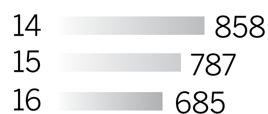
2016

ANNUAL REPORT

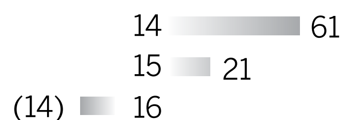
FINANCIAL HIGHLIGHTS	**2016**	2015
OPERATING RESULTS ($000)		
Operating revenue	**$685,099**	$786,631
Segmented operating revenue (1)	**761,697**	843,640
Segmented Adjusted EBITDA (1)	**60,478**	69,296
Operating earnings (loss) (1)	**(14,428)**	21,235
Operating profit (loss)	**(61,051)**	(354,069)
Net loss	**(74,836)**	(404,837)
Cash provided by (used in) operating activities	**(10,599)**	38,050
Segmented Adjusted EBITDA - Percentage of segmented operating revenue (1)	**7.9%**	8.2%
PER CLASS A AND CLASS B SHARES		
Net loss	**($0.93)**	($5.02)
Dividends	**$0.18**	$0.525
Price range (high/low)	**$2.90/$1.39**	$7.50/$2.55
FINANCIAL POSITION ($000)		
Cash and cash equivalents and restricted cash	**$87,221**	$73,076
Equity	**$326,170**	$419,737

The Annual Meeting of shareholders will be held Wednesday, May 3, 2017 at The Toronto Star Building, 3rd Floor Auditorium, One Yonge Street, Toronto, beginning at 10 a.m. It will also be webcast live on the Internet.

OPERATING REVENUE ($MILLIONS)

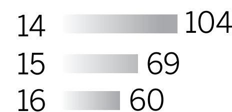


OPERATING EARNINGS (LOSS) ($MILLIONS) (1)



NET INCOME (LOSS) PER SHARE

SEGMENTED ADJUSTED EBITDA ($MILLIONS) (1)

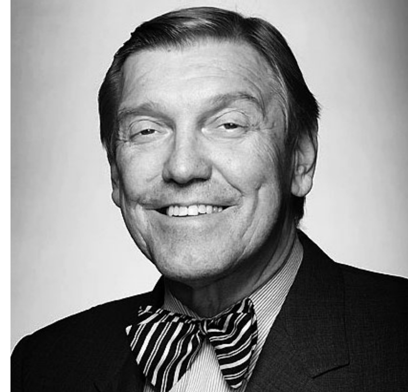


(1) These are non-IFRS measures. These along with other Non-IFRS measures appear in the President's message. Refer to page 38 for a reconciliation of IFRS measures.

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, targets, outlooks, expectations, goals, estimates and intentions expressed in such forward-looking statements. Additional information about these factors is contained on page 9 under the heading "Forward-Looking Statements".

MESSAGE FROM THE CHAIR

John Honderich
Chair, Board of Directors



2016 was a year of transition and evolution for Torstar as the company witnessed the retirement of two senior executives and the consolidation of its digital strategy.

The headwinds buffeting the newspaper industry have continued unabated, yet the company's major new investment, VerticalScope Holdings Inc., showed ever-improving results throughout the year, confirming our expectation that it could be an engine of growth for Torstar. Our second major investment was in Toronto Star Touch, an innovative and highly acclaimed app designed for tablets, which has not been as successful as expected.

On the editorial side, both the Toronto Star and Metroland newspapers have maintained their tradition of editorial excellence. Despite more limited resources, major investigative projects and insightful local reporting have been the hallmark of papers across the company.

With ongoing economic pressures, the need for the company to take out cost has continued. Layoffs were carried out in most properties and the company decided to close the Vaughan Press Centre, which had printed the Toronto Star for 24 years. The property was later sold for net proceeds of $53.6 million. Torstar has always benefited tremendously from a dedicated and skilled workforce. We want to salute those who are no longer with the company and reassure them their service will not be forgotten.

