TORSTAR

TORONTO STAR

METROLAND

CITYMEDIA GROUP

TORSTAR DIGITAL

HARLEQUIN ENTERPRISES

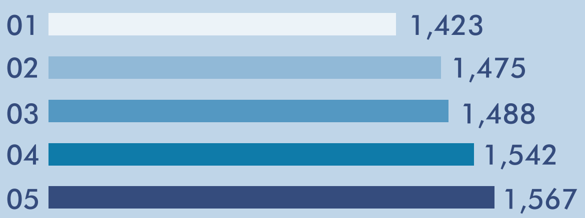
2005 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

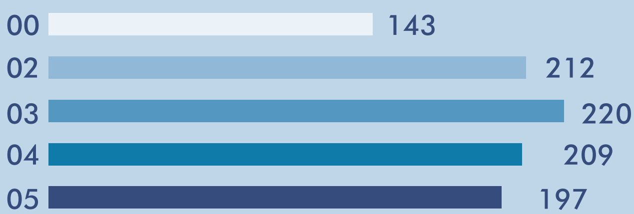
OPERATING RESULTS ($000)	2005	2004
Operating revenue	$1,566,943	$1,541,849
EBITDA (1)	253,491	266,109
Operating profit	196,668	209,228
Net income	118,843	112,703
Cash from operating activities	124,140	178,598
OPERATING RESULTS		
Operating profit – percentage of revenue	12.6%	13.6%
Cash from operating activities – percentage of average shareholders' equity	15.2%	23.2%
PER CLASS A AND CLASS B SHARES		
Net income	$1.52	$1.42
Dividends	$0.74	$0.70
Price range (high/low)	$26.91/21.39	$31.75/20.65
FINANCIAL POSITION ($000)		
Long-term debt	$334,317	$317,829
Shareholders' equity	$841,652	$793,661

The Annual Meeting of shareholders will be held Wed., May 3 2006 at the Toronto Star building, 3rd Floor Auditorium, One Yonge Street, Toronto beginning at 10 a.m. It will also be webcast live on Torstar Media Group Television with interactive capabilities.

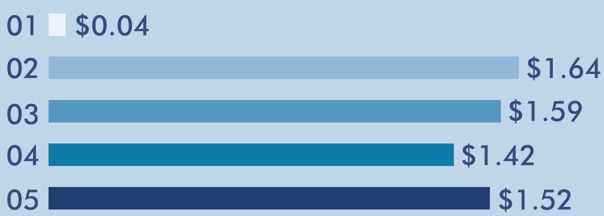
OPERATING REVENUE ($MILLIONS)



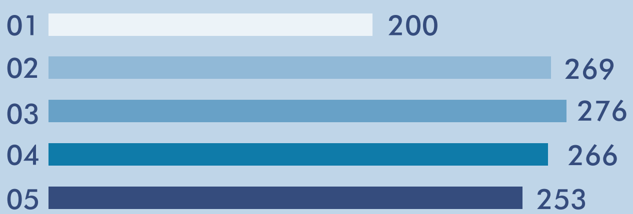
OPERATING PROFIT ($MILLIONS)



INCOME FROM CONTINUING OPERATIONS PER SHARE



EBITDA (1) ($MILLIONS)



(1) Operating profit before depreciation and amortization. Please see "Non-GAAP Measures" on page 22.

This annual report contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Securities Act (Ontario). We caution readers not to place undue reliance on these statements as a number of factors could cause our results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. Additional information about these factors is contained on page 22 under the heading "Forward-Looking Statements".

HON. FRANK IACOBUCCI
Chairman, Board of Directors

MESSAGE FROM THE CHAIRMAN

There is a saying about law that it must be stable, but not stand still.

The same is true in business. Businesses must be stable, but can never stand still. In the ever-changing media environment, this is certainly true at Torstar, and I would like to thank everyone for the commitment shown in 2005 to delivering new and innovative solutions for all of our audiences.

This year, as always, Torstar set out to achieve aggressive targets for all of our businesses. In a challenging, competitive media marketplace, we are committed to setting business objectives that are attainable in the short term, but we remain focused on our long-term success.

It's a cliché, but one that's fitting: Our number one strength at Torstar is our people. We have a wealth of talent and backgrounds on our Board of Directors that provides us with a great depth of experience and knowledge, as we prepare to meet the challenges of the future. We are also fortunate to have immensely talented and loyal management teams and employees throughout Torstar's businesses. I am tremendously impressed by the abilities and contributions of all our employees.

Our flagship newspaper, the Toronto Star is guided by a set of beliefs that we proudly refer to as the Atkinson Principles, which were established by legendary Publisher Joseph E. Atkinson. These guidelines call for for a strong, united and independent Canada; social justice for all; individual and civil liberties; community and civic engagement; respect for the rights of working people; and the necessary role of government in Canadian life. While the Atkinson principles apply only to the Toronto Star, the overarching values expressed in these principles – that we should strive to be a successful and caring company that contributes to the advancement of society – are proudly shared by all of Torstar's businesses.

Sadly, we lost a powerful force behind the Atkinson Principles last year when former Toronto Star Publisher and Torstar Chairman Beland H. Honderich passed away in November. Beland Honderich devoted his life to the Toronto Star and Torstar during his 52 years with the company, and he worked tirelessly to uphold and advance the Atkinson Principles and the role of newspapers in our country. We owe him a great debt. I hope you will take a moment to read the tribute to him on page 6 of this report.

Finally, I would like to extend my sincere appreciation to everyone at Torstar – board members, senior executives, managers and staff – for being so kind and helpful during the transition of Torstar Chairmen in 2005. I am very grateful to everyone, especially outgoing Chairman Dr. John Evans, for making me feel so welcome in the Torstar family.

FRANK IACOBUCCI

J. ROBERT S. PRICHARD
President and
Chief Executive Officer

TO OUR SHAREHOLDERS

2005 was a challenging year for Torstar. In difficult business conditions, our financial results were mixed with book publishing meeting expectations and newspapers falling short. At the same time, we made strategic progress on a number of fronts, which will build a stronger Torstar for the future.

The media sector is evolving at an unprecedented pace of change. Technological innovation and the Internet are enabling new media and driving fragmentation of the old. The challenge for Torstar is to grow our strong, established core franchises in newspapers and book publishing while also building innovative new businesses on the foundation of the current ones that will give us increased long-term growth. We must act with the speed necessary to keep pace with the rapidly-changing industry landscape. On this agenda, we made important progress over the past year.

Harlequin's results in 2005 were encouraging. After a precipitous drop in profits and books sold the previous year, we stabilized profits and unit sales. This achievement is a great credit to Harlequin's management team. They executed well, focusing intensively on our core series business while investing in growth areas, particularly the single title publishing program.

We are now at a lower base of earnings than the heights achieved in 2002 and 2003, but we have a firmer and broader foundation on which to build profitable growth in future years. Harlequin remains unique among book publishers with its focus on women, its disciplined editorial process, its core series business and its retail, direct-to-consumer and overseas channels. Together these attributes make Harlequin a very attractive and valuable publishing business with industry-leading margins and strong free cash flow.

Harlequin and Torstar face a special financial challenge in 2006 arising from foreign exchange. The rapid and very significant rise in the Canadian dollar over the past eighteen months relative to most currencies, and the U.S. dollar in particular, will have a significant impact on our reported results. Harlequin's business is global as it earns virtually all of its profits outside Canada. As these results are then reported in Canadian dollars, the rising Canadian dollar reduces the reported value of earnings from the United States, Europe and beyond. From 2003 through 2005, our reported results were insulated from this rise in the Canadian dollar as we benefited from hedges entered into in 2002. As we enter 2006, we must now live with the new value of the Canadian dollar. At current levels, this would reduce our reported earnings by about $35 million in 2006, a major drop in profitability and free cash flow.

It is important to remember, however, that this foreign exchange impact does not affect the fundamental profitability or strength of our underlying book publishing business. Harlequin's business is strong, attractive and unaffected by the currency shifts. As we grow Harlequin's business, we will create real value but this progress will be disguised by the currency impact in 2006.

Our newspaper businesses remain strong but fell short of our financial expectations in 2005. It is no secret that the newspaper industry around the world is, like many other media industries, challenged by the digital revolution. Torstar's newspapers enjoy no immunity from these forces. Slowing revenue growth and the need to invest in new products, geographic expansion, and web-based businesses have eroded our overall newspaper earnings.

Fortunately, our newspapers remain profitable and resilient businesses. They are clustered in Southern Ontario, Canada's leading media market and among the major media markets in North America. Each of our newspaper businesses is a market leader – the Toronto Star is Canada's largest daily newspaper, Metroland is Canada's leading weekly community newspaper company, and CityMedia's daily and community newspapers are the leaders in the region they serve. Individually and collectively our newspapers deliver outstanding mass reach for our advertisers and as other media are increasingly fragmented by technological innovation, our relative reach improves.

Together our newspaper businesses provide Torstar with an outstanding platform on which to build. Our challenge is to fully realize its possibilities. This demands that we do three things well. First, we must operate our existing businesses ever more efficiently and effectively. Operational excellence, rigorous cost management, and effective sales and circulation strategies must complement our commitment to editorial excellence in serving our readers and communities. We have made a solid start here but have much work to do.

Second, we must take fuller advantage of the synergies among our individual newspaper businesses. Their geographic clustering presents us with an uncommon opportunity to serve our markets efficiently and creatively while simultaneously achieving operating economies through greater integration of our business processes and better utilization of our multiple facilities and plants. Delivering these synergies is a central part of Jagoda Pike's mandate as our new Executive Vice President, Newspapers.

Third, we must aggressively build our web-based businesses to claim a prominent place in the emerging digital media space. In this we have made a very good start. Workopolis.com, our web-based careers site, which we created with Bell Globemedia, is now Canada's leading business in this space. Workopolis is a strong, high margin, growing and profitable business, contributing solid free cash flow to Torstar. It is also a good example of the success we must now achieve with our other web-based initiatives.

We launched Torstar Digital a year ago to lead these efforts and are pleased with the early results. In local search, we strengthened our online city guide, toronto.com, as part of our determination to make it the leading source of information about Toronto and to build a technology platform that can be applied to other cities and regions. We have also launched LiveDeal.ca in partnership with U.S. based LiveDeal, Inc. We expect this will become Canada's leading online classified advertising solution, creating a marketplace for buying and selling goods at both the local and national levels. The early results are exceeding our original expectations. At the same time, we have invested in LiveDeal, Inc. to gain direct access to developments in this space and to participate financially in what we expect will be LiveDeal, Inc.'s successful launch of media partnerships in other countries following the Livedeal.ca model.

In 2005, Torstar Digital required investments in growth that exceeded the growing profits of workopolis.com which resulted in reduced operating profits for the division as a whole. We expect this to be a temporary phenomenon as we continue to establish our key platforms in our priority spaces – online news, online local search, online careers, online classifieds and online sales. Our initiatives should represent a new source of growth for Torstar in future years and collectively we expect that they and other new initiatives will secure for Torstar a prominent place in the digital media space.

Our newspaper business also includes our 19.35 percent interest in Black Press which gives us exposure to the thriving economy of Western Canada. We are very pleased with the performance of Black Press and judge that our original $20 million investment in 2002 has more than tripled in value. Longer-term, we expect to increase our investment to further expand Torstar's newspaper business into the West.

Beyond newspapers and book publishing, we are continuing to broaden Torstar's base as a media company. In December, we announced we are acquiring a 20 percent interest in Bell Globemedia for $283 million in a transaction that we expect will close in the second half of 2006, subject to regulatory approvals. This will give us a major position in Canada's premier television business on financially attractive terms. Bell Globemedia is an exceptionally strong media company with market leading franchises, a track record of success and excellent leadership. Our investment gains us exposure to conventional and specialty television and provides a strong basis for joint business development opportunities, particularly in digital media. We expect our investment will deliver attractive financial returns and increase our strategic options as a media company.

In 2005, we continued to invest in building the Transit Television Network (TTN) which delivers full-motion, broadcast-quality information, entertainment and advertising to passengers on mass transit systems in various U.S. cities. In the summer of 2005, we began installing the system in Los Angeles and expect to complete the build-out in 2006. TTN offers an attractive medium at moderate cost to advertisers seeking to reach mass urban audiences. With the Los Angeles system now operational along with our existing systems in Atlanta, Chicago and elsewhere, we are well placed to attract national advertisers to TTN and advance on the path to profitability. TTN has excellent expansion prospects as more public transit systems welcome this new medium and we are able to capitalize on our leadership position in this industry.

We have a lot ahead of us to accomplish. We are determined to meet each of our critical objectives: to return to profitable growth at Harlequin; to improve the operations and grow the profitability of our newspaper group; to expand our digital presence; to ensure our investment in Bell Globemedia delivers strong financial and strategic benefits for Torstar; and to lead the Transit Television Network to revenue growth and then profitability.

This, in total, is not an easy assignment. But it is one we can and are determined to accomplish. Fortunately, we have a lot of advantages as we pursue it: market leading franchises, fine leaders, a strong balance sheet, unusually strong free cash flow, a clear commitment to financial discipline and value creation, excellent governance and a heavily invested controlling shareholder group with a long-term perspective. Success will draw on all these advantages. But most significantly, success will draw on the talents, creativity and commitment of my colleagues throughout Torstar. Here we are abundantly endowed.

We are fortunate to attract and keep very fine people throughout our businesses. They are drawn to Torstar to be part of a worthy company that does important work. They share in our commitments: a commitment to the Atkinson Principles at the Toronto Star; a commitment to editorial excellence in all we publish; a commitment to serve and support our communities; and a commitment to make Torstar a great place to work. They care about our company and are committed to our future. By harnessing all their talent, we will succeed.

I thank all of the nearly 7,000 employees at Torstar for all they do to advance our cause. We all thank our Board of Directors for their wise counsel and we thank you, our shareholders, for vesting your confidence in us. We will do our utmost to vindicate it with our work.

J. ROBERT S. PRICHARD

President and Chief Executive Officer

BELAND HONDERICH 1919-2005

The following is an exerpt from the remarks made by Chairman Frank Iacobucci at the Tribute to Beland Honderich, which was organized by the Friends of Beland Honderich:

On behalf of the Board of Directors of Torstar Corporation, the Toronto Star, the Torstar family of businesses, and all their officers and employees, it is a great honour for me to express gratitude, esteem and appreciation for the life of Beland Honderich.

From a very humble beginning, Beland Honderich rose to be a giant of the free press in our country and beyond. As Rob Prichard noted: "The two greatest figures in the history of the Toronto Star and Torstar are Joseph E. Atkinson and Beland Honderich. Mr. Honderich was to our second half century what Mr. Atkinson was to our first – our leader, our guiding light, our inspiration." Indeed, Atkinson identified Honderich early on as someone who would carry Star values around with him like a notebook. It was his inexorable commitment to integrity, excellence, principle and honesty that made Beland Honderich stand out among his peers.

His accumulation of firsts is nothing short of remarkable. He was President of the first Canadian local of the American Newspaper Guild, and helped win better pay and working conditions for editorial staffers. He acquired Harlequin Enterprises and expanded community newspapers, and thereby developed the vision for Torstar. He was the first to have a Bureau of Accuracy and later an Ombudsman to represent the interests of readers. He was the force behind the creation of the Ontario Press Council. And upon his election to the News Hall of Fame in 1986, he was cited for taking newspapers "into a new direction, taking readers backstage to explore and explain the current events that shaped their lives." He received many honours and awards, including honorary degrees and notably the Order of Canada; and under his leadership, the Toronto Star garnered numerous awards and international recognition.

The footprints of Beland Honderich are all over Torstar and the Toronto Star. He occupied many positions here, rising to the top through a dazzling career marked by determination, high standards and much success.

As Publisher Michael Goldbloom put it: "All of us at the Star today are entrusted with building on the remarkable legacy established by Beland Honderich ... His passion for social justice, his uncompromising dedication to journalistic excellence and his profound commitment to Canada continue to guide and inspire us."

I believe that he was a person who never forgot his roots – he always identified with the common man, the underdog, the "little people." He championed the cause of the disadvantaged, minorities, equality, and fundamental freedoms of religion and of the press long before there were legislative or constitutional provisions reflecting these and other basic human values of an enlightened democracy. As he stated: "Without informed public opinion, democratic government does not function effectively." That was his mission for a newspaper.

So large was his role in Canada and the press that it can easily be said that Beland Honderich was not just a witness to and recorder of history, he was also a maker of history.

On behalf of the Board of Directors of Torstar, and the officers and employees of all of Torstar businesses, I express profound condolences to the Honderich family. Although Beland Honderich has left us, his legacy is a richness of contributions marked by principle, enlightenment and justice that will live on for future generations.

NEWSPAPERS

FROM LEFT TO RIGHT:

GERRY NOBLE
President, Transit Television Network

PAT COLLINS
Publisher, The Hamilton Spectator, and President, CityMedia Group

MURRAY SKINNER
President, Metroland Printing, Publishing & Distributing

JAGODA PIKE
Executive Vice-President, Newspapers, Torstar

TOMER STROLIGHT
President, Torstar Digital

MICHAEL GOLDBLOOM
Publisher, Toronto Star

NEWSPAPERS

JAGODA PIKE
Executive Vice-President, Newspapers, Torstar

(Appointed in February 2006)

Torstar's newspapers are the leading source of information for our readers and advertisers, largely concentrated in the Golden Horseshoe region of Ontario.

The Company is committed to delivering editorial excellence and innovative approaches to reach readers and advertisers with relevant, local content across all of its properties. Torstar is focused on growing its business and improving margins at all of its daily newspapers and to delivering double-digit annual profit growth at Metroland. Combined, the newspaper operations accounted for 66 per cent of Torstar's annual revenue and 61 per cent of its operating profit in 2005.

While each newspaper business is operated separately, the teams are jointly focused on providing readers and advertisers with market-leading products.

The **Toronto Star** is the flagship paper of Torstar. With 3.3 million copies in circulation each week, the Toronto Star remains Canada's largest newspaper and the leading daily in Toronto – Canada's largest media market.

Metroland is Canada's leading weekly community-newspaper publisher. The Company publishes 95 community newspapers and 152 weekly editions all across southern Ontario, with a focus on the Greater Toronto Area (GTA). Metroland publications include everything from The Mississauga News to Metro – a free transit daily – all the way to Sing Tao, a leading Chinese language daily newspaper. The total weekly circulation of Metroland publications is 4.5 million copies.

CityMedia Group is unique in the newspaper industry for its combined offering of daily, weekly and monthly newspapers. With three daily and 12 weekly papers in Hamilton, Kitchener, Cambridge, Waterloo and Guelph, as well as a full commercial printing business, CityMedia Group's reach extends throughout most of southern Ontario. The total weekly circulation of CityMedia Group's publications exceeds 1.5 million copies.

These three newspaper properties combined operate 11 printing plants across southern Ontario.

In addition to these properties, Torstar's investment in Victoria, B.C.-based **Black Press** has extended the Company's reach into western Canada.

In 2005, **Torstar Digital** worked closely with each of Torstar's newspaper properties to coordinate their Internet activities. This growing area of the business is focused on building a greater online presence for Torstar through its holdings in workopolis.com, toronto.com and its recently acquired interest in LiveDeal.com and the LiveDeal.ca partnership.

Torstar Media Group Television is a 24-hour, direct-response television business, operating the SHOPTV Canada channel, which reaches approximately 1.5 million cabled households in the GTA, Burlington and Oakville.

Transit Television Network is a U.S.-based operation that delivers broadcast-quality information to passengers on buses via screens mounted in the vehicles.

In 2006, Torstar's newspapers will remain focused on broadening their reach and delivering solid financial results.

