$3,678**	$3,981
Significant assumptions used				
Discount rate	**6.0%**	6.5%	**6.0%**	6.5%
Expected long-term rate of return on plan assets	**7%**	7%	**N/A**	N/A
Rate of compensation increase	**4%**	4%	**N/A**	N/A
Average remaining service period of active employees	**13 to 18 years**	13 to 18 years	**N/A**	N/A

The accrued benefit pension asset of $61,729 for 2003 reflected above is net of long-term liabilities of $25,023 primarily related to an unfunded executive retirement plan which is supported by an outstanding letter of credit of $31.5 million at December 31, 2003. For 2002, the accrued benefit pension asset of $48,766 is net of long-term liabilities of $22,669 primarily related to an unfunded executive plan.

In December 2003, in order to reduce the unfunded status, the company made an incremental contribution of $23.0 million to its Canadian deferred benefit pension plans. This contribution was in addition to the required annual employer contributions.

The effect of a one per cent increase or decrease in significant assumptions used for the company's pension plans would result in an increase (decrease) in the net benefit expense and accrued benefit obligation at December 31, 2003:

	Net Benefit Expense		Accrued Benefit Obligation	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	($6,763)	$7,308	($68,991)	$79,594
Expected long-term rate of return on plan assets	(4,189)	4,195		
Rate of compensation increase	2,579	(2,418)	13,407	(12,587)

With respect to the post employment benefit plans, a 6% annual rate of growth in the per capita cost of covered health care benefits was assumed for 2003 (2002 – 6%). In order to determine the accrued benefit obligation at December 31, 2003, the assumed annual rate of growth for health care costs in 2004 is 10% and the rate of growth will be reduced by 0.5% per annum until 2014. The effect of a one per cent increase or decrease in the discount rate or the per capita cost of health care would result in the following changes at December 31, 2003:

	Net Benefit Expense		Accrued Benefit Obligation	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	($101)	$196	($6,332)	$7,132
Per capita cost of health care	300	(266)	3,332	(3,135)

13. FORWARD FOREIGN EXCHANGE CONTRACTS AND OPTIONS

(a) The company has made arrangements through forward foreign exchange contracts and various option contracts to allow it to convert into Canadian dollars a portion of its expected future U.S. dollar earnings. Details of these forward foreign exchange and option contracts are listed below. The forward foreign exchange contracts and options establish a minimum rate of exchange of Canadian dollar per U.S. dollar of $1.58 for U.S. $75 million in 2004, and $1.59 for U.S. $76 million in 2005. In 2003, the average exchange rate applicable to U.S. dollar earnings of the company was $1.57.

(i) Forward foreign exchange contracts

	2003		2002	
	U.S.$	Rate	U.S.$	Rate
2003			$55,000	$1.60
2004	**$35,000**	**$1.61**	$35,000	$1.61
2005	**$40,000**	**$1.61**	$40,000	$1.61

The company has entered into forward foreign exchange contracts to sell U.S. dollars which will fix the exchange rate as follows:

(ii) Foreign exchange options

	2003		2002	
	U.S.$	Rate	U.S.$	Rate
2003			$20,000	$1.56 – 1.67
2004	**$40,000**	**$1.56 – 1.66**	$40,000	$1.56 – 1.66
2005	**$36,000**	**$1.56 – 1.68**	$36,000	$1.56 – 1.68

The company has entered into various option contracts, which net of costs will ensure a rate of exchange in the range as follows:

(b) The company has entered into forward foreign exchange contracts which will establish a rate of exchange of Canadian dollar per Euro of $1.65 to sell 6 million Euro for 2004, $1.67 for 6 million Euro for 2005 and $1.68 for 4 million Euro for 2006. In addition, for payments to be made in 2004 relating to the purchase and installation of press equipment, the company has entered into forward foreign exchange contracts to establish a rate of exchange of $1.41 Canadian dollars for the purchase of 2.1 million Euros and a rate of exchange of $1.38 Canadian dollars for the purchase of $2.0 million U.S. dollars. Subsequent to year end, the company has entered into forward foreign exchange contracts for 2004 which will establish a rate of exchange of Canadian dollar per Japanese Yen of $0.013 to sell 785 million Japanese Yen, and a rate of exchange of Canadian dollar per U.K. Pound Sterling of $2.47 to sell 5 million U.K. Pound Sterling.