As mentioned before, there were two significant resignations in 2016. President and Chief Executive Officer David Holland announced mid-year his intent to step down once an orderly transition could take place. In early May, 2016, John Cruickshank, Publisher of the Toronto Star and President of Star Media Group, formally stepped down. After that date, David Holland has acted as interim Publisher and head of Star Media Group. We all owe a great deal of gratitude to David for his selfless dedication to both jobs and his steady stewardship of the company through some very turbulent times. After almost eight years at the helm, he leaves Torstar debt free, with an exciting new investment in VerticalScope and the company's newspapers still viewed as the most respected in the nation.

David has been ably assisted throughout by Chief Financial Officer and Executive Vice-President Lorenzo DeMarchi. Both Ian Oliver, President of Metroland Media Group, and Chris Goodridge, Senior Vice-President, Digital Ventures, have continued to provide critical leadership in our community newspaper and digital divisions.

Finally, Torstar has been fortunate to have a fully committed and strategic Board of Directors. We were very sorry to lose Phyllis Yaffe as our Lead Director as she accepted an invitation from Prime Minister Justin Trudeau to be Canada's Consul General in New York City. Phyllis was an outstanding director whose strategic perspective was simply superb. We thank her wholeheartedly for her years of service. And I want to thank the entire Board for its dedication and insights.

TO OUR SHAREHOLDERS

David Holland
President and Chief Executive Officer

2016 proved to be a significant year of transition, evolution and progress for Torstar. The business environment in the industry continued to be challenging, but Torstar made substantial progress on several important fronts. Our earnings base shifted meaningfully towards our digital operations in 2016 thanks to the very strong performance of VerticalScope, our most significant digital asset. We successfully transitioned printing of the Toronto Star to Transcontinental, achieving significant operating savings and generating almost $54 million in cash from the sale of the property. And our digital presence across our properties continued to show impressive growth with total average monthly page views of 118 million, up 20% versus the previous year, with greater engagement with us, particularly on mobile platforms.

In our media operations, we were not immune from the continuing print advertising industry structural challenge in 2016. We experienced this in both Star Media Group (SMG) and Metroland Media Group (MMG) where run-of-press revenues were under pressure. At the same time, two very large and important revenue categories, subscriber revenue at SMG and flyer distribution revenue at MMG, showed more resilience. SMG subscriber revenue was down 6% and MMG flyer distribution revenue was down 4%. These two categories represent 30% of Torstar overall segmented revenue.

We made significant progress in evolving Torstar Corporation towards a more digital future in 2016. Across SMG and MMG, digital revenue grew by 3%, excluding the impact of the closure of Olive Media, led by increasing sales of digital solutions by MMG to local business and by growth in more sophisticated forms of digital advertising at thestar.com.

Even more significant was the growth and contribution related to our investment in VerticalScope. We invested $180 million mid-way through 2015. In 2016, our first full year of ownership of our interest, VerticalScope contributed $23.7 million of adjusted EBITDA, representing approximately 40% of Torstar's overall segmented adjusted EBITDA for the year.

VerticalScope had a very strong year with revenue up 21% and adjusted EBITDA up 20%. The company generated significant free cash flow in the year that was used for a number of acquisitions and to reduce debt. VerticalScope's strong North American position in several key digital audience verticals including automotive, power sports, and outdoor, its expertise in programmatic technology and talented leadership make it one of Canada's unique digital success stories.

As was anticipated at the time of the original investment, VerticalScope is growing nicely and making a meaningful contribution to the continuing evolution of our asset and earnings base.

As we work through the continuing transition, we remain committed to maintaining a solid financial position and ended 2016 with $75 million in unrestricted cash and cash equivalents and no bank debt. This foundation enables Torstar to take a long-term view in its decision-making through this period of transition, taking the steps necessary to increasingly position Torstar for a more digitally oriented future.

OPERATING RESULTS

Torstar's results were affected by the continued pressures on print advertising. Segment adjusted EBITDA was $60 million, down $9 million compared to the prior year. As previously mentioned, we were very pleased with VerticalScope's performance in our first full calendar year of reporting results.

We finished 2016 in a solid financial position, benefitting from the sale of the Vaughan printing facility and in the important area of pensions we expect our funding requirements for our defined benefit pension plans in 2017 to be similar to the previous year.