MICHAEL GOLDBLOOM
Publisher, Toronto Star

TORONTO STAR

Once again, the Toronto Star has retained its position as Canada's pre-eminent daily newspaper. With 3.3 million copies in circulation every week, the Toronto Star remains the country's largest daily paper.

With the passing of Beland Honderich in November 2005, the Company lost a tireless advocate for the values known as the Atkinson Principles. These principles provide the intellectual foundation for the Toronto Star and give the paper its distinctive voice. His work has left an indelible mark on Canada and the Toronto Star.

WHEN MICE MOVE IN

TORONTO STAR

GUNS AND CRIME

Anti-gang powers expanded

CANADA STRIKES GOLD . . . AGAIN

Juniors dazzle, win our hearts

ISRAEL'S LEADERSHIP CRISIS

After Sharon, some stark choic

DECISION 2006

Who'd sit in Tory cabinet?

TORONTO STAR

Leaf draftee leads Canada to gold

As was Mr. Honderich, the Toronto Star remains steadfastly committed to excellence in journalism. That excellence was honoured in 2005 with 10 nominations for National Newspaper Awards (NNAs). The Toronto Star led the country with four of these prestigious awards, and today boasts more NNAs than any other newspaper.

One of the Toronto Star's priorities in 2005 was to expand its presence online. Late in the year, all registration requirements for readers of thestar.com were removed, making it easier for them to access information on this outstanding site for local, continuously updated news, blogs and podcasts.

With thestar.com, the Toronto Star is firmly back in the business of breaking news. This is an effective complement to the Toronto Star's print newspaper, which is increasingly focused on explanatory journalism. This integration of the Internet with the Toronto Star's print product enables the paper to increase its audience reach and create new opportunities for advertisers.

In October, Torstar signed a partnership with LiveDeal, Inc. which operates LiveDeal.com, and, early in 2006, launched LiveDeal Canada (LiveDeal.ca), an easy-to-use, free online marketplace for buying and selling goods. Toronto Star customers can access the site by visiting the online classifieds section of thestar.com or by going directly to www.livedeal.ca.

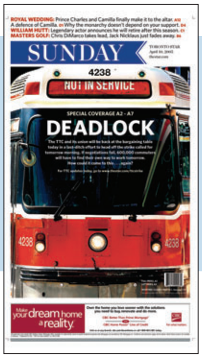
In a further commitment to innovation for both advertisers and readers, the Toronto Star began "zoning" the advertising content of its popular Saturday automotive section. The paper now delivers zoned Wheels sections to nine different parts of the Greater Toronto Area, providing local advertisers with targeted access to the Toronto Star's readers at a fraction of the price of a full-run advertisement. In 2006, the Toronto Star will expand this initiative to additional sections of the newspaper.

January 2005 saw the launch of the new Sunday Star with a focus on setting the agenda for discussion in the city of Toronto. The Sunday Star's striking new design, emphasis on thought-provoking features and bolder, creative use of photographs are already being emulated by other newspapers.

While enhancing the content and design of the Toronto Star remains a priority, the pursuit of new avenues to reach readers is a strong component of its business plan. In October 2005, Toronto Star Newspapers Limited launched Weekly Scoop, Canada's first English-language national celebrity, style and entertainment magazine. This launch represented the largest debut of a Canadian newsstand-only magazine.

While the Toronto Star is primarily focused on serving its readers and advertisers, the Company remained attentive to its costs in 2005. In addition, the Toronto Star signed a "living agreement" at the Vaughan Press Centre in January 2006. This agreement extends the contract of its largest craft union and advances the interests of current employees, while providing the Toronto Star with the flexibility to respond to a changing business environment.

The Toronto Star team is confident that Canadians will continue to value reliable information that is intelligently edited and thoughtfully presented. Consequently, the Toronto Star's commitment to delivering exceptional content, both in print and online, will serve readers, advertisers and shareholders well in the years ahead.



SUNDAY STAR

DEADLOCK

SATURDAY STAR

WHEN BULLETS FLY

My church, the crime scene

TORONTO STAR

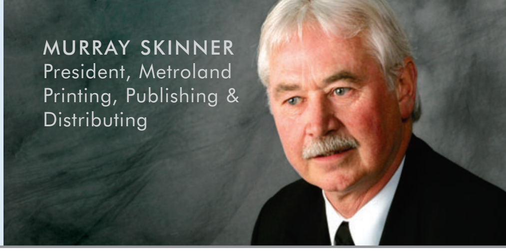
LIES, LIES, LIES

'Murderer' didn't do it, forensic experts say

Wheels

Christmas Gift Guide

METROLAND



MURRAY SKINNER
President, Metroland Printing, Publishing & Distributing

Metroland Printing, Publishing & Distributing, Ltd., is the leading publisher of weekly community newspapers in Canada.

Metroland's community newspaper revenues, and its footprint in Ontario, grew significantly in 2005 through organic growth in existing territories and a series of strategic acquisitions.

The Company extended its reach throughout the Muskoka region in three separate transactions: the acquisition of the Bracebridge Examiner, the Gravenhurst Banner and related products in May; the acquisition of the Parry Sound North Star in June; and the acquisition of the Huntsville Forester in September.

Further, Metroland expanded across the Ottawa Valley Region through the acquisition of Runge Publishing, Inc., publisher of 18 community newspaper editions, in October.

In 2005, Metroland also acquired the Meaford Express, the Thornbury Courier-Herald, the Toronto Wine & Cheese Show, and Paton Publishing, Canada's largest youth-magazine publisher.

In total, Metroland now publishes 95 community newspapers in 152 weekly editions. The company increased flyer distribution quantities in 2005 by 8.9 percent (8.1 percent, excluding acquisitions) to 2.5 billion pieces, and advertising linage by 10.4 percent (2.9 percent, excluding acquisitions) to 237.8 million lines.

2005 was also marked by significant investments in new products. Metroland expanded its product offerings in the Niagara region, which the Company had first entered in 2004, and generated a 37 percent revenue increase. In addition, Metroland launched, in partnership with Metro International and CanWest Media Works, free Metro daily newspapers in Vancouver and Ottawa. Metroland's Vacancy rental magazine experienced a full year of start-up investment. Also, Sing Tao, Canada's largest Chinese daily newspaper, expanded its stable of Chinese directories with a new product in Calgary.

Metroland takes pride in producing industry-leading community newspapers, free daily papers and specialty products that serve the needs of both advertisers and readers. The Newspaper Audience Databank recorded Toronto Metro's average weekday readership in 2005 to be 399,300 adults. And Metroland's 2005 community newspaper readership study, conducted by Kubas Consultants, confirmed that 3.7 million adults read a Metroland community newspaper each week. These papers garnered a record number of industry awards for excellence from the Canadian Community Newspaper Association, the Ontario Community Newspaper Association and the Suburban Newspapers of America (SNA), including the SNA's prestigious 2005 Editor of the Year for non-daily newspapers to Jo-Anne Burghardt of Oshawa This Week, and Journalist of the Year for both non-daily and daily newspapers to Vince Versace of The Northumberland News.

METROLAND WELCOMED THE FOLLOWING ACQUISITIONS TO ITS FAMILY OF NEWSPAPERS THAT INCLUDES THE MISSISSAUGA NEWS, THE BRAMPTON GUARDIAN, METRO AND SING TAO, AMONG OTHERS:

MUSKOKA PAPERS

RUNGE PAPERS

PATON PUBLISHING

PAT COLLINS
Publisher, The Hamilton Spectator, and President, CityMedia Group

(Appointed in February 2006)

CITYMEDIA GROUP

CityMedia Group represents a unique combination of award-winning dailies, quality weekly and specialty publications, and commercial printing in a single geographic cluster. It is comprised of 34 publications primarily in Hamilton, Kitchener, Waterloo, Cambridge and Guelph. The publications include three daily newspapers in growing Ontario markets, 12 weekly community newspapers, 20 specialty publications and magazines, and an annual directory. CityMedia also operates three printing plants.

The Hamilton Spectator is the largest daily in the group with an average circulation of 105,000 copies per day. Over the course of a week, two-thirds of adults in the Hamilton market read The Hamilton Spectator. The Record, which serves the communities of Kitchener, Cambridge and Waterloo, has an average circulation of 67,000 copies per day, while the Guelph Mercury has a daily circulation of 15,000 copies. CityMedia also publishes quality community newspapers, including the Cambridge Times, the Waterloo Chronicle and the Mountain News in Hamilton.

Readership of CityMedia dailies remains strong, with The Hamilton Spectator receiving positive Newspaper Audience Databank results in 2005 – a 6.3 per cent year-over-year increase in the number of adult readers. The Hamilton Spectator, however, did not rest on it laurels and invested further in content improvements last year with the launch of Go@home magazine in the Saturday Spectator. In addition to the coverage areas that have proven so popular in the daily Go section of The Hamilton Spectator, Go@home has other forms of content – such as electronic gadgetry, gaming, movies and TV listings – all printed on upgraded newsprint stock.

CityMedia also exhibited its commitment to readers through a number of high-impact journalism projects last year, including The Record's eight-month series called DiverseCity, which examined diversity issues in the Waterloo region, and The Hamilton Spectator's 25-part series entitled Refuge: A Story of Hope and Survival, which delved into the story behind Hamilton's Somali refugees. CityMedia's continuous effort to bring investigative stories to its readers was recognized with a National Newspaper Award in investigative reporting for a Spectator series examining Ontario's flawed Drive Clean auto-emissions program.

In 2005, CityMedia expanded the reach of its exceptional content through a variety of new outlets. Both The Hamilton Spectator and The Record launched lifestyle magazines – entitled Ruby and Grand, respectively – which are targeted at and delivered to neighbourhoods with high-end demographics. CityMedia greatly expanded its website offerings with the introduction of video-streaming, blogs, breaking news and searchable archives. And CityMedia was the first to offer classified advertising on Torstar's new LiveDeal.ca site, and continues to support Internet operations by concentrating web resources in a new Web Centre of Excellence established in the Waterloo region. Other innovative methods for reaching the market last year included the offer of Go Cooking classes to the public to complement The Hamilton Spectator's daily in-paper food content, and partnering with a local cable television firm to broadcast town-hall meetings – moderated by Spectator editors – that covered topics of local interest.

Against this backdrop of innovation and investment in content and new products, CityMedia was pleased that The Hamilton Spectator received the Canadian Journalism Foundation's prestigious Excellence in Journalism Award, which is the only national award given to a journalistic organization for overall performance.

BLACK PRESS

Torstar owns a 19.35 percent share of Black Press Ltd., a privately owned and operated company with its head office in Victoria, B.C. Black Press publishes more than 100 primarily community newspapers and 30 specialty publications, and operates commercial printing businesses at 17 printing plants in western Canada, Washington state and Hawaii.

Through this investment, Torstar has expanded its geographic presence into western Canada. The Company will leverage Metroland's expertise in community newspapers to help Black Press grow in the years ahead. Annual revenues for Black Press are about $260 million.

TMG TV

Torstar Media Group Television (TMG TV) operates TMGTV Productions, an award-winning full-service video production facility, which includes a 3D virtual set studio, Avid edit suites, DVD authoring and encoding, and SHOPTV Canada, the largest English-language 24-hour direct-response television (DRTV) channel in the country. SHOPTV Canada is available in approximately 1.5 million households in south-central Ontario, including the Greater Toronto Area – Canada's most lucrative market.

In 2005, TMG TV received the Electronic Retailing Association Award in the category of Best International DRTV Production.

TORSTAR DIGITAL

The growing importance of the Internet as a news and advertising medium has created both opportunities and challenges for the newspaper industry. To plan and manage an effective online strategy, Torstar created Torstar Digital in 2005. Torstar Digital is charged with developing growth opportunities for the Company by leveraging Torstar's leading brands, content and reach with world-class online skills, technologies and strategies.

In 2005, Torstar Digital focused on driving the growth of four key components of the Company's online business:

NEWSPAPER WEBSITES

In mid-2005, the Toronto Star, CityMedia and Metroland commissioned Torstar Digital to create a single, integrated online publishing system for all of Torstar's online newspaper properties. The system provides a flexible and evolving platform, allowing for content-sharing between properties, personalization and automation of publishing activities, and higher overall performance. Newspaper properties began rolling out onto the system in November 2005 and further integration is planned for early 2006.

TORONTO.COM

Last year, Torstar Digital also enhanced the popular online city guide and local search engine, toronto.com. The Company improved the site's overall search functionality, as well as its design, speed and content. These upgrades created a better user experience for both viewers and advertisers. As a result, the number of unique visitors has grown by an average of 6.9 percent per month, compared to the previous year.

WORKOPOLIS.COM

Workopolis (workopolis.com), which Torstar owns and operates in conjunction with Bell Globemedia Publishing Inc. and Gesca Ltd., is Canada's leading careers website. In 2005, the site achieved record earnings growth of more than 56 percent, and a 25 percent increase in the total number of jobs posted over the previous year.

LIVEDEAL.CA

Torstar Digital's most significant project in 2005 involved a partnership with LiveDeal, Inc., an online classifieds provider, to launch the service in Canada, in partnership with Torstar's newspapers. LiveDeal Canada (LiveDeal.ca) is a classifieds site that provides Canadians with an online marketplace for buying and selling goods at a local and national level. LiveDeal.ca's world-class functionality and Torstar's content and reach allow the newspaper group to bring the best of the Internet to readers and advertisers. Upon launching the site on January 16, 2006, Livedeal.ca had in excess of 20,000 listed products for sale; and in its first 10 days of operation, the site recorded more than one million hits. These results demonstrate how local e-commerce is changing the way Canadians shop online. Torstar Digital plans to capitalize on this trend by continuing to leverage the power of the Internet to enhance its well-established classifieds offering through initiatives such as LiveDeal.ca.

Torstar is confident its efforts to build the Company's online presence and leadership will continue to yield positive results and create growth opportunities for all of its businesses.

TRANSIT TELEVISION NETWORK

The Transit Television Network (Transit TV) is a business that delivers full-motion, broadcast-quality information, entertainment and advertising to passengers on buses, rail and other modes of mass transit through LCD screens mounted in the vehicles. Revenues mainly come from the sale of advertising.

Transit TV was established in 2002 as a joint venture between Torstar and ITEC Entertainment Corporation. In the second quarter of 2003, Torstar acquired 100 percent of the business, which is headquartered in Orlando, Florida. The venture is still in its early stages and good progress continued in 2005. By the end of the year, the system was fully operational in five cities: Orlando, Florida; Milwaukee, Wisconsin; Atlanta, Georgia; Virginia Beach, Virginia; and in the suburbs of Chicago, Illinois. In June 2005, Transit TV began installing its system in Los Angeles, California. It also won a contract for the transit system in San Diego, California.

The Company not only provides transit authorities in these cities with a share of the advertising revenue, but it also equips each vehicle with an audible and visual stop-announcement system for hearing and visually impaired passengers.

Over the course of 2006, Transit TV expects to complete the Los Angeles installation, at which time it will have a daily audience in excess of 1.8 million. The Company also intends to begin its installation in San Diego.

BOOK PUBLISHING

FROM LEFT TO RIGHT:

DONNA HAYES
Publisher and Chief Executive Officer

STEVE MILES
Executive Vice-President, Overseas

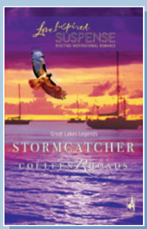
PAMELA LAYCOCK
Executive Vice-President, New Business Development and Strategy

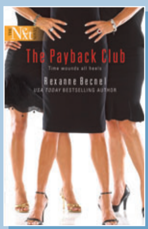
CRAIG SWINWOOD
Executive Vice-President, Retail Division

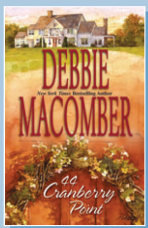
LORIANA SACILOTTO
Executive Vice-President, Global Publishing and Strategy

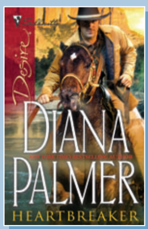
MARK MAILMAN
Executive Vice-President, Direct-To-Consumer Division

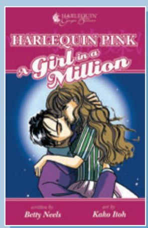
ANDREW WRIGHT
Senior Vice-President and Chief Financial Officer











HARLEQUIN ENTERPRISES LIMITED

DONNA HAYES
Publisher and Chief Executive Officer

Harlequin is unique in the publishing industry – from its dominance of the series romance publishing niche, to its focus on publishing for women through a variety of genres, to its differentiated distribution models for both the Direct-To-Consumer and Overseas channels.

In 2005, Harlequin committed to investing in its core franchise: the series romance business. At the same time, Harlequin continued to invest in growth areas for the business, particularly in its single title publishing programs. Breakout single title editorial and expansion into hardcover and trade paperback formats have contributed to continuous single title sales growth. Harlequin also expanded further into high-growth publishing niches and innovative new formats that position it well for ongoing relevance to readers.

INDUSTRY

After a difficult year for the industry in 2004, sales of the mass-market paperback format stabilized in 2005. This is especially important to Harlequin as the mass-market segment represents approximately 85 percent of its Retail North America sales. Consumer book publishing remains a relatively stable and modest growth industry. U.S. industry figures for 2005 indicate that Harlequin has performed at par with the rest of the publishing community. The Direct-To-Consumer environment continues to prove challenging, but product and marketing innovation enabled Harlequin to stabilize and grow this business. In 2005, many of the trends seen in North America continued to play out in Overseas markets as well.

OPERATING REVIEW

In 2005, Harlequin achieved EBITDA of $103.1 million, down 2.4 percent from 2004, as the Company invested more to stabilize the core business and create further growth opportunities.

HARLEQUIN'S STRATEGY

In 2005, Harlequin remained focused on six core strategic objectives, in order to maintain and grow its share of the women's fiction market.

1. Attracting and Developing Authors

Harlequin's ability to develop more authors than any other publisher continues to be a unique strength. Harlequin continues to attract many top-level authors, indicative of the care and attention the Company pays to authors and their career development.

2005 Accomplishments

• Debbie Macomber's hardcover, A Good Yarn, placed on The New York Times bestseller list for five consecutive weeks, representing the first time one of her hardcover books has made a top-15 placement.
• To expand editorial offerings and launch the thriller genre Harlequin acquired an anthology, Thriller, edited by bestselling author James Patterson. It includes short stories by many of the top thriller authors, such as Lee Child and John Lescroart.
• Several New York Times bestselling authors were re-signed: Debbie Macomber, Heather Graham, Susan Wiggs, Maggie Shayne, Carly Phillips, Linda Lael Miller and Brenda Joyce.

2006 Initiatives

• Continue to recruit new authors who offer a unique editorial proposition and appeal to a broader group of readers.
• Maintain focus on developing and promoting Harlequin's top authors.

2. Achieving Editorial Excellence

Entertaining and relevant stories ensure that women come to Harlequin for their fiction purchases. To that end, Harlequin continues to execute on its multi-year editorial plan to deliver stories that have the highest appeal to its readers.

2005 Accomplishments

• Harlequin continued to dominate the series romance business in North America, with authors winning 30 awards from the Romance Writers of America and Romantic Times.
• Harlequin titles appeared on The New York Times bestseller lists for a record 188 weeks, an increase of 20 percent over 2004.
• 44 Cranberry Point by Debbie Macomber won the first-ever Quill Award for Romance.

2006 Initiatives

• Continue to develop more relevant editorial in all lines. Monitor the impact of this effort through consumer research.
• Broaden editorial parameters to ensure that Harlequin offers more of the books that women read.

3. Driving Product Innovation

Continuous innovation is at the heart of Harlequin's product strategy. Each year, new and relevant products are introduced to both current and prospective readers.