(c) The fair value of the forward foreign exchange contracts and options was $41.8 million favourable at December 31, 2003.

14. UNUSUAL ITEMS

Details of unusual items in 2003 and 2002 are as follows:

	2003	2002
Restructuring provisions	**($11,015)**	
Portfolio investment loss	**(2,975)**	($5,924)
Gain on sale of newspapers	**6,697**	
Gain on sale of Miles Kimball	**6,620**	
Pension recovery		1,559
Foreign sales tax recovery		1,065
	($673)	($3,300)

The 2003 unusual loss includes restructuring provisions of $11.0 million ($6.6 million for restructuring in the Newspaper segment and $4.4 million for the closure of Harlequin's craft kit production operation), and $3.0 million of write-downs on Torstar's interactive portfolio. Offsetting the losses are a gain of $6.7 million realized on a sale of eight newspapers to Osprey Media Group Inc. and a gain of $6.6 million realized on the sale of an investment in Miles Kimball Company. The proceeds from these sales totaled $15.9 million.

In 2002, unusual losses included a loss of $5.9 million related to the interactive portfolio, a recovery of $1.6 million related to the wind-up of an overseas pension plan and a $1.1 million gain from the final settlement of foreign tax issues.

Accounts payable and accrual liabilities include $9.4 million for restructuring provisions at December 31, 2003 ($5.2 million at December 31, 2002).

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

	2003	2002
Foreign exchange	**$4,011**	($973)
Gain on sale of newspapers	**(6,697)**	
Gain on sale of Miles Kimbal	**(6,620)**	
Post employment benefits	**11,697**	3,879
Write-down of portfolio investments	**2,975**	4,581
Stock-based compensation expense	**1,680**	
Other	**335**	(1,092)
	$7,381	$6,395

16. COMMITMENTS AND CONTINGENCIES

The company is involved in various legal actions, primarily in the newspaper segment, which arise in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, any liability that may arise from such contingencies is not expected to have a material adverse effect on the financial position or results of operations of the company. The company has operating lease commitments of approximately $12 million for each of the next five years.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2003 financial statements.

18. SEGMENTED INFORMATION

The company operates two business segments: Newspapers and Book Publishing, which are described below:

Newspapers - Publishing of daily and community newspapers including the Toronto Star, The Hamilton Spectator, The Record (Kitchener, Cambridge and Waterloo) and Metroland's publications. This segment also includes the related internet businesses of the newspapers; and

Book Publishing – Publishing and distribution of women's fiction through retail outlets, by direct mail and through the Internet.

Segment profit or loss has been defined as operating profit which corresponds to operating profit as presented in the Consolidated Statements of Income.

Summary of Business and Geographic Segments of the Company

Business Segments	Operating Revenue		Depreciation and Amortization		Operating Profit	
	2003	2002	2003	2002	2003	2002
Newspapers	**$903,385**	$856,956	**$47,897**	$49,818	**$110,116**	$105,495
Book publishing	**584,924**	618,093	**7,780**	7,512	**124,121**	119,168
Segment Totals	**1,488,309**	1,475,049	**55,677**	57,330	**234,237**	224,663
Corporate			**127**	116	**(14,166)**	(12,764)
Consolidated	**$1,488,309**	$1,475,049	**$55,804**	$57,446	**$220,071**	$211,899

Business Segments	Identifiable Assets		Additions to Capital Assets & Goodwill	
	2003	2002	2003	2002
Newspapers	**$1,022,139**	$941,837	**$100,211**	$29,652
Book publishing	**431,264**	482,127	**7,438**	7,907
Segment Totals	**1,453,403**	1,423,964	**107,649**	37,559
Corporate	**37,290**	35,524	**66**	117
Investment in associated business	**21,074**	21,233		
Consolidated	**$1,511,767**	$1,480,721	**$107,715**	$37,676

Geographic Segments	Operating Revenue		Capital Assets & Goodwill	
	2003	2002	2003	2002
Canada	**$926,242**	$879,709	**$771,946**	$723,660
United States	**345,361**	384,668	**96,297**	94,890
Other (a)	**216,706**	210,672	**29,315**	29,006
Segment Totals	**$1,488,309**	$1,475,049	**$897,558**	$847,556

(a) Principally – United Kingdom, Japan, Germany, Australia, Italy and France.