2005 Accomplishments

• In 2005, Harlequin launched two new series that were met with strong reader interest – Harlequin Next, a contemporary women's fiction series, and Love Inspired Suspense, a Christian-themed suspense series.

• To tap the burgeoning African-American book market, in 2005 Harlequin purchased the assets of BET Books, which included the imprints Sepia, New Spirit and its flagship imprint Arabesque. This has enabled Harlequin to fast-track its entry into African-American publishing.
• In 2005, Harlequin focused on expanding beyond the mass-market paperback format into more hardcover and trade paperback titles – increasing title output by 19 percent over 2004.
• The launch of larger print formats to the Direct-To-Consumer customer base was met with greater-than-expected response.

2006 Initiatives

• Launch three new series – Harlequin Everlasting, sweeping, epic romance stories; a Paranormal romance line; and Kimani Romance, the only series romance product specifically for the African-American market.
• Continue to grow its hardcover and trade paperback publishing program through author and title acquisitions, author development, genre expansion and the strategic use of backlist.

4. Investing in Brands

2005 Accomplishments

• Harlequin dedicated more than $26 million in retail advertising and promotion to the launch and development of key brands and authors, creating over 900 million media impressions.
• New sampling initiatives placed over four million full-book and chapter samplers in the hands of potential readers.
• Dedicated advertising to support breakout editorial by new author Elizabeth Flock propelled Me & Emma to a New York Times placement in the U.S. and the highest-ever sales of a Harlequin single title book in the U.K.

2006 Initiatives

• Support series brands and bring new customers into the franchise by significantly increasing the sampling program and targeted advertising.
• Continue to place emphasis on the promotional support of breakout editorial.

5. Broadening and Enhancing Channels

Important to Harlequin's unique character in the book-publishing industry is the way in which it leverages the Direct-To-Consumer and Overseas channels to deliver books to women.

2005 Accomplishments

• Harlequin's e-commerce site, eHarlequin.com, was redesigned to further emphasize book sales, resulting in year-over-year sales growth of 14 percent.
• Direct-To-Consumer new member acquisition levels stabilized after several years of decline.
• Progress has been made in turning around important Overseas markets: Japan and the U.K.
• Harlequin launched its market expansion into Brazil.

2006 Initiatives

• Further enhance eHarlequin.com to continue to deliver aggressive sales growth.
• Utilize the Company's increased breadth of women's fiction editorial to increase Direct-To-Consumer sales by genre.
• Continue to build on strong results delivered by single title programs in France, Germany, Japan and Australia.

6. Expanding into High-growth Niches

By exploring high-growth niches within book publishing, Harlequin aims to deliver entertaining content to current and potential readers in continually relevant ways.

2005 Accomplishments

• Harlequin launched a downloadable audio program in partnership with Audible.com in North America and an audio CD program in Germany.
• Harlequin entered the e-book market through distribution agreements with e-retailers in both North America and Japan.
• In conjunction with Dark Horse Comics, Harlequin entered the growing manga, or Japanese-style comic, market in North America.

2006 Initiatives

• Deliver subscription content to readers via mobile phones, through a partnership with Vocel, Inc.
• Expand each of the audio, e-books and manga initiatives in a number of markets.

FUTURE OUTLOOK

By continuing to focus on publishing books for women, Harlequin maintains its unique place within the diverse and competitive consumer book publishing arena. Ongoing investment in the core series romance business and building the single title business through editorial and format expansion provide the foundation for growth. Exploring high-growth publishing niches increases apportunities for growth by creating increased relevance for current readers and broadening the appeal of the Harlequin franchise to new readers.

BELL GLOBEMEDIA

In December 2005, Torstar signed an agreement to acquire a 20-percent equity interest in Bell Globemedia Inc. for $283 million. The transaction is expected to close in the second half of 2006, subject to regulatory approval. Bell Globemedia is one of Canada's leading multi-media companies. Its assets include the CTV television network, Canada's leading private broadcaster with 21 stations across the country; The Globe and Mail, Canada's national newspaper; 14 specialty television services, many of which are market leaders; 40 percent interest in workopolis.com, Canada's leading Internet careers site; and 15 percent interest in Maple Leaf Sports and Entertainment, owner of the Toronto Maple Leafs, Toronto Raptors and the Air Canada Centre.

Torstar's investment comes as part of a recapitalization of Bell Globemedia by its current shareholders, BCE Inc., (68.5 percent) and The Woodridge Company Ltd., the holding company of the Toronto-based Thomson family (31.5 percent). Following the recapitalization, BCE will reduce its equity ownership to 20 percent, Woodbridge will increase its ownership to 40 percent, and Torstar and the Ontario Teachers' Pension Plan will each aquire 20 percent.

Bell Globemedia is an exceptionally strong media company with market-leading franchises, a track record of success and excellent leadership. This investment gives Torstar exposure to conventional and specialty television in Canada and strengthens Torstar's position as a broadly based media company. It allows Torstar to participate, through Bell Globemedia, in consolidation opportunities that may emerge in the Canadian television industry. Torstar and Bell Globemedia have a history of successfully working together on workopolis.com, the nation's leading Internet careers site, which was jointly created in 2000. This investment in Bell Globemedia builds on the spirit of that successful partnership and provides further incentive to explore new opportunities, particularly in digital media.

VOCEL

Vocel is a California-based developer of mobile applications. In September 2005, Torstar acquired a minority interest in Vocel, Inc., whose other investors include Random House, Inc. The Company is focused on partnering with strong content brands and mobile carriers to provide engaging and easy-to-use mobile versions of highly branded content. Vocel's applications allow customers of these brands to extend their access to the content anywhere they have mobile service. Vocel is the developer of the recently launched Harlequin mobile application that provides subscribers with Harlequin-related content, information, games and promotional offers. The Company is positioning itself to capitalize on its unique patent-pending interactive "push" technology to participate in the growing demand for content delivered to cell phones.

LIVEDEAL.COM

In October 2005, Torstar acquired a minority interest in LiveDeal, Inc. (LiveDeal.com), a leading online provider of free local classifieds in the U.S. Operating since 2003, LiveDeal.com lists more than US$3 billion worth of goods for sale and attracts in excess of one million users per month. Torstar made the investment in recognition of the growing consumer appeal of online classifieds and believes LiveDeal.com has great potential for growth. The investment also allows LiveDeal.com to align itself with some of the most-respected media brands in Canada, representing the initial step of the classified provider's international expansion strategy. Other investors in LiveDeal.com include venture-capital firm Draper Richards.

In addition to the investment, Torstar's digital division, Torstar Digital, entered into a joint venture with LiveDeal.com to create LiveDeal Canada (LiveDeal.ca). The new site provides Canadians with a cost-effective, easy-to-use and efficient marketplace for buying and selling goods, locally and nationally. As a result of the investment and the partnership, Torstar has strengthened its value proposition to leverage high-caliber news content with cutting-edge online technology.

COMMITMENT TO OUR COMMUNITIES

At Torstar, we believe that serving and being a part of our many communities are both our responsibility and our privilege.

Imagine Caring Company Une entreprise généreuse

Designated a Caring Company by Imagine Canada, Torstar and each of its companies are proud of their storied traditions of providing cash and in-kind contributions to support the communities they operate in.

TORONTO STAR

Former Toronto Star Publisher Joseph E. Atkinson believed that the newspaper had a social responsibility to its readers and the people of Toronto. For more than 100 years, **The Toronto Star Children's Charities** have provided for underprivileged children in the Greater Toronto Area (GTA) through reader-supported fundraising campaigns for two charities.

In 2005, **The Toronto Star Santa Claus Fund** celebrated its 100th year of giving holiday gifts to disadvantaged children. More than 45,000 children across the GTA received a bright gift box containing a warm sweater, socks, mittens, a hat, a book, a toy and candy. Each gift was chosen specifically to suit the age of the recipient, from infants to 12-year-olds. (See photograph below.) This year, in recognition of the charity's 100th anniversary, each box also included something extra to offset the effects of the candy – a toothbrush and toothpaste.

Also in celebration of the Fund's anniversary, the Toronto Star created a new youth program for teens aged 13 to 17. They received two movie passes and a $20 gift certificate for concessions. The Toronto Star was proud to offer 5,500 teens this special gift.

The Toronto Star Santa Claus Fund set an ambitious fundraising target of $1.35 million in 2005. This target became even more aggressive after Torontonians were called upon last year to provide assistance for the recovery efforts of such natural disasters as Hurricane Katrina and the earthquake in Pakistan. Nevertheless, the Toronto Star was humbled and appreciative of the

generosity of its readers, and those of its sister newspapers – The Mississauga News, The Brampton Guardian and The Ajax-Pickering News Advertiser – who jointly gave more than $1.5 million to the Santa Claus Fund in 2005.

The Toronto Star Fresh Air Fund began in 1901 as an appeal to Toronto Star readers to help underprivileged children escape the sweltering heat wave that summer. In 2005, this tradition continued by offering children with debilitating illnesses, medical conditions and from low-income families the opportunity to enjoy summer camp. Thanks to $530,038 in donations from readers, 25,000 children attended a total of 99 day and residential camps, which provided them with a life experience they will never forget.

The Toronto Star covers all administrative costs of its Children's Charities so that ever penny contributed by readers goes to supporting more than 70,000 children each year.

In addition to its long-time support of the Children's Charities, the Toronto Star contributes to the Children's Aid Foundation, gives to literacy programs funded through Frontier College and the Toronto Public Library, and supports journalism and education with scholarships and awards at Ryerson University, Loyalist College, Humber College and Sheridan College.

HARLEQUIN

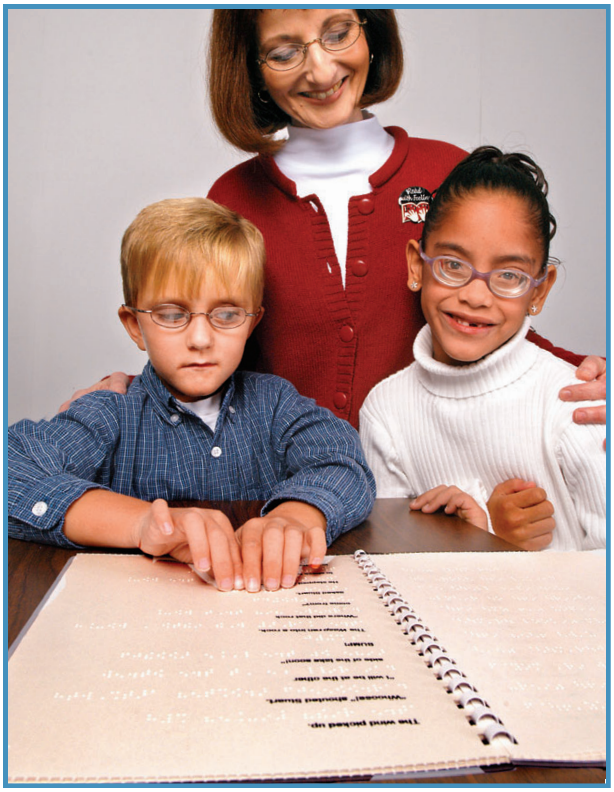
Now in its third full year of operation, **the Harlequin More Than Words program** honours ordinary women who make extraordinary contributions to their communities. Each year, Harlequin gathers nominations from across North America and presents five women with the More Than Words award, and five of Harlequin's leading authors contribute to a collection of short stories inspired by the award winners' dedication and compassion. Proceeds from the book are reinvested into the More Than Words program. In addition, Harlequin is proud to make a $10,000 donation to each of the award winners' associated charities and to promote these charities online and through a North American-wide publicity campaign.

This year's award recipients will be featured in More Than Words, Volume 3, available in October 2006. The recipients are:

Debra Bonde of Livonia, Michigan, founder of Seedlings Braille Books for Children. Seedlings is dedicated to increasing the opportunity for literacy by providing high-quality, low-cost braille books for children. (See photograph on opposite page.)

Deb Fruend, founder of Team Activities for Special Kids in St. Louis, Missouri. This year-round instructional sports program provides athletic and social opportunities for children with special needs.

Seana O'Neill founded Cottage Dreams to link cancer survivors and their families with donated cottages in Ontario, to ultimately provide them with an opportunity to recover, reconnect and rebuild their lives.



Kathy Silverton of Los Angeles, California, founded Stitches from the Heart. With the help of over 6,000 volunteers, Stitches sends handmade clothing and blankets to premature and impoverished babies all across the United States.

Gloria Gilbert Stoga's Puppies Behind Bars is based in New York City. The organization trains prison inmates to raise puppies to become guide dogs for the blind and explosive-detection canines for law enforcement.

CITYMEDIA GROUP

The Hamilton Spectator has been providing camping experiences to disadvantaged children since the early 1900s. In 2005 alone, **The Summer Camp Fund** granted "camperships" to over 1,100 underprivileged children, allowing them to enjoy a fun-filled week at summer camp. The experience gives local children the chance to learn new skills, make new friends and raise their self-esteem.

The Record continued to build on its relationship with the University of Waterloo by participating in its new Journalist-in-Residence program. CityMedia staff created and instructed a media course for the university's new Digital Arts program. In 2006, CityMedia will further enrich this program through the guidance of student research on the changing habits of Internet users.

METROLAND

Metroland provides support and leadership to literally hundreds of charitable efforts throughout the communities it serves. Just a few examples:

Mississauga Mayor Hazel McCallion's annual golf tournament raises money for community charities and organizations. Mississauga News staff members volunteer to assist with the tournament, and Publisher Ron Lenyk is a founding member and current Chair of the organizing committee. Last year, the tournament raised a record $90,000.

Ron Lenyk also serves as a member of the Smile China Board of Directors. Smile China is a program that provides medical care to children born in China with cleft palates and little or no access to treatment. The Mississauga News raised $5,000 and helped the child in the accompanying photograph to receive surgery. Rob Beintema, a Mississauga

News photojournalist, traveled to China and chronicled the work of the Mississauga medical team and the children it helped.

Sing Tao Daily, through the Sing Tao Canada Foundation, has joined with the CICS Foundation to fundraise for the establishment of the Immigrant Resource Centre (IRC), a unique resource that will deliver language and culture-specific integrated services to new immigrants. The IRC Capital Fundraising Campaign was launched on August 30, 2005, and has thus far raised over $150,000.

The Oakville Beaver received one of the Canadian Cancer Society's top national awards. The Elizabeth Eisenhauer Lifetime Contributor Award was presented to writer Wilma Blockhuis and Publisher Ian Oliver on behalf of the paper.

A number of Metroland community newspapers – including The Mississauga News, The Brampton Guardian and The Ajax-Pickering News Advertiser – continued as key partners in The Toronto Star Santa Claus Fund.

In addition to editorial support, employee leadership and cash contributions, Metroland properties donate more than $2.5 million of promotional space annually to a variety of worthy causes.

THE TORONTO STAR FRESH AIR FUND

100th ANNIVERSARY SANTA CLAUS FUND 1906-2005

THE HAMILTON SPECTATOR Summer Camp Fund

HARLEQUIN More Than Words

FINANCIAL RESULTS

2005 proved challenging and the financial results were mixed. Revenues were up marginally by 1.6% to $1.57 billion; operating profits declined by 6% to $197 million. Results in the year were affected by an increase in investment in new products and geographic expansion.

- The Toronto Star's earnings proved resilient despite experiencing a 2.6% decline in revenue. Earnings were up, excluding the start-up investment in Weekly Scoop.
- After experiencing consistent increases in profits at Metroland for a number of years, earnings declined in 2005. Increased investment in geographic expansion, new products and in corporate infrastructure had an impact on year over year profit.
- CityMedia continued to grow in its region and experienced an increase in revenue and in earnings excluding the impact of strike-related costs.
- In its first full year as a division, Torstar Digital experienced revenue gains due to the continued success of workopolis.com. Operating profits of the division were down as investments were made in the infrastructure of the division and the relaunch of Toronto.com to improve Torstar's position in the increasingly important digital space.
- After experiencing a significant decline in earnings in 2004, Harlequin enjoyed a better year with operating profit stabilizing in 2005. The North American mass market paperback market which had been very soft in 2004 also stabilized in 2005.

Looking ahead to 2006, we intend to focus on execution within and across the businesses while at the same time continuing to make the investments necessary to enhance value over the long term.

David Holland

DAVID HOLLAND

FINANCIAL TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2005

Dated: March 1, 2006

The following review and analysis of Torstar Corporation's ("Torstar") operations and financial position is supplementary to, and should be read in conjunction with the audited consolidated financial statements of Torstar Corporation for the year ended December 31, 2005.

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

Non–GAAP Measures

Management uses both operating profit and EBITDA as measures to assess the performance of the reporting units and business segments. EBITDA is a measure that is also used by many of Torstar's shareholders, creditors, other stakeholders and analysts as a proxy for the amount of cash generated by the reporting unit or segment. EBITDA is not the actual cash provided by operating activities and is not a recognized measure of financial performance under GAAP. Torstar calculates EBITDA as the reporting unit or segment's operating profit before interest, unusual items, taxes, 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.

Forward–looking statements

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

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

These factors include, but are not limited to: general economic conditions in the principal markets in which the Company operates, revenues, the Company's ability to operate in highly competitive industries, the Company's ability to compete with other forms of media, the Company's ability to attract advertisers, cyclical and seasonal variations in the Company's revenues, newsprint costs, labour disruptions, foreign exchange fluctuations, restrictions imposed on existing credit facilities, litigation, and uncertainties associated with critical accounting estimates.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results. For more information, please see the discussion starting on page 23 concerning the effect certain risk factors could have on actual results, as well as the discussion in the Company's current Annual Information Form, which is incorporated herein by reference.

In addition, a number of assumptions, including those assumptions specifically identified throughout this MD&A, were applied in making the forward–looking statements set forth in this MD&A, some or all of which may be incorrect.

OVERVIEW

Torstar Corporation is a broadly based media company listed on the Toronto Stock Exchange (TS.nv.b). Its businesses include newspapers led by the Toronto Star, Canada's largest daily newspaper; CityMedia Group, publishers of daily and community newspapers in Southwestern Ontario; Metroland Printing, Publishing & Distributing, publishers of 95 community newspapers in Ontario; and Harlequin Enterprises, a leading global publisher of women's fiction. In 2005, Torstar had revenues of $1.6 billion and net income of $118.8 million.

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.

NEWSPAPER SEGMENT

The Newspaper Segment includes the newspaper, Internet, specialty publications and commercial printing results of the Toronto Star, CityMedia Group and Metroland Printing, Publishing and Distributing ("Metroland"); Torstar Digital; Torstar Media Group Television ("TMG TV") and Transit Television Network ("TTN").

The Toronto Star has the largest circulation and readership of any daily newspaper in Canada. The Toronto Star's Vaughan Press Centre primarily supports the Toronto Star's printing needs but is also engaged in commercial printing, including the printing of the National Post. Weekly Scoop is a weekly glossy celebrity, style and entertainment magazine sold on newsstands across Canada that was launched in October 2005. CityMedia Group publishes three daily newspapers — The Hamilton Spectator, The Record (Kitchener, Cambridge and Waterloo) and the Guelph Mercury — along with 12 community newspapers and a number of specialty publications. Metroland publishes 95 community newspapers, a number of specialty publications, operates several consumer shows and publishes the jointly owned Metro daily commuter papers in Toronto, Ottawa and Vancouver and the Chinese language newspaper Sing Tao Daily. Torstar Digital was established in 2005 as a reporting unit for the Newspaper Segment's independent Internet operations including workopolis, toronto.com, LiveDeal.ca and the Torstar Digital corporate group. Each newspaper reports the results for its own website within the newspaper results.

TMG TV is a 24–hour direct response television business operating the SHOP TV Canada channel and TMG TV Productions. 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.

Key factors and related risks affecting Newspaper Segment revenues and operating income

Revenues

Newspapers generate revenue from advertising and circulation with advertising being the more significant source. Advertising revenue includes in–paper advertising, inserts/flyers and on–line ads. Revenue is a function of the volume of ads (measured by linage in the printed paper) and the rates charged. Advertising revenue has historically been sensitive to downturns in the economy. Over the past five years, daily newspapers have also seen in–paper linage negatively affected by the migration of advertising to inserts and other media including the Internet. This trend continued through 2005 as daily newspaper linage decreased about 1% in both Ontario and Canada. The Toronto Star has been impacted by this trend more than Metroland or CityMedia as part of the reduction in in–paper linage has transferred to inserts which are more commonly distributed by the community newspapers.

The rate a newspaper can charge for advertising depends on the market position of the newspaper and its readership base[1]. Total number of readers as well as exclusive readers and readers in key demographics are important factors in establishing market positioning for newspapers. Readership of all newspapers has been challenged for several years with the development of other competitive sources of news and information. In response, newspapers need to ensure that they remain a reliable source of information to their readers through a combination of their in–print and on–line products. The Toronto Star and Metro together combined for 49.9% of the total gross weekday readership of daily newspapers in the Toronto Census Metropolitan Area in 2005. More details on the average weekday readership for Torstar's daily newspapers can be found in Torstar's 2006 Annual Information Form.

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[1]Readership statistics for Canadian daily newspapers are independently reported by the Newspaper Audience Databank ("NADBank") twice a year.

Advertising revenues are sensitive to changes in linage and rate. A 1% shift in either advertising linage or the average line rate at the combined daily newspapers impacts Torstar's revenues by approximately $4.0 million over a full year.

Circulation revenue is a combination of the number of copies sold and the net selling price per copy. Circulation statistics are important as they support readership levels and market positioning. Newspapers are sold via home delivery, single copy (in stores and street boxes) and in bulk (primarily for promotional and sampling purposes). Circulation volumes have declined over the past few years but were relatively constant across Torstar's daily newspapers in 2005. Circulation results for Torstar's daily newspapers can be found in Torstar's 2006 Annual Information Form.

The Internet complements and competes with printed newspapers for advertising, particularly in the employment and other classified advertising categories. Recognizing that there has been a structural shift in advertising, Torstar Digital was established as a reporting unit within the Newspaper Segment in 2005. Torstar Digital is a cooperative effort of all the newspapers to develop integrated online solutions in the areas of local and national advertising, classifieds, news and information that will meet the needs of online advertisers, consumers and readers.

Torstar's newspapers have all established Internet operations to complement their printed products. Partial ownership of workopolis.com — Canada's largest employment website — ensures that Torstar maintains its share of the employment advertising market. Local search opportunities are realized through toronto.com and 701.com, both of which are wholly–owned by Torstar. In January 2006, Torstar announced the launch of LiveDeal.ca, a comprehensive local on–line classified site. LiveDeal.ca is a joint venture between Torstar and LiveDeal, Inc. that can currently be accessed directly or through the on–line classified sites of the Toronto Star, The Hamilton Spectator, The Record and the Guelph Mercury. Access through Metroland classified sites is anticipated to come on line during 2006. LiveDeal.ca brings together the volume of classified advertising from Torstar's newspapers with the technology to localize a search, complemented by enhanced e–commerce functionality.

The business models surrounding the Internet are still evolving. Lower structural costs and global competition have created a market where Internet revenues and costs tend to be lower than for traditional media. Generating a significant level of Internet revenues requires a large volume of transactions at relatively low rates. To get the volume of transactions, high content and brand recognition and effective technology are key requirements. The risks for Internet revenues are that the playing field continues to change at a rapid pace, there are lower barriers to entry and the competitors include global players.

TMG TV generates revenues primarily by selling time for direct response advertising on the SHOP TV Canada channel. The direct response television business in Canada has been challenging for several years. Federal regulations on products and a shift to digital tuning (reducing channel surfing) have negatively affected the Canadian direct response television business. Channel placement with the cable networks is an important selling feature for this business. TMG TV's contract with Rogers for access to their cable network in the Toronto area expires on December 31, 2006 and negotiations are underway.

TTN generates revenues by selling advertising space on the programming broadcast on the transit buses. The medium enjoys the advantage of a relatively "captive" audience, is less expensive for advertisers than television and may provide better access to key demographics. However, as a new product, there is no guarantee of commercial success and there is a significant risk that advertisers will be slow to embrace it.

<u>Operating Expenses</u>

The most significant operating expenses for the Newspaper Segment are labour, newsprint and distribution costs. A significant proportion of these costs is relatively fixed in nature and cannot be easily changed in the short–term in response to lower revenues.

Labour costs make up about 40% of total costs for the Newspaper Segment. The newspaper businesses are subject to several collective agreements and annual increases have generally been tied to cost of living increases. The newspapers face the risk of future labour negotiations and the potential for business interruption should a strike occur.

One of the Toronto Star's collective agreements covering approximately 800 employees at One Yonge Street was renegotiated in 2005 and will expire at the end of 2007. The contract provides for wage settlements of 2.5% for the first two years and 1.5%–3.0% in the third year based upon the Consumer Price Index ("CPI") for Toronto. Five additional agreements covering the approximately 500 employees at the Vaughan Press Centre were also renegotiated in 2005 under similar terms. However three of these agreements covering approximately 400 employees also included a "living agreement" to return to the bargaining table to try to find solutions to the longer–term challenges facing the Toronto Star. In January 2006, three amended collective agreements were ratified by these employees as a result of these discussions. The amended agreements, which will now expire at the end of 2011, provide for a gradual reduction in press room manning, a single employee classification in the mailroom and for new employees to be hired at industry–competitive rates. These agreements will assist the Toronto Star in reducing the long–term cost structure at the Vaughan Press Centre. However, the cost savings will be realized gradually over time and there will be related restructuring costs in order to facilitate some of the staffing changes.

Metroland has several collective agreements covering approximately 160 employees that will expire during or at the end of 2006 and an agreement covering 45 employees that extends to the end of 2007. Sing Tao's collective agreements with their employees will expire at the end of 2006. These agreements, which cover all of Metroland's unionized employees, provide for an increase of between 2% and 3% in 2006, based on either the Toronto or Ontario CPI.

CityMedia has a number of collective agreements throughout their operations. Two agreements, covering approximately 120 employees, expired in 2005 with negotiations underway for one of the agreements and about to begin for the other. Another six agreements covering approximately 400 employees will expire at the end of 2006. The remaining agreements extend until 2007 or 2008 and cover approximately 150 employees. Wage increases under these agreements are generally tied directly to the increase in the Ontario CPI but subject to a range of 1% to 3%. Approximately 50 production and mailroom staff at the Hamilton Web printing facility have been on strike since December 5, 2004. Attempts at reaching agreements in 2005 were unsuccessful. Hamilton Web has continued to operate during the strike.

Newsprint is priced as a commodity with price increases or decreases implemented at regular intervals. Over the past few years the newsprint producers have closed higher–cost mills reducing the overall supply of newsprint and in turn increasing pricing. Torstar's newspapers consume approximately 150,000 tonnes of newsprint each year and newsprint costs make up about 15% of total costs for the Segment. A $10 change in the price per tonne affects operating profits by $1.5 million. In 2005, Torstar's newsprint prices were on average 1.5% lower than in 2004. Based on announced increases in pricing, the average newsprint price is expected to increase by approximately 5% in 2006. Additional price increases could be implemented during the year.

Distribution costs to deliver newspapers represent a third significant cost to the Segment. Ensuring that distribution is completed on a timely basis is a business risk. Distribution of newspapers is made through independent contractors with adults primarily used for the daily newspapers and local youth used for many of the community newspapers. For the community newspapers, the ability to attract and retain a youth carrier force is a key business concern. Higher fuel prices incurred by truckers and independent contractors ultimately result in higher costs for the Newspaper Segment.

BOOK PUBLISHING SEGMENT

The Book Publishing Segment reports the results of Harlequin Enterprises Limited, a leading global publisher of women's fiction. Harlequin publishes women's fiction around the world, selling books through the retail channel and directly to the consumer by mail and the Internet. Harlequin's women's fiction publishing operations are comprised of three divisions: North America Retail, North America Direct–To–Consumer and Overseas. In 2005 Harlequin published books in 26 languages in 109 international markets. Harlequin reported a total of 131 million books sold in 2005, up from 130 million in 2004.

Harlequin sells books under several imprints including Harlequin, Silhouette, MIRA, Red Dress Ink, Steeple Hill, LUNA and HQN. Different genres of women's fiction are published under the various imprints. In late 2005, Harlequin acquired the assets of BET Books, a leading publisher of African–American women's fiction. These titles will be published by Harlequin under the Kimani Press imprint.

Harlequin publishes books in both series and single title formats. Harlequin publishes series titles primarily under the Harlequin and Silhouette brands. Series titles are published monthly in mass–market paperback format under an imprint that identifies the type of story to the reader. Each series typically has a preset number of titles that will be published each month. The single title publishing program provides a broader spectrum of content in a variety of formats (mass–market paperback, trade paperback, hardcover) and generally a longer book. New single title books are published each month and the individual titles have a longer shelf life.

Key factors and related risks affecting Book Publishing Segment revenues and operating income

A key risk for book publishing is to be able to publish books that consumers want to read and to have them available where and when they are making their purchasing decision. Given the large percentage of its sales in the U.S., Harlequin has considerable exposure to trends occurring in the U.S. book market. In response to these challenges, Harlequin continues to introduce new product lines in order to attract new readers and discontinues products where consumer interest has declined. Harlequin also continues to expand its distribution network through retail stores, by direct mail and through the Internet.

Books sold through the retail channel are sold to wholesalers and retailers with a right of return leaving the ultimate sales risk with Harlequin. In order to reflect the ability of the retailers to return books that they don't sell, a provision for returns is made when revenue is recognized. (See additional information in the Critical Accounting Policies and Estimates section of this MD&A.) The provision is then adjusted as actual returns are received over time. Series books are on sale for approximately one month. Returns for these books are normally received within one year, with more than 95% received within the first six months. Single title books are on sale for several months and, as a result, experience a longer return period. The difference between the initial estimate of returns and the actual returns realized has an impact on Harlequin's results during subsequent periods as the returns are received. Single title books tend to have a higher variability in return rates than series books, increasing the related risk on the provision for returns estimate.

A key risk for the direct–to–consumer business is maintaining the customer base. This is done through a combination of acquiring new customers and keeping the existing ones. A significant source of new customers has historically been through promotional direct mailings. The direct marketing industry continues to face considerable challenges from a lack of available mailing lists, regulation and competitive pressure from alternate channels. This makes the acquisition of new customers through promotional mailings difficult.

As an international publisher, (less than 5% of Harlequin's revenues are earned in Canadian dollars) Harlequin's reported revenues and operating profits are affected by changes in foreign exchange rates relative to the Canadian dollar. The most significant risk is from changes in the U.S.$/Cdn.$ exchange rate. Harlequin also has exposure to many other currencies, the most significant of which are the Euro, Yen and British Pound. From 2004 to 2005, the Canadian dollar strengthened by 7% relative to the U.S. dollar, Euro and the British Pound and by 8% to the Yen. The total impact of these changes was a decrease of $8.1 million in Harlequin's reported operating income.

To offset some of this exposure, Torstar enters into forward foreign exchange and option contracts, primarily for U.S. dollars. (See additional information on foreign exchange risks in the Financial Instruments section of this MD&A.) In 2005, Torstar realized gains of $29.5 million related to $76.0 million of U.S. dollar contracts at an average exchange rate of $1.59. These gains were included in Harlequin's reported revenue and operating income. The U.S. dollar contracts that matured in 2005 were entered into in 2002 when the Canadian dollar was much weaker. This level of gains on U.S. dollar contracts is not expected to recur in the future.

ASSOCIATED BUSINESSES

Torstar has a 19.35% equity investment in Black Press Ltd. and a 30% equity interest in Q–ponz Inc. Black Press Ltd. is a privately held company that publishes 95 newspapers (both dailies and weeklies) and has 17 printing plants in Western Canada, Washington State and Hawaii. Q–ponz Inc. is a coupon envelope business based in Toronto. These investments are accounted for using the equity method. Torstar may make additional investments in Black Press under certain circumstances. Black Press faces many of the same risks as Torstar's community newspapers, but in a different geography which may have a different impact on revenues and operating income.

In December 2005, Torstar entered into an agreement to purchase a 20% equity interest in Bell Globemedia ("BGM") at a purchase price of $283 million. BGM's assets include the CTV television network, Canada's leading private broadcaster; The Globe and Mail, Canada's national newspaper; and fifteen specialty television services. This transaction gives Torstar exposure to conventional and specialty television in Canada and strengthens its position as a broadly–based media company. Subject to approval by the Canadian Radio–television and Telecomunications Commission ("CRTC") and the Federal Competition Bureau the transaction is expected to close in the fall of 2006. This investment will be accounted for using the equity method.

OPERATING RESULTS — YEAR ENDED DECEMBER 31, 2005

Overall Performance

Total revenue was $1,566.9 million in 2005, up $25.1 million from $1,541.8 million in 2004. Newspaper revenue grew $37.6 million to $1,041.1 million including $10.1 million from acquisitions. Reported Book Publishing revenues were $525.9 million in 2005, down $12.5 million from $538.4 million in 2004. The decrease resulted from the strengthening of the Canadian dollar during the year that more than offset $12.3 million of underlying revenue growth and an $8.1 million year over year positive impact from the U.S. dollar hedges.

Operating profit was $196.7 million in 2005, down $12.5 million from $209.2 million in 2004. Newspaper Segment operating profits were $120.3 million in 2005, down $7.3 million from $127.6 million in 2004, as higher costs from new initiatives and the investment in infrastructure at Metroland and Torstar Digital more than offset revenue growth. Book Publishing Segment operating profits were $95.4 million in 2005, down $1.8 million from $97.2 million in 2004 as lower profits from North America Retail more than offset higher results in the North America Direct–To–Consumer and Overseas divisions.

Corporate costs were $19.0 million in 2005, up $3.4 million from $15.6 million in 2004. Higher professional fees, pension costs and the year over year mark to market of deferred share units contributed to the increased costs. Compensation costs were up slightly in the year with incremental costs from higher staffing levels and the expensing of stock options largely offset by lower bonus provisions.

Interest expense was $10.5 million in 2005, down $0.4 million from $10.9 million in 2004. The decrease was from the lower level of debt outstanding during the year. The average net debt (long–term debt and bank overdraft net of cash and cash equivalents) was $290 million in 2005, down from $306 million in 2004. Torstar's effective interest rate was 3.6% in both 2005 and 2004.

During 2005, the Canadian dollar strengthened approximately 7% relative to the U.S. dollar. This resulted in Torstar reporting a non–cash foreign exchange loss of $2.7 million on the translation of its net U.S. dollar asset position. Torstar has U.S. dollar denominated debt which provides a hedge against its U.S. dollar assets. However the offset is not exact as the U.S. dollar assets are primarily working capital with amounts fluctuating daily. In 2004, there was a loss of $1.7 million on the translation of Torstar's net U.S. dollar asset position.

Torstar reported a gain of $10.3 million in 2005 from unusual items compared with a $12.3 million loss in 2004. 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. In 2005, there was a gain of $12.4 million from the sale of the land and building in Kitchener that had previously been occupied by The Record and the sale of surplus land at 7 Queen's Quay East in Toronto. The gain was reduced by a $2.1 million provision for a voluntary severance program at the Toronto Star's Vaughan printing facility. The 2004 loss included $8.6 million for restructuring provisions at the Toronto Star and CityMedia and a $3.9 million provision to write–off all of Torstar's remaining Interactive portfolio investments. Harlequin reported a net gain from unusual items of $0.2 million in 2004 as a $1.3 million recovery on a 2003 provision more than offset a $1.1 million provision for restructuring of its North American and U.K. operations. On an after–tax basis the total 2005 gain was $0.11 per share and the total 2004 loss was $0.11 per share.

Torstar's effective tax rate was 39.0% in 2005 compared with 39.1% from 2004. Excluding the impact of unusual items and the non–cash foreign exchange loss, the effective rate was 39.2% in 2005, up from 38.3% in 2004. The higher effective tax rate in 2005 was primarily from higher TTN losses that were not tax–effected in either year.

Income from associated businesses was $0.6 million in 2005, up $0.1 million from $0.5 million in 2004. Black Press continued to perform well in 2005 as its newspapers benefited from a strong economy in Western Canada.

Net income was $118.8 million in 2005, up $6.1 million from $112.7 million in 2004. Net income per share was $1.52 in 2005, up $0.10 from $1.42 in 2004. The average number of Class B non–voting shares outstanding in 2005 was 78.2 million, down from 79.2 million in 2004 as a result of the repurchase of shares under a normal course issuer bid.

The following chart provides a continuity of earnings per share from 2004 to 2005:

Net income per share 2004	$1.42
Operations	(0.10)
Foreign exchange	(0.01)
Unusual items	0.22
Tax rate — effective rate	(0.03)
Reduced number of shares outstanding	0.02
Net income per share 2005	$1.52

Segment Operating Results — Newspapers

The following tables set out, in $000's, the results for the reporting units within the Newspaper Segment for the years ended December 31, 2005 and 2004.

	Operating Revenue		Operating Profit (Loss)		Profit Margin	
	2005	2004[2]	2005	2004[2]	2005	2004
Toronto Star	$432,706	$444,480	$32,358	$32,617	7.5%	7.3%
Metroland	416,777	373,510	71,756	74,109	17.2%	19.8%
CityMedia	161,389	158,230	23,073	24,024	14.3%	15.2%
Torstar Digital	16,946	14,486	3,090	4,171	18.2%	28.8%
Other	13,262	12,767	(9,989)	(7,320)	n/a	n/a
Segment Total	$1,041,080	$1,003,473	$120,288	$127,601	11.6%	12.7%

	Depreciation and Amortization		EBITDA[3]		EBITDA Margin	
	2005	2004[2]	2005	2004[2]	2005	2004
Toronto Star	$31,803	$33,734	$64,161	$66,351	14.8%	14.9%
Metroland	8,270	6,453	80,026	80,562	19.2%	21.6%
CityMedia	5,573	5,263	28,646	29,287	17.7%	18.5%
Torstar Digital	527	701	3,617	4,872	21.3%	33.6%
Other	2,869	2,110	(7,120)	(5,210)	n/a	n/a
Segment Total	$49,042	$48,261	$169,330	$175,862	16.3%	17.5%

[2] *The 2004 results have been restated to include the workopolis and toronto.com results in Torstar Digital.*

[3] *EBITDA is calculated as reporting unit or segment operating profit plus depreciation and amortization.*

Toronto Star

Despite an $11.8 million decline in revenues, the Toronto Star reported an operating profit of $32.4 million in 2005, down only $0.2 million from $32.6 million in 2004. Lower newsprint, labour and depreciation costs provided an offset to the lower revenues and the startup costs related to Weekly Scoop. The Toronto Star's 2005 EBITDA was $64.2 million, down $2.2 million from $66.4 million in 2004. Excluding the impact of Weekly Scoop, the Toronto Star's EBITDA would have been up $1.0 million or 1.5% in the year.