TORSTAR CORPORATION

Annual Operating Highlights Continuing Operations

	2003	2002	2001	2000	1999	1998	1997
Operating revenue (thousands of dollars)							
Newspapers	**$903,385**	$856,956	$825,765	$857,989	$774,191	$645,066	$598,158
Book publishing	**584,924**	618,093	596,898	587,085	577,185	545,247	495,961
Total	**$1,488,309**	$1,475,049	$1,422,663	$1,445,074	$1,351,376	$1,190,313	$1,094,119
Operating Profit & Income from continuing operations (thousands of dollars)							
Newspapers	**$110,116**	$105,495	$54,300	$98,814	$107,562	$81,428	$81,133
Book publishing	**124,121**	119,168	99,643	83,831	80,941	92,850	85,614
Corporate	**(14,166)**	(12,764)	(10,773)	(9,804)	(6,708)	(5,962)	(6,696)
Operating profit	**220,071**	211,899	143,170	172,841	181,795	168,316	160,051
Interest	**(12,806)**	(12,751)	(29,143)	(41,283)	(32,170)	(17,051)	(19,733)
Foreign exchange	**(4,011)**	973	392	(1,395)	55	324	1,379
Unusual items	**(673)**	(3,300)	(70,544)	24,415	3,531	(9,381)	
Income before taxes	**202,581**	196,821	43,875	154,578	153,211	142,208	141,697
Income and other taxes	**(79,200)**	(72,000)	(14,900)	(47,200)	(52,900)	(49,400)	(47,200)
Income before income (losses) of associated businesses	**123,381**	124,821	28,975	107,378	100,311	92,808	94,497
Income (losses) of associated businesses	**134**	504	(8,022)	(6,202)	(5,516)	145	358
Income from continuing operations before amortization of goodwill	**123,515**	125,325	20,953	101,176	94,795	92,953	94,855
Amortization of goodwill (net of tax)			(17,973)	(17,461)	(13,975)	(7,744)	(7,726)
Income from continuing operations	**123,515**	$125,325	$2,980	$83,715	$80,820	$85,209	$87,129
Cash from continuing operating activities	**$162,976**	$167,732	$91,711	$184,802	$113,582	$165,251	$135,062
Average number of shares outstanding (thousands)	**77,645**	76,329	75,292	74,695	74,667	75,926	78,088
Per share Data							
Income from continuing operations	**$1.59**	$1.64	$0.04	$1.12	$1.08	$1.12	$1.12
Dividends – Class A and Class B shares	**0.64**	0.58	$0.58	$0.58	$0.58	$0.565	$0.52
Rate of Return on Revenue							
Operating profit	**14.8%**	14.4%	10.1%	12.0%	13.5%	14.1%	14.6%
Income before income (losses) of associated businesses	**8.3%**	8.5%	2.0%	7.4%	7.4%	7.8%	8.6%
Return on equity							
Cash from operating activities as a percentage of average shareholders' equity	**23.5%**	28.5%	15.4%	27.5%	17.1%	23.1%	19.9%
Financial position							
Total Assets	**$1,511,767**	$1,480,721	$1,490,154	$1,755,764	$1,726,402	$1,380,907	$1,370,490
Long-term debt	**387,800**	448,390	508,848	494,477	649,712	355,829	197,322
Shareholders' equity	**745,055**	643,506	534,398	660,001	684,188	647,055	785,461
Property, plant and equipment (net)	**401,172**	391,521	410,427	425,380	440,673	389,832	390,312

CORPORATE INFORMATION

BOARD OF DIRECTORS

John R. Evans (1,2,4,5,6)
Chairman of the Board
Torstar Corporation
Director since 1984

Catherine Atkinson Murray (2,4,5,6)
President
The Atkinson Charitable Foundation
Director since 1976