Revenues continue to be a significant challenge for the Toronto Star. Advertising linage was down 8.6% in the year with declines across all major categories. National, retail, travel and classified linage was down 3.0%, 10.0%, 9.4% and 14.6% respectively. Employment linage was up slightly in the year but is a significantly smaller category than it was several years ago. Automotive linage was soft throughout the year but the zoned Wheels section that was introduced in the fall has performed well by providing car dealers with a cost–effective way to advertise in the Toronto Star. The effective average line rate was up 3.4% in 2005. A portion of the decline in in–paper advertising was offset by a 13.0% increase in insert revenue. Circulation revenues were higher in 2005 due to price increases in the first half of the year for home delivery and single copy and from two additional publishing Saturdays in 2005. Circulation volumes were down slightly in the year.

Newsprint costs were lower by $6.3 million in 2005 from a combination of lower consumption combined with slightly lower prices. Labour costs were down $6.7 million in 2005 from staff reductions realized through the voluntary severance program that was implemented in late 2004 and lower pension costs. Depreciation costs were down $1.9 million as some production equipment at the Vaughan Press Centre became fully depreciated during 2005.

During the fourth quarter of 2005, Weekly Scoop was launched. Early circulation results were within expectations. Start–up operating losses of $3.2 million were incurred in 2005.

Metroland

Metroland's acquisitions, start–ups and expansion contributed to revenue growth of $43.3 million in 2005. However, as is commonly the case, most of the start–ups and expansions incurred operating losses in 2005 which, combined with higher infrastructure costs, resulted in a $2.4 million decline in Metroland's operating profit.

During 2005, Metroland made several acquisitions including community newspapers in the Muskoka, Huntsville, Parry Sound and Ottawa areas. Metroland also acquired the Toronto Wine and Cheese Show and Paton Publishing (a contract publisher and producer of focused marketing campaigns aimed principally at youth audiences).

Advertising revenues were up 7.8% in 2005 including the impact of acquisitions. On a "same paper" basis advertising revenues were up 4.9%. Distribution volumes grew by 8.9% in 2005 to almost 2.5 billion pieces. Revenues from specialty publications, including directories and magazines, and commercial printing were up in 2005.

Market expansions, including the introduction of the Metro daily free commuter newspaper into Vancouver and Ottawa, reduced operating profits by $5.7 million while acquisitions added $2.0 million. The growth in Metroland's operations has required an investment be made in the infrastructure to support the larger organization. This investment in increased staffing levels and computer systems increased costs by approximately $0.9 million in 2005.

CityMedia

CityMedia revenues of $161.4 million in 2005 were up $3.2 million from $158.2 million in 2004 with higher advertising revenues at the CityMedia newspapers partially offset by lower commercial printing revenues. Operating profit of $23.1 million was down $0.9 million from $24.0 million in 2004 including the impact of $1.9 million of costs related to the strike at the Hamilton Web facility. Without those costs, operating profit would have been up $1.0 million or 4.2% in the year.

Advertising revenues at the daily newspapers were up 1.5% in 2005 as higher effective average line rates more than offset a 2.6% decline in linage. Most of the linage declines came from lower advertising volumes by major retailers. Insert volumes grew 5.4% across the CityMedia group including almost 20% growth for the community newspapers. Commercial printing revenues were down in 2005 partially from work shifting to other Torstar printing facilities.

Newsprint and labour costs were relatively flat year over year excluding the impact of lower commercial printing activity. Other costs were higher in 2005 due to higher circulation costs and the production costs for the Gold Book Directory and new magazines in both Hamilton and Kitchener.

Torstar Digital

Torstar Digital revenues were $16.9 million in 2005, up $2.4 million from $14.5 million in 2004 with strong revenue growth at workopolis.com. Operating profit was down $1.1 million in 2005 as costs related to the relaunch of toronto.com and the investment in infrastructure costs related to the Torstar Digital corporate staff more than offset higher operating profits at workopolis.com.

Other

TMG TV's 2005 operating profit was up slightly year over year on flat revenue as the direct response advertising market continued to be challenging.

TTN's reported revenues were $3.5 million in 2005, up $0.7 million from $2.8 million in 2004 including the negative impact from the strengthening Canadian dollar. Subsequent to the appointment of a new President and CEO in May of 2005, changes were made to the sales staff in the second half of the year as the sales emphasis was shifted from local to national advertisers. This transition has resulted in slower revenue growth than originally expected. During 2005, TTN started the installation of the system in Los Angeles, and over 50% of the installation was completed by year end. TTN reported, as expected, an operating loss of $11.8 million in 2005 compared with a loss of $8.9 million in 2004. Higher depreciation and amortization accounted for $0.9 million of the increased loss.

Segment Operating Results — Book Publishing

The following tables set out, in $000's, the results for the Book Publishing Segment, including the impact of foreign currency movements and foreign currency contracts, for the years ended December 31, 2005 and 2004.

	2005	2004
Reported revenue, prior year	$538,376	$584,924
Impact of currency movements	(32,904)	(19,277)
Impact of U.S. dollar hedges	8,072	21,396
Change in underlying operating revenue	12,319	(48,667)
Reported revenue, current year	$525,863	$538,376
U.S. dollar hedge gains	29,468	21,396
Revenue before hedges, current year	$496,395	$516,980

	2005	2004
Reported operating profit, prior year	$97,182	$124,121
Impact of currency movements	(8,146)	(6,920)
Impact of U.S. dollar hedges	8,072	7,648
Impact of other currency foreign exchange contracts	214	(436)
Change in operating profit	(1,941)	(27,231)
Reported operating profit, current year	$95,381	$97,182
Gains from U.S. dollar and other currency foreign exchange contracts	30,311	22,025
Operating profit before foreign exchange contract gains, current year	$65,070	$75,157
Reported operating profit margin	18.1%	18.1%
Operating profit margin, before foreign exchange contract gains	13.1%	14.5%
Reported operating profit, current year	$95,381	$97,182
Depreciation and amortization	7,719	8,502
EBITDA[4], current year	$103,100	$105,684

[4] *EBITDA is calculated as segment operating profit plus depreciation and amortization.*

Book Publishing revenues were up $12.3 million in 2005 excluding the impact of foreign exchange. North America Retail was up $8.9 million, North America Direct–To–Consumer was down $3.9 million and Overseas was up $7.3 million.

Book Publishing operating profits were down $1.9 million in 2005 excluding the impact of foreign exchange. North America Retail was down $6.8 million, North America Direct–To–Consumer was up $0.6 million and Overseas was up $4.3 million.

North America Retail was able to stabilize unit sales in 2005 after realizing significant declines in 2004. This is consistent with statistics published by the Association of American Publishers indicating that net billings of mass–market paperbacks in the U.S. in 2005 were even with 2004. Approximately 85% of North America Retail revenues are from mass–market paperbacks. The number of books sold by the North America Retail division was down only slightly in the year. Operating profits were down year over year as a result of higher product costs (reflecting the mix of the product being sold), increased overhead costs and an incremental $3.3 million invested in promotional activities.

North America Direct–To–Consumer revenues were down in 2005 primarily due to fewer shipments of a children's direct–to–home continuity program. Within the core book business, revenues were down only marginally as declining volumes were offset by better payment trends and the favourable impact of the June 2004 price increase. After experiencing a decline in profit for a number of years, operating profit was up slightly in 2005 as reduced investment in advertising and promotion along with lower overhead costs more than offset the decline in revenues.

The Overseas markets continued to face volume challenges in 2005. Most of the increase in operating profits in 2005 arose from positive adjustments to the 2004 returns provision estimates. Japanese sales volumes in 2005 were close to last year. Continued declines in series volumes were largely offset by gains in single title volumes. In the U.K., sales volumes were down in both the retail and direct–to–consumer markets. This decline in revenues was only partially offset by overhead costs savings realized from the restructuring that occurred in the third quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Funds are generally used for capital expenditures, debt repayment and distributions to shareholders. Long–term debt is used to supplement funds from operations and as required for acquisitions. It is expected that future cash flows from operating activities, combined with the credit facilities available will be adequate to cover forecasted financing requirements excluding the investment in BGM that is expected to be made in the fourth quarter of 2006. Torstar is currently reviewing its credit facilities and does not anticipate any difficulties in obtaining the financing required for the BGM acquisition.

In 2005, $124.1 million of cash was generated by operations, $74.6 million was used for investing activities and $45.3 million was used for financing activities. Cash and cash equivalents net of bank overdraft increased by $0.2 million in the year from $40.8 million to $41.0 million.

Operating Activities

Operating activities provided cash of $124.1 million in 2005, down $54.5 million from $178.6 million in 2004.

The adjustment for future income taxes was $9.3 million in 2005 consistent with the $9.0 million in 2004. The benefit in both years was from the use of loss carryforwards and the impact of pension funding in excess of pension expense.

Other adjustments to operating cash flows of $17.6 million in 2005 included $11.9 million of pension contributions in excess of pension expense and the unusual $12.4 million gain from the sale of land. These amounts were offset by the non–cash foreign exchange loss and the stock–based compensation expense. In 2004, the other adjustments of $14.2 million included $22.7 million of pension contributions in excess of pension expense net of the non–cash expenses for the write–off of the Internet portfolio, foreign exchange loss and stock–based compensation.

Non–cash working capital increased $42.7 million in 2005. Higher receivables and prepaid balances combined with lower payable balances caused the increase in working capital. Newspaper receivables were higher due to the increased revenues in 2005. Prepaid balances increased during the year from higher author advances at Harlequin and the timing of payments throughout Torstar. Corporate taxes payable were lower in 2005 due to the timing of tax payments and accounts payable were down from lower restructuring provision payables and the impact of foreign exchange. In 2004, non–cash working capital decreased $14.8 million as increases in trade, employee (including restructuring provisions) and taxes payable more than offset higher receivables from increased newspaper revenues.

Investing Activities

During 2005, $74.6 million was used for investments, up from $62.6 million in 2004.

Additions to property plant and equipment were $35.3 million in 2005, down $10.3 million from $45.6 million in 2004. The 2005 additions included general capital replacement across all the operations and $6.6 million for TTN's Los Angeles installation. The 2004 additions included $8.0 million for new presses and press upgrades and $8.3 million for TTN.

During 2005, $59.4 million was used for acquisitions and investments, up significantly from $16.1 million in 2004. Metroland made several acquisitions in 2005, including community newspapers in the Muskoka, Huntsville, Parry Sound and Ottawa areas. Metroland also acquired the Toronto Wine and Cheese Show and Paton Publishing (a contract publisher and producer of focused marketing campaigns aimed principally at youth audiences). The Metroland acquisitions had a total purchase price of $48.1 million. Harlequin completed the $5.0 million acquisition of BET Books from Black Entertainment Television during 2005 and Torstar made $6.0 million of portfolio investments in Vocel, Inc. and LiveDeal, Inc.

The 2004 acquisitions were primarily made by Metroland including Gold Book directories, World of Wheels and Canadian Auto World magazines, the Port Perry Star, the Grimsby Lincoln News, Oakville Today, and the Port Colborne Leader newspapers and the Flyer Network (a flyer and distribution business). The CityMedia Group acquired the Grand River Sachem and the Glanbrook Gazette newspapers. In 2004 Torstar acquired a 30% equity interest in Q–ponz Inc., a coupon envelope business.

During 2005, total proceeds of $17.7 million were received from the sale of the property in Kitchener that had previously been occupied by The Record and the surplus land at 7 Queen's Quay East in Toronto.

2006 Capital Expenditures

Capital expenditures in 2006 are expected to be approximately $50.0 million, $14.7 million higher than the $35.3 million spent in 2005. The more significant 2006 capital expenditures include $4.0 million for TTN to complete the build–out in Los Angeles and $10.5 million for the purchase of inserting equipment at Metroland.

Financing Activities

Cash of $45.3 million was used in financing activities during 2005, down from $124.6 million in 2004.

Torstar increased its long–term debt by $21.2 million in 2005 compared with a reduction of $61.5 million in 2004. During 2005, Torstar repaid $45 million of medium term notes that matured and issued $100 million of new Canadian dollar medium term notes that will mature in 2009 and 2010. Torstar also repaid $33.8 million of commercial paper during 2005.

Cash dividends paid to shareholders were $56.9 million in 2005, up $2.6 million from $54.3 million in 2004 reflecting the higher dividend rate. $8.4 million of cash was received from the exercise of stock options in 2005, down from $22.1 million received in 2004.

Torstar commenced a normal course issuer bid on May 6, 2005, effective for one year, to repurchase for cancellation up to two million Class B non–voting shares. A similar normal course issuer bid was in place between May 7, 2004 and May 6, 2005. A combined 904,100 shares were purchased during 2005 under the issuer bids for a total price of $20.9 million. In 2004, 1,440,800 Class B shares were repurchased for a total price of $35.0 million. Torstar believes that the purchase of its own shares is a prudent use of corporate funds and will help to offset the dilution resulting from the issue of shares pursuant to the exercise of stock options. With the announcement in the fourth quarter of 2005 of the investment in BGM, which is expected to close in the fall of 2006, Torstar is not currently making any purchases under the issuer bid that is in effect.

Long–Term Debt

At December 31, 2005, Torstar had long–term debt of $334.3 million outstanding. The debt consisted of U.S. dollar commercial paper of $140.6 million, Canadian dollar commercial paper of $93.7 million and Canadian dollar medium term notes of $100.0 million.

In December 2005, Torstar arranged a long–term credit facility for $325 million that will expire on January 15, 2008. This credit facility is designated as a standby line in support of the commercial paper program and letters of credit. At December 31, 2005, there were no funds drawn under the facility and a $24.9 million letter of credit was outstanding relating to the executive retirement plan.

Commercial paper is 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 intent, to the extent that the long–term credit facility has sufficient credit available that it could be used to replace the outstanding commercial paper, the commercial paper is classified as long–term debt on Torstar's balance sheet. At December 31, 2005, the available credit of $300.1 million was sufficient to cover the $234.3 million of outstanding commercial paper.

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 2006.

Long–Term Debt — 2006 Acquisitions

In December 2005, Torstar entered into an agreement to purchase a 20% equity interest in BGM at a purchase price of $283 million. Subject to the CRTC and the Competition Bureau approval the transaction is expected to close in the fall of 2006. Torstar intends to finance this investment with long–term fixed–rate debt. In order to protect from rising interest rates during 2006 prior to the closing of the transaction, Torstar has entered into an option agreement that will allow it to enter into a five–year interest rate swap of floating rate for fixed rate debt on $200 million of debt. The fixed rate is 4.9% plus an interest rate spread above the bankers' acceptance rate. The interest rate spread is based on Torstar's long–term credit rating and is currently set at 0.4%.

Contractual Obligations

Torstar has the following significant contractual obligations[5] (in $000's[6]):

Nature of the obligation	Total	Less than 1 Year (2006)	1— 3 Years (2007—2008)	4 — 5 Years (2009—2010)	After 5 Years (2011 +)
Office leases	$159,935	$14,244	$26,721	$22,823	$96,147
Equipment leases	8,688	2,628	3,983	2,077	
Revenue share	2,616	290	735	553	1,038
Capital purchases	1,834	671	983	180	
Long–term debt	334,317		234,317	100,000	
Total	$507,390	$17,833	$266,739	$125,633	$97,185

[5] This chart does not include the $283 million payment that will be made for a 20% equity interest in BGM if the transaction receives regulatory approval. It also does not include Torstar's obligations for Employee future benefits as detailed in Note 12 of the consolidated financial statements.

[6] All foreign denominated obligations were translated at the December 31, 2005 spot rates.

Office leases include the offices at One Yonge Street, in Toronto for Torstar and the Toronto Star, Harlequin's Toronto head office and The Record in Kitchener. The One Yonge Street and Kitchener leases extend until the year 2020. Harlequin's lease will expire in 2009. Equipment leases include office equipment and company vehicles.

The revenue share obligations are the guaranteed minimum revenue share commitments to various transit commissions in connection with TTN's operations. The commercial paper component of long–term debt is shown as payable in 2008 as the long–term credit facility will expire in January 2008. Torstar expects to be able to renew its credit facilities at that time.

Torstar has a guarantee outstanding in relation to an operating lease for a warehouse in New Hampshire that was entered into by one of the businesses in its former Children's Supplementary Education Publishing segment. Lease payments are under U.S. $1.0 million per year and the lease runs through December 2018. The warehouse has been subleased, on identical terms and conditions, to the purchaser of that business. The sublease is secured by a U.S. $0.7 million letter of credit.

2006 OUTLOOK

The outlook for the Newspaper Segment is unclear. While the community newspapers showed positive revenue growth trends in 2005, the daily newspapers continue to face challenges. The Toronto Star has realized linage declines of approximately 8% for each of the past two years. While rate increases were able to offset the 2004 linage declines they were unable to fully do so in 2005. It is difficult to predict whether these trends will continue in 2006. For all of Torstar's newspapers, new products and pricing strategies will continue to be introduced to meet the changing needs of advertisers. The impact that Torstar Digital — through workopolis.com, toronto.com and LiveDeal.ca — will have on the Segment results is also difficult to predict at this time. While cost increases are expected in Torstar Digital through the continued investment in infrastructure, the level of revenue growth is difficult to estimate.

For TTN, the completion of the Los Angeles installation will provide a significant basis on which to determine how well national advertisers will respond to this new product. The Milwaukee, Atlanta and Chicago PACE operations are all expected to reach monthly EBITDA break–even during 2006.

For Book Publishing, there are some signs that the U.S. retail book market is stabilizing. The Association of American Publishers has published statistics that indicate that 2005 net billings of mass–market paperbacks in the U.S. were even with 2004. Harlequin will continue to invest in its authors, products and new technologies. While Torstar continues to hedge a portion of its U.S. dollar revenues through the use of foreign exchange contracts, the $30.3 million gain on U.S. dollar and Euro foreign exchange contracts reported in 2005 will not be repeated in 2006. In addition, if Harlequin's 2005 results had been translated using the December 31, 2005 exchange rates, operating income would have been reduced by approximately $6 million. (2005 earnings were translated using 2005 average exchange rates while the Canadian dollar strengthened during the year. For example, the average 2005 U.S.$/Cdn.$ exchange rate was $1.21 while the December 31st rate was $1.17.) The combination of these two factors effectively would reduce Harlequin's base earnings from $95.4 million in 2005 to approximately $60 million. Harlequin's 2006 operating profit will continue to be negatively impacted if foreign currency exchange rates continue to weaken against the Canadian dollar.

OPERATING RESULTS — THREE MONTHS ENDED DECEMBER 31, 2005

Overall Performance

Total revenue was $419.8 million in the fourth quarter, up $5.3 million from $414.5 million in the fourth quarter of 2004. Newspaper revenue was up $9.0 million to $294.1 million including $5.4 million from acquisitions. Reported Book Publishing revenues were $125.6 million in the fourth quarter of 2005, down $3.8 million from $129.4 million in the same period last year. The decrease resulted from the strengthening of the Canadian dollar during the quarter that more than offset $3.5 million of underlying revenue growth.

Operating profit was $65.1 million in the fourth quarter, down $6.0 million from $71.1 million in the fourth quarter of 2004. Newspaper Segment operating profit was $47.8 million in 2005, down $1.7 million from $49.5 million in 2004, as higher costs from new products, expansions and infrastructure investment more than offset higher revenues. Book Publishing Segment operating profits were $22.4 million in the fourth quarter, down $2.5 million from $24.9 million in the same period last year as lower profits from North America Retail and North America Direct–To–Consumer more than offset higher results in the Overseas division.

Corporate costs were $5.2 million in the fourth quarter of 2005, up $1.9 million from $3.3 million in 2004. The higher costs related primarily to increased professional fees and pension costs but also to the timing of expenditures year over year.

Interest expense was $2.9 million in the fourth quarter of 2005, up $0.1 million from $2.8 million in the fourth quarter of 2004. The increase was from a slightly higher effective interest rate during the quarter as the average net debt (long–term debt and bank overdraft net of cash and cash equivalents) was $284 million in 2005, consistent with $285 million in 2004.

Torstar's effective tax rate was 39.7% in the fourth quarter of 2005, up from 37.6% in the same period in 2004. The higher effective tax rate was from the timing of the recording of permanent differences in the fourth quarter of 2005.

Net income was $37.9 million in the fourth quarter of 2005, down $4.7 million from $42.6 million in the fourth quarter of 2004. Net income per share was $0.48 in 2005, down $0.06 from $0.54 in 2004. The average number of Class B non–voting shares outstanding in the fourth quarter of 2005 was 78.3 million, down slightly from 78.8 million in 2004.

The following chart provides a continuity of earnings per share from 2004 to 2005:

Net income per share fourth quarter 2004	$0.54
Operations	(0.05)
Foreign exchange	0.01
Tax rate — effective rate	(0.02)
Net income per share 2005	$0.48

Segment Results — Newspapers

The following tables set out, in $000's, the results for the reporting units within the Newspaper Segment for the fourth quarters ended December 31, 2005 and 2004.

	Operating Revenue		Operating Profit (Loss)		Profit Margin	
	2005	2004[7]	2005	2004[7]	2005	2004
Toronto Star	$121,607	$123,105	$19,305	$19,719	15.9%	16.0%
Metroland	120,004	110,579	21,415	20,922	17.8%	18.9%
CityMedia	44,892	44,720	8,777	9,797	19.6%	21.9%
Torstar Digital	4,224	3,735	454	1,409	10.7%	37.7%
Other	3,413	2,993	(2,128)	(2,397)	n/a	n/a
Segment Total	$294,140	$285,132	$47,823	$49,450	16.3%	17.3%

	Depreciation and Amortization		EBITDA[8]		EBITDA Margin	
	2005	2004[7]	2005	2004[7]	2005	2004
Toronto Star	$7,350	$8,342	$26,655	$28,061	21.9%	22.8%
Metroland	2,113	1,849	23,528	22,771	19.6%	20.6%
CityMedia	1,304	882	10,081	10,679	22.5%	23.9%
Torstar Digital	153	178	607	1,587	14.4%	42.5%
Other	699	652	(1,429)	(1,745)	n/a	n/a
Segment Total	$11,619	$11,903	$59,442	$61,353	20.2%	21.5%

[7] The 2004 results have been restated to include the workopolis and toronto.com results in Torstar Digital.

[8] EBITDA is calculated as reporting unit or segment operating profit plus depreciation and amortization.

Newspaper revenues were up $9.0 million in the fourth quarter of 2005. The Toronto Star's in–paper advertising revenues were down $4.7 million in the quarter as linage continued its year–long downward trend, down 8.6% in the quarter. National, retail, travel and classified linage was down 3.0%, 13.5%, 4.1% and 15.2% respectively. Advertising revenues at Metroland and CityMedia were up a combined $6.7 million in the fourth quarter, including $5.4 million from Metroland acquisitions. Insert revenue for the newspapers combined was up 8.5% in the fourth quarter including the benefit of a 7.2% increase in distribution volumes at Metroland. Circulation revenues were higher at all the daily newspapers, reflecting price increases earlier in 2005 for both single copy and home delivery.

Operating profits of $47.8 million were down $1.7 million in the fourth quarter of 2005 from $49.5 million in 2004. Newsprint and labour costs were down at the Toronto Star from lower newsprint consumption and the impact of the voluntary severance plan in late 2004. Metroland had higher newsprint and labour costs from acquisitions and expansion in 2005. Torstar Digital labour costs were higher from the investment in the corporate infrastructure. Other costs incurred in the fourth quarter included $2.6 million for Weekly Scoop. Excluding the investment in Weekly Scoop, newspaper profits were up $0.9 million or 1.8% in the quarter.

Segment Results — Book Publishing

The following tables set out, in $000's, the results for the Book Publishing Segment, including the impact of foreign currency movements and foreign currency contracts, for the fourth quarters ended December 31, 2005 and 2004.

	2005	2004
Reported revenue, fourth quarter prior year	$129,391	$137,008
Impact of currency movements	(7,849)	(5,636)
Impact of U.S. dollar hedges	567	7,545
Change in operating revenue	3,517	(9,526)
Reported revenue, fourth quarter current year	$125,626	$129,391
U.S. dollar hedge gains	8,112	7,545
Revenue before hedges, fourth quarter current year	$117,514	$121,846

	2005	2004
Reported operating profit, fourth quarter prior year	$24,865	$28,819
Impact of currency movements	(1,510)	(1,422)
Impact of U.S. dollar hedges	567	2,495
Impact of other currency foreign exchange contracts	686	(900)
Change in operating profit	(2,170)	(4,127)
Reported operating profit, fourth quarter current year	$22,438	$24,865
Gains from U.S. dollar and other currency foreign exchange contracts	8,219	6,966
Operating profit before foreign exchange contract gains, fourth quarter current year	$14,219	$17,899
Reported operating profit margin	17.9%	19.2%
Operating profit margin, before foreign exchange contract gains	12.1%	14.7%
Reported operating profit, fourth quarter current year	$22,438	$24,865
Depreciation and amortization	1,875	2,235
EBITDA[9], fourth quarter current year	$24,313	$27,100

Book Publishing revenues were up $3.5 million in the fourth quarter of 2005 excluding the impact of foreign exchange. North America Retail was up $0.5 million, North America Direct–To–Consumer was down $0.5 million and Overseas was up $3.5 million.

Book Publishing operating profits were down $2.2 million in the fourth quarter of 2005 excluding the impact of foreign exchange. North America Retail was down $1.7 million, North America Direct–To–Consumer was down $1.3 million and Overseas was up $0.8 million.

North America Retail volumes were lower in the fourth quarter of 2005 due primarily to differences in the publishing schedule year over year. This, combined with higher costs, resulted in lower North America Retail operating profit in the quarter. North America Direct–To–Consumer results were down in the fourth quarter reflecting higher costs and changes in the mix of offers year over year. The trends in the fourth quarter for the Overseas operations were consistent with the full–year performance. Sales volumes continued to be challenged in several of the overseas markets.

[9] EBITDA is calculated as segment operating profit plus depreciation and amortization.

Liquidity

In the fourth quarter of 2005, $34.8 million of cash was generated by operations, $32.5 million was used for investing activities and $7.4 million was used for financing activities. Cash and cash equivalents net of bank overdraft decreased by $6.0 million in the quarter from $47.0 million to $41.0 million.

Operating activities provided $34.8 million of cash in the quarter, down from $50.4 million in 2004. Other adjustments to operating cash flows were $7.5 million, compared with $24.9 million last year primarily from lower pension contributions in the fourth quarter of 2005. Non–cash working capital increased $16.0 million in the quarter primarily due to the increase in newspaper receivables from the traditionally stronger fourth quarter revenues. In the fourth quarter of 2004, non–cash working capital decreased by $10.0 million as a large decrease in prepaid balances from the timing of payments offset the increase in receivables.

During the fourth quarter of 2005, $24.5 million was spent on acquisitions and investments including the community newspapers in Ottawa, BET Books and the portfolio investment in LiveDeal, Inc. Fixed asset additions were $10.2 million in the quarter down slightly from $14.0 million in 2004.

Torstar issued $13.2 million of commercial paper during the fourth quarter of 2005 and paid dividends of $14.3 million. During the fourth quarter of 2005, Torstar purchased 314,900 shares for a total price of $7.0 million under the normal course issuer bid that opened on May 6, 2005. In the fourth quarter of 2004, 548,900 shares were purchased for a total price of $12.0 million under a previous normal course issuer bid.

FINANCIAL INSTRUMENTS

Foreign exchange

Harlequin's international operations provide Torstar with approximately 32% of its operating revenues. As a result, fluctuations in exchange rates can have a significant impact on Torstar's reported profitability.

To manage the exchange risk in its operating results, Torstar enters into forward foreign exchange and currency option contracts. Torstar's most significant exposure is to the movements in the U.S.$/Cdn.$ exchange rate. Torstar's current practice is to hedge, one year in advance, U.S. dollar revenues equivalent to approximately 50% of its expected U.S. dollar operating profit. Torstar has also, historically, entered into foreign exchange contracts to manage its exchange risk on movements in the Euro, Yen and British Pound.

Torstar has entered into forward foreign exchange contracts to sell $30 million U.S. dollars during 2006 and $7.5 million in 2007 at a rate of $1.16. These contracts are designated as revenue hedges for accounting purposes and any resulting gains or losses are recognized in Book Publishing revenues as realized.

The counterparties to the foreign currency contracts are all major financial institutions with high credit ratings. Further details are contained in Note 13 of the consolidated financial statements.

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

Interest rates

Torstar has long–term debt in the form of medium–term notes and commercial paper supported by a bank loan facility. Torstar issues debt in both Canadian and U.S. dollars with the U.S. dollar debt used as a hedge against the U.S. dollar denominated assets in the Book Publishing segment. Torstar issues commercial paper at floating rates and medium term notes with either fixed or floating interest rates.

Torstar is party to a U.S. interest rate swap arrangement that fixes the interest rate on U.S. $80 million of borrowings at approximately 3.5% for four years ending December 2007. The U.S. $80 million was based on the expectation that Torstar will hold at least that level of U.S. dollar debt as an economic hedge against Harlequin's U.S. operations over the long term.

Torstar has chosen to have its Canadian dollar debt at floating rates. Torstar has entered into swap agreements that effectively convert the $100 million of Canadian dollar fixed rate medium term notes that were issued in 2005 into floating rate debt based on a spread over 90–day bankers' acceptance rates. The swap arrangements have been designated as hedges and mature on the due dates of the respective medium term notes.

Torstar's exposure to credit related losses in the event of non–performance by counterparties to the interest rate swaps and derivatives 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 Canada, the U.S. and in certain of Harlequin's overseas operations.

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 made. The significant assumptions made by Torstar in 2005 and 2004 for determining the pension plan obligations and expenses were:

	2005	2004
Discount rate	5.0%	5.75%
Rate of future compensation increase	3.0% to 3.5%	3.0% to 3.5%
Expected long–term rate of return on plan assets	7.0%	7.0%
Average remaining service life of active employees (years)	7 to 17	7 to 16

The December 31, 2004 assumptions were used to determine the 2005 pension expense. The discount rate of 5.0% is the yield at December 31, 2005 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 $82.9 million and a decrease in the current year expense of $5.6 million. A one percent decrease in the discount rate would increase the total pension plan obligation by $94.5 million and increase current year expense by $7.6 million.

The rate of future compensation increases has been assumed to be between 3.0% and 3.5%. Management believes that this range reflects future compensation increases.

Torstar has maintained its expected long–term rate of return on plan assets at 7%, as management believes it to be a reasonable estimate. The return on plan assets has exceeded this rate for the past two years. A one percent increase (decrease) in the expected return on plan assets would decrease (increase) the current year expense by $5.8 million.

The average remaining service life of active employees is used to amortize past service costs from plan improvements and net actuarial gains or losses. Torstar's estimate of this time period is 7—17 years. This range reflects the current composition of Torstar's workforce and expectations for staff turnover. The estimate of the average remaining service life is generally reviewed every three years.

Torstar's total pension expense was $16.4 million in 2005, consistent with the $16.0 million in 2004. Total pension funding was $36.7 million in 2005, down from $50.1 million in 2004.

Torstar's pension plans are in a net unfunded position of $42.6 million at December 31, 2005 up from $30.3 million at the end of 2004. This balance includes $25.6 million ($20.7 million in 2004) for an executive retirement plan, which is not funded until payments are made to the executives upon retirement or termination of employment, but is supported by a letter of credit. Excluding the executive retirement plan, the net unfunded position increased from $9.6 million in 2004 to $17.0 million in 2005.

Torstar also provides post–employment benefits including health and life insurance benefits for employees, primarily in the Canadian newspaper operations. This obligation is being funded as payments are made to retirees. Torstar has recorded a liability of $52.0 million on its December 31, 2005 balance sheet and an annual expense of $3.9 million ($50.5 million and $4.2 million respectively in 2004). At December 31, 2005 the unfunded obligation for these benefits was $67.8 million, up from $60.1 million at December 31, 2004. The key assumptions for this obligation are the discount rate and the health care cost trends. The discount rate is the same as the prescribed rate for the pension obligation. For health care costs, the estimated trend was for a 9.5% increase for the 2005 expense with a 0.5% decrease each year until 2014. A one percent increase in the estimated increase in health care costs would increase the obligation by $4.0 million. The increase in the annual expense would be less than $0.5 million.

DISCLOSURE CONTROLS AND PROCEDURES

As required by Multilateral Instrument 52—109 issued by the Canadian Securities Administrators, Torstar's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") will be making certifications related to the information in Torstar's annual filings (as defined in Multilateral Instrument 52—109) with the securities regulatory authorities. As part of the certification, the CEO and CFO must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to ensure that the material information with respect to Torstar, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of Torstar's disclosure controls and procedures as of the end of the period covered by these annual filings.

Disclosure controls and procedures are designed to ensure that information required to be disclosed by Torstar in reports filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis, and is accumulated and communicated to Torstar's management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure. Torstar's management, including the CEO and CFO, does not expect that Torstar's disclosure controls will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of control can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within Torstar have been detected. Torstar has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices. Torstar is continually improving its systems of controls and procedures.

Evaluation of disclosure controls and procedures

As of December 31, 2005, under the supervision of, and with the participation of the CEO and CFO, Torstar's management evaluated the effectiveness of the design and operation of its disclosure controls and procedures. Based on this evaluation, Torstar's CEO and CFO have concluded that, as at December 31, 2005, the Company's disclosure controls and procedures were effective.

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, accounting for employee future benefits and accounting for income taxes.

Provision for book returns

Revenue from the sale of books, net of provisions for estimated returns, is recognized for retail sales based on the publication date and for sales made directly to the consumer when the books 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 revenue is recognized, 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 returns experience is used to assess the adequacy of the provision.

The impact of the variance between the original estimate for returns and the actual experience is reported in a period subsequent to the original sale. This can have either a positive (if the actual experience is better than estimated) or negative (if the actual experience is worse) impact on reported results. A change in market conditions can therefore have a compounded effect on the book publishing results. If the market sales are declining, the estimate being made for returns on current period sales will generally be higher and the adjustment to the returns provision for prior period sales is likely to be negative (i.e. the market has softened since the original estimate was made).

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 decade. 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, 2005, the returns provision deducted from accounts receivable on the consolidated balance sheets was $109 million ($111 million in 2004). A one percent change in the average net sale rate used in calculating the global retail returns provision on sales from July to December 2005 would have resulted in a $4.0 million change in reported 2005 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 employee future benefits

The cost of defined benefit pension and other retirement benefits earned by employees is actuarially determined each year based on management's estimates of the long–term rate of investment return on plan assets and future compensation and health care costs. Management applies judgment in the selection of these estimates, based on regular reviews of historical investment returns, salary increases and health care costs. Expectations regarding future economic trends and business conditions, including inflation rates are also considered.

The discount rate used in measuring the liability and expected healthcare costs is prescribed to be equal to the current yield on long–term, high–quality corporate bonds with a duration similar to the duration of the benefit obligation.

Management's estimates, along with a sensitivity analysis of changes in these estimates on both the benefit obligation and the benefit expense are further discussed under "Pension Obligations" and are disclosed in Note 12 of the consolidated financial statements.

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 does not believe, based on all available evidence, that it is 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

Consolidation of variable interest entities (AcG 15)

Torstar adopted AcG 15 effective January 1, 2005. AcG 15 provides clarification on the consolidation of entities when equity investors are not considered to have a controlling financial interest or they have not invested enough equity to finance its activities without additional subordinated financial support from other parties. The adoption of this accounting policy did not have any impact on Torstar's consolidated financial statements in 2005, but will in 2006 (see Note 9(g) of the consolidated financial statements).

Accounting by a Vendor for Consideration Given to a Customer (EIC–156)

This EIC will become effective for Torstar's 2006 fiscal year with retroactive restatement. EIC–156 provides guidance on the classification in the vendor's financial statements of consideration given to its customers. The guidance determines whether a consideration is to be treated as an adjustment of the selling price or as a cost incurred by the vendor to sell goods or services and the timing of when such amounts should be recorded. The impact of the change for the year ended 2005 would be to decrease revenue and operating expenses by $10.1 million for advertiser volume rebates and trade incentives. There will be no impact on operating profit or net income.

Financial Instruments (Sections 3855, 3865 and 1530)

The CICA has issued these three new standards that will be effective for Torstar beginning January 1, 2007. Torstar is evaluating the application of these standards and their potential impact on its financial statements. (See Note 1(s) of the consolidated financial statements for more details.)

ANNUAL INFORMATION — 3 YEAR SUMMARY

The following table presents, in $000's (except for per share amounts) selected key information for the past three years:

	2005	2004	2003
Revenue	**$1,566,943**	$1,541,849	$1,488,309
Net income	**$118,843**	$112,703	$123,515
Per share (basic)	**$1.52**	$1.42	$1.59
Per share (diluted)	**$1.51**	$1.41	$1.57
Average number of shares outstanding during the year (in 000's)			
Basic	**78,214**	79,168	77,645
Diluted	**78,621**	79,813	78,763
Cash dividends per share	**$0.74**	$0.70	$0.64
Total assets	**$1,561,682**	$1,510,027	$1,511,767
Total long–term debt	**334,317**	317,829	387,800

Total revenues have increased over the past three years. The growth has come from higher Newspaper revenues as Book Publishing revenues have declined from a combination of the strengthening Canadian dollar and lower sales volumes.

Net income decreased between 2003 and 2004 as the increase in Newspaper operating profits were not sufficient to offset lower Book Publishing results, higher corporate costs and $12.3 million of unusual losses. Net income increased between 2004 and 2005 from the impact of a $10.3 million unusual gain in 2005 compared with the unusual loss in 2004. Operating profits for both Newspapers and Book Publishing were down in 2005 and corporate costs were up.

Book Publishing results began to decline in 2004 as all of Harlequin's markets faced challenges. These challenges continued through 2005. The Newspaper operating profit declined in 2005 as product and market expansions along with investment in infrastructure more than offset revenue growth.

Corporate costs have increased by $4.8 million over the three–year period, from a combination of higher professional fees, pension and compensation costs. Torstar began expensing stock–based compensation costs on a prospective basis and replaced part of the executive option grants with a medium–term incentive plan in 2003 which have increased compensation costs each year.

Earnings per share have been impacted both by the lower net income each year but also by the change in the average number of shares outstanding each year. The number of shares outstanding increased from 2003 to 2004 as a result of the exercise of stock options. The number decreased from 2004 to 2005 as Torstar repurchased shares through a normal course issuer bid.

SUMMARY OF QUARTERLY RESULTS

(In thousands of dollars except for per share amounts)

	2005 Quarter Ended				2004 Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Revenue	$419,766	$380,641	$405,437	$361,099	$414,523	$366,540	$399,038	$361,748
Net income	$37,894	$23,698	$36,112	$21,139	$42,592	$11,309	$35,764	$23,038
Net income per Class A voting and Class B non–voting share								
Basic	$0.48	$0.30	$0.46	$0.27	$0.54	$0.14	$0.45	$0.29
Diluted	$0.48	$0.30	$0.46	$0.27	$0.54	$0.14	$0.44	$0.29

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.

Unusual income and losses have impacted the level of net income in several quarters. In 2005, the first and third quarters had unusual gains of $1.4 and $8.9 million respectively. The third quarter of 2004 had an unusual loss of $12.3 million.

OTHER

At January 31, 2006, Torstar had 9,916,442 Class A voting shares and 68,225,435 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, 2006, Torstar had 5,722,424 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**.