B. Neil Clark (3)
Corporate Director
Director since 2003

Martin P. Connell (2,5,6)
Private Investor
Director since 1990

Christina A. Gold (2,5)
President, Western Union
Financial Services Inc.
& Senior Executive Vice-President,
First Data Corp.
Director since 1998

Campbell R. Harvey (5,6)
Professor
Duke University
Director since 1992

J. Spencer Lanthier (1,3)
Corporate Director
Director since 2002

Sarabjit S. Marwah (1,3)
Senior Executive Vice-President
and Chief Financial Officer,
The Bank of Nova Scotia
Director since 2003

Ronald W. Osborne (1,2)
Corporate Director
Director since 2003

J. Robert S. Prichard (3,4,6)
President &
Chief Executive Officer
Torstar Corporation
Director since 2002

Lance R. Primis (2,4)
Managing Partner
Lance R. Primis & Partners LLC
Director since 1997

Martin E. Thall (1,3)
Corporate Director
President and Chief Executive Officer,
Thall Group of Companies
Director since 2002

Ruth Anne Winter (4,5)
Associate Broker, Royal LePage
Director since 1995

1. Member of Audit Committee
2. Member of Salary & Organization Committee
3. Member of Pension Committee
4. Member of Editorial Advisory Committee
5. Member of Nominating & Corporate Governance Committee
6. Member of Executive Committee

OFFICERS

John R. Evans
Chairman of the Board

J. Robert S. Prichard
President &
Chief Executive Officer

Robert J. Steacy
Executive Vice-President and Chief
Financial Officer

Karen Hanna
Senior Vice-President
Human Resource Strategy

Patrick J. Collins
Senior Vice-President
Newspapers

Marie E. Beyette
Director of Legal Services
& Corporate Secretary

Gail Martin
Vice-President of Finance

D. Todd Smith
Treasurer

Tomer Strolight
Managing Director
Corporate Development

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TRANSFER AGENT & REGISTRAR

CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9
AnswerLine (416) 643-5500 or
1-800-387-0825 (toll-free in North America)
www.cibcmellon.com/InvestorInquiry
inquiries@cibcmellon.com

Torstar Class B shares are traded
on the Toronto Stock Exchange
under the symbol TS.B

CORPORATE INFORMATION

OPERATING COMPANIES – PRODUCTS AND SERVICES

TORSTAR DAILY NEWSPAPERS

TORONTO STAR

CityMedia

THE HAMILTON SPECTATOR

THE RECORD
Proudly serving Waterloo Region

GUELPH MERCURY

COMMUNITY NEWSPAPERS

Metroland Printing, Publishing & Distributing is Ontario's leading publisher of community newspapers, publishing 63 community newspapers in 106 editions. Some of the larger publications include:

- Ajax/Pickering News Advertiser
- Aurora/Newmarket Era-Banner
- Barrie Advance
- Brampton Guardian
- Burlington Post
- Etobicoke Guardian
- Markham Economist & Sun
- Mississauga News
- Oakville Beaver
- Oshawa/Whitby This Week
- Richmond Hill Liberal
- Scarborough Mirror

Metroland

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WAYMORESPORTS.COM

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TORSTAR MEDIA GROUP
TELEVISION

DAILY PARTNERSHIPS

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Sing Tao

SPECIALTY PRODUCTS

- eye Weekly
- Forever Young
- Real Estate News
- Toronto.com
- Car Guide
- Boat Guide
- City Parent
- Premier Consumer Shows

HARLEQUIN ENTERPRISES

Harlequin is a leading publisher of women's fiction.

- Harlequin Mills & Boon U.K.
- Harlequin Australia
- Harlequin Holland
- Harlequin Japan
- Harlequin Scandinavia
- Harlequin Spain
- Harlequin Poland

JOINT VENTURES:

- Harlequin Germany
- Harlequin France
- Harlequin Italy
- Harlequin Greece
- Harlequin Hungary

HARLEQUIN

INTERACTIVE MEDIA:

eHARLEQUIN.com

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PRODUCTION ART DIRECTOR: Darlene Dewell **PRINTING:** Incredible Printing Co., Ltd. **PHOTOGRAPHY:** Dick Loek **CENTRAL IMAGING:** Maria Doyle, Victor Galati

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