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 27, 2006

David P. Holland
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, 2005 and 2004 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, 2005 and 2004 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 27, 2006

Ernst & Young LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(thousands of dollars)

Assets	2005	2004
Current:		
Cash and cash equivalents	$47,783	$47,229
Receivables (note 2)	253,718	247,942
Inventories	35,568	35,236
Prepaid expenses	77,211	68,250
Prepaid and recoverable income taxes	3,130	914
Future income tax assets (note 10)	21,630	22,937
Total current assets	439,040	422,508
Property, plant and equipment (net) (note 3)	365,665	392,141
Investment in associated businesses (note 4)	23,618	22,954
Goodwill	537,545	499,637
Other assets (note 5)	145,712	114,731
Future income tax assets (note 10)	50,102	58,056
Total assets	$1,561,682	$1,510,027
Liabilities and Shareholders' Equity		
Current:		
Bank overdraft	$6,738	$6,414
Accounts payable and accrued liabilities	204,710	214,352
Income taxes payable	15,047	23,917
Total current liabilities	226,495	244,683
Long–term debt (note 6)	334,317	317,829
Other liabilities (note 7)	85,689	83,177
Future income tax liabilities (note 10)	73,529	70,677
Shareholders' equity:		
Share capital (note 8)	376,925	369,140
Contributed surplus	4,883	2,442
Retained earnings	470,783	425,787
Foreign currency translation adjustment	(10,939)	(3,708)
Total shareholders' equity	841,652	793,661
Total liabilities and shareholders' equity	$1,561,682	$1,510,027

Commitments and contingencies (note 16)

(See accompanying notes)

ON BEHALF OF THE BOARD

The Hon. Frank Iacobucci
Director

J. Spencer Lanthier
Director

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(thousands of dollars except per share amounts)

	2005	2004
Operating revenue		
Newspapers	$1,041,080	$1,003,473
Book publishing	525,863	538,376
	$1,566,943	$1,541,849
Operating profit		
Newspapers	$120,288	$127,601
Book publishing	95,381	97,182
Corporate	(19,001)	(15,555)
	196,668	209,228
Interest (note 6(f))	(10,463)	(10,916)
Foreign exchange	(2,723)	(1,723)
Unusual items (note 14)	10,296	(12,282)
Income before taxes	193,778	184,307
Income and other taxes (note 10)	(75,500)	(72,100)
Income before income of associated businesses	118,278	112,207
Income of associated businesses	565	496
Net income	$118,843	$112,703
Earnings per Class A and Class B share (note 8(d))		
Net income – Basic	$1.52	$1.42
Net income – Diluted	$1.51	$1.41

(See accompanying notes)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(thousands of dollars)

	2005	2004
Retained earnings, beginning of year	$425,787	$395,758
Net income	118,843	112,703
Dividends	(57,869)	(55,387)
Premium paid on repurchase of shares for cancellation (note 8(c))	(15,978)	(27,287)
Retained earnings, end of year	$470,783	$425,787

(See accompanying notes)

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(thousands of dollars)

	2005	2004
Cash was provided by (used in)		
Operating activities	$124,140	$178,598
Investing activities	(74,630)	(62,623)
Financing activities	(45,335)	(124,557)
Increase (decrease) in cash	4,175	(8,582)
Effect of exchange rate changes	(3,945)	(1,020)
Cash, beginning of year	40,815	50,417
Cash, end of year	$41,045	$40,815
Operating activities:		
Net income	$118,843	$112,703
Depreciation	54,274	54,323
Amortization	2,549	2,558
Future income taxes	9,309	8,967
Income of associated businesses	(565)	(496)
Other (note 15)	(17,563)	(14,244)
	166,847	163,811
Decrease (increase) in non–cash working capital	(42,707)	14,787
Cash provided by operating activities	$124,140	$178,598
Investing activities:		
Additions to property, plant and equipment	($35,260)	($45,584)
Acquisitions and investments (note 11)	(59,358)	(16,093)
Proceeds on sale of properties (note 14)	17,744	
Investment in associated business (note 4)		(1,413)
Other	2,244	467
Cash used in investing activities	($74,630)	($62,623)
Financing activities:		
Repayment of medium term notes	($45,000)	($150,000)
Issuance of medium term notes	100,000	
(Repayment) issuance of commercial paper debt (net)	(33,760)	88,496
Dividends paid	(56,869)	(54,319)
Exercise of stock options (note 8(b))	8,390	22,104
Purchase of shares for cancellation (note 8(c))	(20,858)	(34,976)
Other	2,762	4,138
Cash used in financing activities	($45,335)	($124,557)
Cash represented by:		
Cash and cash equivalents	$47,783	$47,229
Bank overdraft	(6,738)	(6,414)
	$41,045	$40,815

(See accompanying notes)

1. ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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 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) Financial instruments

The fair value of the company's financial instruments approximates their carrying value unless otherwise stated.

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 have been designated as hedges against future Book publishing revenue. Gains and losses on these instruments are accounted for as a component of the related hedged transaction. Foreign exchange contracts which do not qualify for hedge accounting are reported on a mark to market basis in Book publishing earnings.

The company uses interest rate swap contracts to manage interest rate risks and has designated all interest rate swap contracts as hedges. 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 manages its exposure associated with changes in the fair value of its Deferred Share Unit Plan through the use of a derivative instrument. Changes in the fair value of this instrument are recorded as compensation expense.

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 maturities on acquisition of 90 days or less.

(e) Receivables

Receivables are reduced by provisions for anticipated book returns and estimated 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) Prepaid expenses

Prepaid expenses include advance payments to authors which are deferred until the related works are published and are reduced by estimated provisions for advances that may exceed royalties earned.

(h) 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

(i) Impairment of long–lived assets

Long–lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. Any impairment loss would be determined as the excess of the carrying value of the assets over their fair value.

(j) Investments in associated businesses

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

(k) Intangible assets

Intangible assets are recorded at their fair value on the date of acquisition. The company's intangible assets consist primarily of newspaper mastheads which have an indefinite life and, accordingly, are not amortized. Intangibles with indefinite lives are tested for impairment annually or when indicated by events or changes in circumstances.

(l) 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.

(m) 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.

(n) 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 life 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 life of active employees. The average remaining service life of the active employees covered by the plans ranges from 7 to 17 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.

(o) Stock–based compensation plans

The company has a stock option plan, an employee share purchase plan and two deferred share unit plans. Subsequent to year end, the company introduced a restricted share unit plan.

The company uses the fair value method of accounting for stock options 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 the options are exercised.

The fair value method of accounting is utilized for the company's annual employee share purchase plans. 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 matured at the current share price. 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.

For the new restricted share unit plan, compensation expense will be recognized over the applicable vesting period subsequent to the date of grant.

(p) 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.

(q) Revenue recognition

Advertising revenue is recognized when publications are delivered or advertisements are broadcast or placed on the company's Web sites. Newspaper circulation is recognized when the publication is delivered. Subscription revenue for newspapers is recognized as the publications are delivered over the term of the subscription. Revenue from the sale of books is recognized for the Retail distribution channel based on the book's publication date (books are shipped prior to the publication date so that they are in stores by the publication date) and for the Direct–to–Consumer distribution channel when the books are shipped. Book publishing revenue is recorded net of provisions for estimated returns and direct–to–consumer bad debts, which are primarily based on past experience. Other revenue is recognized when the related service or product has been delivered. Amounts received in advance are included in the balance sheet in Accounts payable and accrued liabilities until the revenue is recognized in accordance with the policies noted above.

(r) 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.

(s) Changes in accounting policies

Consolidation of Variable Interest Entities

The CICA issued Accounting Guideline 15 "Consolidation of Variable Interest Entities" (AcG 15) which provides clarification on the consolidation of entities when equity investors are not considered to have a controlling financial interest or they have not invested enough equity to allow the entity to finance its activities without additional subordinated financial support from other parties. This guideline was adopted by the company effective January 1, 2005 and did not have any impact on the company's consolidated financial statements.

Future accounting changes include the following items.

Accounting by a Vendor for Consideration Given to a Customer (including a Reseller of the Vendor's Products)

The CICA issued EIC–156 "Accounting by a Vendor for Consideration Given to a Customer (including a Reseller of the Vendor's Products)" which becomes effective for the company's 2006 fiscal year with retroactive restatement. EIC–156 provides guidance on the classification in the vendor's financial statements of consideration given to its customers. The guidance determines whether a consideration is to be treated as an adjustment of the selling price or as a cost incurred by the vendor to sell goods or services and the timing of when such amounts should be recorded. The impact of the change for 2005 would be to decrease revenue and operating expenses by $10.1 million for advertiser volume rebates and trade incentives for the year ended December 31, 2005. There will be no impact on operating profit or net income.

Financial Instruments

The CICA has issued three new standards which will be effective for the company beginning January 1, 2007. The company is evaluating the application of these standards and their potential impact on its financial statements. These standards are: Section 3855 "Financial Instruments — Recognition and Measurement", Section 3865 " Hedges" and Section 1530 "Comprehensive Income". Section 3855 determines when and at what value a financial instrument is to be recognized on the balance sheet and how gains or losses are to be recorded. Section 3865 specifies how hedge accounting is applied and related disclosure. Section 1530 introduces new standards for the presentation and disclosure of comprehensive income and its components. Certain unrealized gains or losses which would otherwise be excluded from the calculation of net income and unrealized foreign currency translation amounts arising from self–sustaining foreign operations will be recorded in a Statement of Other Comprehensive Income. Other comprehensive income will form part of shareholders' equity.

2. RECEIVABLES

The provisions for anticipated book and magazine returns and bad debts deducted from receivables at December 31, 2005 amounted to $135 million (December 31, 2004 – $136 million). Under a billing and collection agreement with a third party, the Book publishing segment has a net receivable of $32 million at December 31, 2005 (December 31, 2004 – $39 million). The company believes that the credit risk associated with this balance is mitigated by the financial stability and payment history of the third party.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net
2005			
Land	$7,451		$7,451
Buildings and leasehold improvements	227,832	$113,519	114,313
Machinery and equipment	732,384	488,483	243,901
Total	$967,667	$602,002	$365,665
2004			
Land	$11,445		$11,445
Buildings and leasehold improvements	223,660	$106,254	117,406
Machinery and equipment	719,888	456,598	263,290
Total	$954,993	$562,852	$392,141

4. INVESTMENT IN ASSOCIATED BUSINESSES

The company has 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. The company acquired on June 17, 2004 a 30% equity interest in Q–ponz Inc.

In December 2005, Torstar entered into an agreement to purchase a 20% equity interest in Bell Globemedia ("BGM") at a purchase price of $283 million. BGM's assets include the CTV television network, The Globe and Mail newspaper and fifteen specialty television services. Subject to approval by the Canadian Radio–television and Telecommunications Commission and the Competition Bureau, the transaction is expected to close in the fall of 2006. In anticipation of the proposed financing of this investment, the company has entered into interest rate options as described in note 6(h).

5. OTHER ASSETS

	2005	2004
Accrued benefit assets (note 12)	$116,728	$103,216
Intangible assets (note 11)	15,199	3,697
Distribution Services Agreement	2,126	4,252
Portfolio investments (note 11)	5,948	
Other	5,711	3,566
	$145,712	$114,731

6. LONG–TERM DEBT

	2005	2004
Commercial paper:		
Cdn. dollar denominated	$93,663	$156,792
U.S. dollar denominated	140,654	116,037
	234,317	272,829
Medium Term Notes:		
Cdn. dollar denominated	100,000	45,000
	$334,317	$317,829

(a) Bank debt

(i) On December 21, 2005, the company renegotiated its long–term credit facilities. The new facility consists of a $325 million revolving loan which may be drawn in Canadian or U.S. dollars and matures January 15, 2008.

(ii) Amounts borrowed under the bank credit facility 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, at December 31, 2005 was 0.4% and varies based on the company's long–term credit rating.

(iii) The unused facility is designated as a standby line in support of the commercial paper program, medium term notes maturing within one 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 $325 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, 2005 was 3.3% (December 31, 2004 – 2.5%).

(iii) Commercial paper outstanding at December 31, 2005 included U.S. dollar borrowings of U.S. $120.6 million (December 31, 2004 – U.S. $96.4 million). The average rate on U.S. dollar commercial paper outstanding at December 31, 2005 was 4.4% (December 31, 2004 – 2.3%). Including the effect of the interest rate swap noted in 6(d) the effective rate was 3.8% at December 31, 2005 (December 31, 2004 – 3.3%).

(c) Medium Term Notes

The company issued in September 2005 $75 million 3.85% medium term notes which mature on September 8, 2010. The company has entered into swap agreements effectively converting this debt into floating rate debt based on 90–day bankers' acceptance rates plus 0.39%. The company also issued in September 2005 $25 million 3.7% medium term notes which mature on September 9, 2009. The company has entered into a swap agreement effectively converting this debt into floating rate debt based on 90–day bankers' acceptance rates plus 0.36%. Interest on the medium term notes as well as the payments under the swap agreements is paid semi–annually. The swap agreements have been designated as hedges and mature on the due dates of the respective notes. The effective interest rate on the medium term notes outstanding at December 31, 2005 was 4.0% (December 31, 2004 – 3.1% with respect to $45 million floating rate notes which matured in 2005). The fair value of the medium term notes was $2.6 million favourable at December 31, 2005. The fair value of the interest rate swap agreements was $2.8 million unfavourable at December 31, 2005.

(d) The company is party to 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 ending December 2007. The fair value of the U.S. interest rate swap arrangement was $2.4 million favourable at December 31, 2005.

(e) 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.

(f) Interest expense includes interest on long–term debt of $11,128 (2004 – $11,319).

(g) Interest of $10,774 was paid during the year (2004 – $13,119).

(h) Subsequent to year–end, the company purchased for a cost of $0.8 million, options to enter into five year interest rate swap agreements on November 1, 2006 under which Torstar would pay a fixed rate of 4.9% plus the interest rate spread described in 6(a)(ii) and receive floating rate payments based on 90 day bankers' acceptances rates for $200 million of Canadian dollar debt (see note 4).

7. OTHER LIABILITIES

	2005	**2004**
Post employment benefits (note 12)	**$69,801**	$67,607
Employees' shares subscribed (note 9(c))	**8,031**	9,139
Deferred share unit plan (note 9(f))	**3,549**	2,061
Other	**4,308**	4,370
	$85,689	$83,177

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 2,033 shares (with a stated value of $1,000) in 2005 and 5,700 shares (with a stated value of $1,000) in 2004. Total Class A shares outstanding at December 31 were:

	Shares	**Amount**
2004	9,918,475	$2,695
2005	**9,916,442**	**$2,694**

Class B shares

The changes in the Class B shares were:

	Shares	Amount
January 1, 2004	68,630,659	$347,225
Converted from Class A	5,700	1
Issued under Employee Share Purchase Plan	153,047	3,639
Stock options exercised	1,139,167	22,138
Purchased for cancellation	(1,440,800)	(7,689)
Dividend reinvestment plan	43,608	1,068
Other	2,371	63
December 31, 2004	**68,533,752**	**366,445**
Converted from Class A	**2,033**	**1**
Issued under Employee Share Purchase Plan	**129,395**	**3,235**
Stock options exercised	**421,850**	**8,390**
Purchased for cancellation	**(904,100)**	**(4,880)**
Dividend reinvestment plan	**40,840**	**1,000**
Other	**1,665**	**40**
December 31, 2005	**68,225,435**	**$374,231**

Totals

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

	Shares	Amount
2004	78,452,227	$369,140
2005	**78,141,877**	**$376,925**

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) Under normal course issuer bids, the company has repurchased during 2005 904,100 Class B shares (2004 – 1,440,800) for cancellation at an average price of $23.07 per share (2004 – $24.28) for total consideration of $20,858,000 (2004 – $34,976,000). Retained earnings were reduced by $15,978,000 (2004 – $27,287,000) representing the excess of the cost of the shares repurchased over their stated value. The current issuer bid will terminate upon the company repurchasing a further 1,655,100 shares or May 5, 2006 whichever is earlier.

(d) Earnings per share

Basic earnings 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)	2005	2004
Weighted average number of shares outstanding, basic	**78,214**	79,168
Effect of dilutive securities		
— stock options	**407**	645
Weighted average number of shares outstanding, diluted	**78,621**	79,813

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 12,500,000 shares of which 10,576,827 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, 2004	5,454,225	$21.19
Granted	661,300	29.01
Exercised	(1,139,167)	19.40
Forfeited or expired	(39,396)	23.02
December 31, 2004	**4,936,962**	**22.63**
Granted	**643,531**	**22.00**
Exercised	**(421,850)**	**(19.89)**
Forfeited or expired	**(20,175)**	**(24.85)**
December 31, 2005	**5,138,468**	**$22.77**

As at December 31, 2005 outstanding stock options were as follows:

Options Outstanding

Range of exercise price	Number outstanding December 31, '05	Weighted average remaining contractual life	Weighted average exercise price
$15.75–18.05	454,900	2.9 years	$17.17
$18.50–22.20	2,884,906	5.8 years	$21.24
$25.00–29.01	1,798,662	5.6 years	$26.64
$15.75–29.01	5,138,468	5.5 years	$22.77

Options Exercisable

Range of exercise price	Number exercisable December 31, 2005	Weighted average exercise price
$15.75–18.05	454,900	$17.17
$18.50–22.20	1,839,114	$20.97
$25.00–29.01	1,068,035	$25.93
$15.75–29.01	3,362,049	$22.03

Subsequent to year–end, 583,956 stock options were granted at an exercise price of $22.14 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:

	2005		**2004**	
Maturing	**2006**	**2007**	2005	2006
Subscription price	**$28.01**	**$24.99**	$26.45	$28.01
Number of shares	**148,392**	**155,028**	156,173	178,804

(d) The company has recognized in 2005, compensation expense totalling $2.3 million (2004 – $1.6 million) for the stock options granted in 2005, 2004 and 2003 and the employee share purchase plan originating in 2005 and 2004. In estimating the compensation expense for stock options granted in 2003 to 2005, the company uses the Black–Scholes options pricing model. The weighted average fair value of the options on the date of grant and the assumptions used are as follows:

	2005	2004	2003
Fair Value	$3.48	$5.52	$5.28
Risk–free interest rate	3.7%	4.1%	4.1%
Expected dividend yield	3.4%	2.4%	2.5%
Expected share price volatility	20.7%	20.6%	23.2%
Expected time until exercise (years)	5	5	5

(e) No compensation expense has been recognized for the company's stock–based compensation plans granted in 2002. Had compensation cost been determined for these plans based on the fair value method of accounting for stock–based compensation, the company's 2005 and 2004 net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		2005	2004
Net income	• as reported	**$118,843**	$112,703
	• Pro forma	**$117,135**	$110,305
Earnings per share – Basic	– as reported	**$1.52**	$1.42
	• Pro forma	**$1.50**	$1.39
Earnings per share – Diluted	– As reported	**$1.51**	$1.41
	• Pro forma	**$1.49**	$1.38

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 has a Deferred Share Unit Plan ("DSU"), for executives and non–employee directors.

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 market 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, 2005, 160,316 units were outstanding at a value of $3.5 million (December 31, 2004 – 93,942 units, value $2.1 million). There were 14,947 units redeemed during 2005 at an average price of $23.39 per unit.

The company has entered into a derivative instrument in order to offset its exposure to changes in the fair value of units issued under its DSU Plan. As at December 31, 2005, the derivative instrument offset 149,880 units.

(g) Subsequent to year–end, the company introduced a new Restricted Share Unit ("RSU") Plan. Under the plan, eligible senior executives are granted RSU awards to receive Torstar Class B non–voting shares as part of their long–term incentive compensation. The value of an RSU is equal in value to a Torstar Class B non–voting share. An employee benefit trust ("Trust") will be used to purchase the necessary Torstar Class B non–voting shares in the open market. RSUs vest after three years at which time Torstar Class B non–voting shares will be distributed by the Trust to participants. For accounting purposes, the Trust will be treated as a Variable Interest Entity and consolidated in the accounts of the company. Subsequent to year–end, 105,187 RSU's were granted.

10. INCOME AND OTHER TAXES

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

	2005	2004
Income before taxes	$193,778	$184,307
Provision for income taxes based on Canadian statutory rate of 36.1% (2004 – 36.1%)	($70,000)	($66,600)
(Increase) decrease in taxes resulting from:		
Foreign income taxed at lower rates	5,500	2,400
Foreign losses not tax effected	(4,300)	(3,200)
Manufacturing and processing profits allowance	1,800	1,700
Large Corporations tax and other taxes	(3,000)	(2,500)
Permanent differences	(5,500)	(3,900)
	($75,500)	($72,100)
Effective income tax rate	39.0%	39.1%

Income taxes of $75.5 million were paid during the year (2004 – $56.8 million).

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

	2005	2004
Current tax provision	$63,600	$62,600
Future tax provision	11,900	9,500
Total tax provision	$75,500	$72,100

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:

	2005	2004
Current future income tax assets:		
Receivables	$17,052	$17,422
Other	4,578	5,515
	$21,630	$22,937
Non–current future income tax assets:		
Tax losses carried forward	$47,820	$55,100
Post employment benefits	837	1,426
Other	1,445	1,530
	$50,102	$58,056
Non–current future income tax liabilities:		
Property, plant and equipment	$45,176	$47,794
Post employment benefits	17,468	12,511
Goodwill and other	10,885	10,372
	$73,529	$70,677

At December 31, 2005, the company had net operating loss carryforwards of approximately U.S. $55.2 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, U.S. $3.5 million will expire in 2023, U.S. $7.0 million will expire in 2024 and U.S. $9.7 million will expire in 2025.

11. ACQUISITIONS AND INVESTMENTS

Within the newspaper segment, a number of community newspaper acquisitions were completed during 2005. These acquisitions included newspapers in the Muskoka, Huntsville, Parry Sound and Ottawa areas as well as the purchase of Paton Publishing and the Toronto Wine and Cheese Show. The total purchase price for these acquisitions was $48.4 million and included $2.3 million of tangible assets including $2.0 million of property, plant and equipment, $11.3 million of intangible assets and $34.8 million allocated to goodwill. These acquisitions were accounted for under the purchase method with $23.6 million of the acquisitions occurring in the second quarter, $8.9 million in the third quarter and $15.9 million in the fourth quarter. These acquisitions also include $2.5 million of contingent purchase consideration based on future operating results.

During the fourth quarter of 2005, Harlequin purchased the assets of BET Books, the publishing arm of Black Entertainment Television for a total purchase price $5.0 million which included $1.5 million of tangible assets, $0.2 million of intangible assets and $3.3 million allocated to goodwill. This acquisition was accounted for under the purchase method.

During the third and fourth quarters of 2005 respectively, the company also made portfolio investments of $2.4 million in Vocel, Inc. and $3.6 million in LiveDeal Inc. (LiveDeal.com). Vocel, Inc. is a wireless application publisher with whom Harlequin has signed a licensing agreement. LiveDeal.com is a growing localized online classifieds provider that has been operating in the U.S. since 2003. These portfolio investments were accounted for by the cost method.

The company completed a number of community newspaper acquisitions during 2004. The total purchase price was $16.1 million. The purchase price included $1.0 million of tangible assets including $0.2 million of property, plant and equipment and $3.7 million of intangible assets. $11.4 million of the purchase price was allocated to goodwill. These acquisitions were accounted for under the purchase method.

With respect to the 2003 purchase of the remaining 49% interest in Transit Television Network, the purchase included a contingent purchase price based on future operating results.

The consideration for each acquisition was cash. The amount of goodwill that is expected to be deductible for tax purposes is $3.9 million (2004 – $3.3 million). The intangible assets identified consist of mastheads of $8.3 million (2004 – $3.5 million) which have an indefinite life and other intangibles of $3.2 million (2004 – $0.2 million) which primarily relate to advertiser relationships and have an amortization period of 10 years.

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 Canada, 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:

	Pension Plans		Post Employment Benefit Plans	
	2005	2004	2005	2004
Accrued benefit obligations				
Balance, beginning of year	$599,644	$557,496	$60,082	$56,815
Current service cost	14,904	13,375	752	660
Interest cost	35,366	33,368	3,416	3,369
Benefits paid	(24,717)	(35,377)	(2,374)	(2,271)
Actuarial losses	65,372	21,375	5,754	1,509
Participant contributions	7,404	7,760		
Past service costs	16,553	388		
Foreign exchange	(390)	(802)		
Special termination benefits		2,009		
Acquisitions			209	
Plan amendments		52		
Balance, end of year	$714,136	$599,644	$67,839	$60,082
Plans' assets				
Fair value, beginning of year	$569,299	$502,572		
Return on plan assets	90,511	52,574		
Benefits paid	(24,717)	(35,377)		
Contributions to plan	36,662	50,078		
Foreign exchange	(260)	(548)		
Fair value, end of year	$671,495	$569,299		
Funded status — deficit	($42,641)	($30,345)	($67,839)	($60,082)
Unamortized losses	117,678	107,120	15,642	9,612
Unrecognized prior service costs	23,878	9,304	209	
Accrued benefit asset (liability)	$98,915	$86,079	($51,988)	($50,470)
Recorded in:				
Other assets	$116,728	$103,216		
Other liabilities	(17,813)	(17,137)	($51,988)	($50,470)
Accrued benefit asset (liability)	$98,915	$86,079	($51,988)	($50,470)
Net benefit expense for the year				
Current service cost	$14,904	$13,375	$752	$660
Interest cost on benefit obligation	35,366	33,368	3,416	3,369
Actual return on plan assets	(90,511)	(52,574)		
Actuarial loss on benefit obligation	65,372	21,375	5,754	1,509
Past service costs	16,691	595		
Difference between expected return and actual return on plan assets	50,495	17,481		
Difference between net actuarial loss recognized and actual actuarial loss on benefit obligation	(61,247)	(17,712)	(6,039)	(1,299)
Difference between recognized and actual past service costs	(14,718)	133		
Net benefit expense	$16,352	$16,041	$3,883	$4,239

	Pension Plans		Post Employment Benefit Plans	
	2005	**2004**	**2005**	**2004**
Significant assumptions used				
To determine benefit obligation at end of year:				
Discount rate	**5.0%**	5.75%	**5.0%**	5.75%
Rate of future compensation increase	**3.0% to 3.5%**	3.0% to 3.5%	**N/A**	N/A
To determine benefit expense:				
Discount rate	**5.75%**	6.0%	**5.75%**	6.0%
Expected long–term rate of return on plan assets	**7.0%**	7.0%	**N/A**	N/A
Rate of future compensation increase	**3.0% to 3.5%**	4.0%	**N/A**	N/A
Health care cost trend rates at end of year:				
Initial rate	**N/A**	N/A	**9.5%**	9.5%
Ultimate rate	**N/A**	N/A	**5.0%**	5.0%
Year ultimate rate reached	**N/A**	N/A	**2014**	2014
Average remaining service life of active employees	**7 to 17 years**	7 to 16 years	**15 years**	15 years

Long–term liabilities includes $16.3 million related to an unfunded executive retirement plan which is supported by an outstanding letter of credit of $24.9 million at December 31, 2005.

The effect of a one percent increase or decrease in significant assumptions used for the company's pension and post employment benefit plans would result in an increase (decrease) in the net benefit expense and accrued benefit obligation at December 31, 2005:

	Net Benefit Expense		Accrued Benefit Obligation	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Pension plans:				
Discount rate	($5,613)	$7,618	($82,856)	$94,538
Expected long–term rate of return on plan assets	(5,767)	5,768		
Rate of compensation increase	2,212	(2,073)	12,070	(11,538)
Post employment benefits plans:				
Discount rate	(146)	410	(7,596)	8,560
Per capita cost of health care	445	(316)	3,967	(3,732)

Pension plan assets, measured as at December 31, are as follows:

	2005	**2004**
Equity investments	**65%**	64%
Fixed income investments	**35%**	36%
Total	**100%**	100%

The company measures the accrued benefit obligations and the fair value of the Plans' assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Plans' for funding purposes was performed as at December 31, 2003 and the next required valuation will be as at December 31, 2006.

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 revenue. The forward foreign exchange contracts establish a rate of exchange of Canadian dollar per U.S. dollar of $1.16 for U.S. $30 million in 2006 and $7.5 million in 2007. In 2005, the forward foreign exchange contracts and options established a rate of exchange of Canadian dollar per U.S. dollar of $1.59 for U.S. $76 million.

(b) The company has entered into forward foreign exchange contracts which will establish a rate of exchange of Canadian dollar per Euro of $1.68 to sell 4 million Euro for 2006. The company has entered into offsetting positions with respect to these forward foreign exchange contracts at a rate of exchange of Canadian dollar per Euro of $1.48 to buy 4 million Euro. The company marks to market its Euro forward foreign exchange contracts and as a result a net gain of $0.8 million was included in the operating profit of the book publishing segment for the twelve months ended December 31, 2005.

14. UNUSUAL ITEMS

Details of unusual items in 2005 and 2004 are as follows:

	2005	2004
Restructuring provisions	($2,119)	($8,399)
Gain on sale of properties	12,415	
Portfolio investment loss		(3,883)
	$10,296	($12,282)

Unusual items in 2005 include a $2.1 million provision with respect to a voluntary severance program at the Toronto Star's printing facility. The unusual gain of $12.4 million on the sale of properties includes $1.4 million from the completion of the sale of the land and building previously occupied by The Record in Kitchener and $11.0 million on the sale of surplus land at 7 Queen's Quay East in Toronto. The proceeds from these sales were $17.7 million.

The 2004 unusual loss includes restructuring costs, primarily related to severance, of $8.6 million in the newspaper segment and $1.1 million in the book publishing segment. A $1.3 million recovery was recorded related to the restructuring provision made in 2003 for the closure of Harlequin's craft kit business. In addition, a net $3.9 million write–off of the company's interactive portfolio investments was recorded.

Accounts payable and accrued liabilities include $4.3 million for restructuring provisions at December 31, 2005 ($8.4 million at December 31, 2004). The change in the liability during 2005 includes payments of $0.3 million related to provisions made in 2005 and $5.9 million for provisions made prior to 2005.

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

	2005	2004
Post employment benefits	($11,921)	($22,656)
Gain on sale of properties	(12,415)	
Stock–based compensation expense	3,929	2,857
Foreign exchange	2,723	1,723
Write–down of portfolio investments		4,077
Other	121	(245)
	($17,563)	($14,244)

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 $17 million in 2006, $16 million in 2007, $15 million in 2008, $13 million in 2009, $12 million in 2010 and a total of $96 million in 2011 and thereafter. In addition, the company has guaranteed sub–lease payments to a third party of approximately U.S. $1 million for the next 13 years.

17. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 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, specialty publications (including magazines) and commercial printing businesses of the newspapers as well as the operations of Torstar Digital, Torstar Media Group Television and Transit Television Network;

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	
	2005	2004	2005	2004	2005	2004
Newspapers	$1,041,080	$1,003,473	$49,042	$48,261	$120,288	$127,601
Book publishing	525,863	538,376	7,719	8,502	95,381	97,182
Segment Totals	1,566,943	1,541,849	56,761	56,763	215,669	224,783
Corporate			62	118	(19,001)	(15,555)
Consolidated	$1,566,943	$1,541,849	$56,823	$56,881	$196,668	$209,228

	Identifiable Assets		Additions to Capital Assets		Additions to Goodwill and Intangible Assets	
	2005	2004	2005	2004	2005	2004
Newspapers	$1,119,806	$1,054,632	$34,537	$42,804	$46,068	$15,075
Book publishing	401,098	415,114	2,632	2,970	3,579	
Segment Totals	1,520,904	1,469,746	37,169	45,774	49,647	15,075
Corporate	17,160	17,327	51	28		
Investment in associated businesses	23,618	22,954				
Consolidated	$1,561,682	$1,510,027	$37,220	$45,802	$49,647	$15,075

Geographic Segments	Operating Revenue		Capital Assets and Goodwill	
	2005	2004	2005	2004
Canada	$1,060,653	$1,023,190	$778,388	$769,869
United States	301,604	308,118	100,100	98,838
Other (a)	204,686	210,541	27,652	28,553
Segment Totals	$1,566,943	$1,541,849	$906,140	$897,260

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

ANNUAL OPERATING HIGHLIGHTS CONTINUING OPERATIONS

	2005	2004	2003	2002	2001	2000	1999
Operating revenue (thousands of dollars)							
Newspapers	**$1,041,080**	$1,003,473	$903,385	$856,956	$825,765	$857,989	$774,191
Book publishing	**525,863**	538,376	584,924	618,093	596,898	587,085	577,185
Total	**$1,566,943**	$1,541,849	$1,488,309	$1,475,049	$1,422,663	$1,445,074	$1,351,376
Operating profit & Income from continuing operations (thousands of dollars)							
Newspapers	**$120,288**	$127,601	$110,116	$105,495	$54,300	$98,814	$107,562
Book publishing	**95,381**	97,182	124,121	119,168	99,643	83,831	80,941
Corporate	**(19,001)**	(15,555)	(14,166)	(12,764)	(10,773)	(9,804)	(6,708)
Operating profit	**196,668**	209,228	220,071	211,899	143,170	172,841	181,795
Interest	**(10,463)**	(10,916)	(12,806)	(12,751)	(29,143)	(41,283)	(32,170)
Foreign exchange	**(2,723)**	(1,723)	(4,011)	973	392	(1,395)	55
Unusual items	**10,296**	(12,282)	(673)	(3,300)	(70,544)	24,415	3,531
Income before taxes	**193,778**	184,307	202,581	196,821	43,875	154,578	153,211
Income and other taxes	**(75,500)**	(72,100)	(79,200)	(72,000)	(14,900)	(47,200)	(52,900)
Income before income (losses) of associated businesses	**118,278**	112,207	123,381	124,821	28,975	107,378	100,311
Income (losses) of associated businesses	**565**	496	134	504	(8,022)	(6,202)	(5,516)
Income from continuing operations before amortization of goodwill	**118,843**	112,703	123,515	125,325	20,953	101,176	94,795
Amortization of goodwill (net of tax)					(17,973)	(17,461)	(13,975)
Income from continuing operations	**$118,843**	$112,703	$123,515	$125,325	$2,980	$83,715	$80,820
Cash from continuing operating activities	**$124,140**	$178,598	$162,976	$167,732	$91,711	$184,802	$113,582
Average number of shares outstanding (thousands)	**78,214**	79,168	77,645	76,329	75,292	74,695	74,667
Per share Data							
Income from continuing operations	**$1.52**	$1.42	$1.59	$1.64	$0.04	$1.12	$1.08
Dividends — Class A and Class B shares	**$0.74**	$0.70	$0.64	$0.58	$0.58	$0.58	$0.58
Rate of Return on Revenue							
Operating profit	**12.6%**	13.6%	14.8%	14.4%	10.1%	12.0%	13.5%
Income before income (losses) of associated businesses	**7.5%**	7.3%	8.3%	8.5%	2.0%	7.4%	7.4%
Return on equity							
Cash from operating activities as a percentage of average shareholders' equity	**15.2%**	23.2%	23.5%	28.5%	15.4%	27.5%	17.1%
Financial position							
Total Assets	**$1,561,682**	$1,510,027	$1,511,767	$1,480,721	$1,490,154	$1,755,764	$1,726,402
Long–term debt	**334,317**	317,829	387,800	448,390	508,848	494,477	649,712
Shareholders' equity	**841,652**	793,661	745,055	643,506	534,398	660,001	684,188
Property, plant and equipment (net)	**365,665**	392,141	401,172	391,521	410,427	425,380	440,673

CORPORATE INFORMATION

DAILY NEWSPAPERS

TORONTO STAR

CityMedia Group

THE HAMILTON SPECTATOR

THE RECORD
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Interactive Media

eHARLEQUIN.com

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TORONTO STAR
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THE HAMILTON SPECTATOR
thespec.com

workopolis.com

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Aurora/Newmarket Era-Banner
Barrie Advance
Bracebridge Examiner
Brampton Guardian
Burlington Post
Etobicoke Guardian
Markham Economist & Sun
Mississauga News
Niagara This Week
Oakville Beaver
Oshawa/Whitby This Week
Peterborough This Week
Renfrew Mercury
Richmond Hill Liberal
Scarborough Mirror

Metroland

Specialty Products

eye Weekly
Forever Young
Real Estate News
Car Guide
Boat Guide
City Parent
Premier Consumer Shows
Gold Book Directories
10 Regional Internet Portals

Joint Ventures

Metro
Sing Tao

2005 ANNUAL REPORT

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Assistant Project Direction:	Mark Sitter
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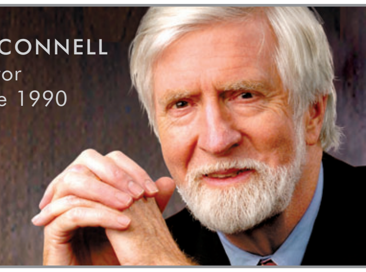
Graphic Design:	Rudy Hurtado
Production Art Director:	Darlene Dewell
Printing:	Metroland West Printing Group
Photography:	Ken Faught/Star Photography Team
Central Imaging:	Maria Doyle

BOARD OF DIRECTORS

THE HONOURABLE FRANK IACOBUCCI
Chairman, Torstar Corp.,
Former Justice of the
Supreme Court of Canada
Director since 2004



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President and
Chief Executive Officer,
Torstar Corp.
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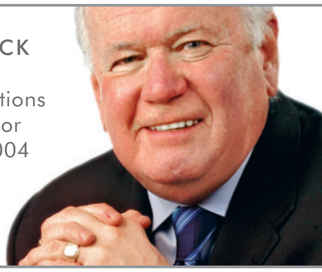
Chief Administrative Officer,
The Bank of Nova Scotia
Director since 2003



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Past President,
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Managing Partner,
Lance R. Primis & Partners LLC
Director since 1997

TORSTAR

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

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Director since 2004

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Special Advisor to the
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Creative Cities
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Duke University
Director since 1992

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Director from 2003
to May 2004
Reappointed June 2004

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President and
Chief Executive Officer

DAVID P. HOLLAND
Executive Vice-President
and Chief Financial
Officer

KAREN HANNA
Senior Vice-President,
Human Resource Strategy

JAGODA PIKE*
Executive Vice-President,
Newspapers

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Vice-President, General
Counsel and Corporate
Secretary

LORENZO DEMARCHI
Managing Director,
Corporate Development

GAIL MARTIN
Vice-President, Finance

D. TODD SMITH
Treasurer

* Appointed 2006, succeeding Pat Collins in this role.

TORSTAR

OUR GOAL

Torstar is a broadly based Canadian media company. It was built on the foundation of its flagship newspaper, the Toronto Star, which remains firmly committed to being a great metropolitan newspaper dedicated to observing and promoting the principles of its long-time Publisher, Joseph Atkinson.

From this foundation, Torstar's media presence has expanded through Metroland Printing, Publishing and Distributing, and CityMedia Group, and Torstar Digital, which together include more than 100 newspapers web-based businesses 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 over 90 countries and in 26 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 long-term shareholder value and returns, advancing editorial excellence, creating a great place to work and having a positive impact in the communities we serve.

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