Star Media Group, which includes the Toronto Star, Metro, Sing Tao, The Kit and some of our digital properties, reported adjusted EBITDA of $0.7 million, down $18.7 million. The decline in EBITDA includes the absence of $7.1 million of digital media tax credits and the loss of $7.6 million of contribution from the absence of commercial printing and the closure of Olive Media, both of which benefitted 2015 results. The remaining decline was attributable to declining print advertising revenues at the Toronto Star and Metro, offset by considerable efforts on cost. We took several major steps to reduce costs, including closing the Vaughan printing facility, offering a voluntary severance plan, and consolidating Metro's Toronto-based operations at our One Yonge Street headquarters in Toronto. Segmented revenue was down 18% to $280 million, due in part to the closure of the Olive Media operation and the commercial printing operation at the Vaughan printing facility. Adjusted for these factors, segmented revenue was down $40.4 million, or 12%, in 2016. After adjusting for the closure of Olive Media, we were pleased that digital revenues continued to progress, up 6.1%.

The Toronto Star, our flagship publication, enjoyed successes on a number of fronts, continuing its tradition of editorial excellence in the print edition and maintaining a lead of more than twice as many weekday readers as its closest paid daily competitor in the Greater Toronto Area. Metro Toronto is the second-most-read weekday newspaper in the Greater Toronto Area. Some 3 million Toronto-area adults engage with the Star or Metro in an average week. The Toronto Star remains Canada's largest newspaper in terms of print readers, with 1.5 million readers nationally on an average weekday. As well, Metro also publishes daily print editions in Vancouver, Calgary, Edmonton, Winnipeg, Ottawa and Halifax. We are firmly committed to growing the Metro publications in those communities.

At Metroland Media, we have a diversified community media business that is widely recognized as one of North America's top performers. Metroland now has two daily papers, more than 100 community newspapers across Ontario, numerous digital operations, a very large and successful flyer distribution network, magazines and consumer shows. At Metroland, segmented adjusted EBITDA in 2016 was $42.5 million, down $7.0 million from prior year, and segmented revenue was down 8.8% to $407.6 million. Metroland remains focused on development of multi-platform solutions for its local customer base. In the very important flyer distribution category, which represents approximately one-third of Metroland's revenue base, revenues were down a more modest 3.8%.

We are also pleased our newspapers and digital businesses continued to be recognized for outstanding editorial, advertising and marketing efforts.

Metroland community newspapers won an impressive 177 provincial, national and international awards in 2016 for editorial, advertising and promotions excellence. It won 42 Local Media Association awards, the fourth straight year that Metroland topped all newspaper companies in North America in this important award contest. As well, The Hamilton Spectator's Jon Wells won a prestigious National Newspaper Award in the explanatory work category for his feature on McMaster University's anatomy lab entitled "Body and Soul." Metroland publications also won 35 awards from the Canadian Community Newspaper Association and 99 awards from the Ontario Community Newspaper Association. Such honours are recognition of the team effort made by Metroland employees to maintain and grow its leadership position in the community newspaper industry. A team from the Toronto Star captured the top prize at the National Newspaper Awards, winning the Project of the Year category for an investigation into missing and murdered indigenous women in Canada entitled "Gone." Reporters David Bruser, Jim Rankin, Joanna Smith, Tanya Talaga and Jennifer Wells, along with data analyst Andrew Bailey, dug into the disturbing trend of women who have disappeared in their communities.

The Digital Ventures segment, which was created in 2015, became a significant contributor in 2016 with segmented adjusted EBITDA of $27.3 million, up $15.6 million compared to prior year. The results benefited from the full-year inclusion of VerticalScope in 2016 and growth at VerticalScope. Segmented adjusted EBITDA for VerticalScope alone was $23.7 million, up 20% versus prior year. With its community-based audiences in desirable verticals, results are benefitting from both increasing higher-yield direct sales and continuing to build their programmatic revenue base.

Torstar also has minority investments in associated businesses, including an approximate 18-per-cent interest in Blue Ant Media Inc., an independent media company led by media veteran Michael MacMillan. We were pleased with Blue Ant's progress in 2016 and remain confident in the company as it focuses on global growth opportunities.

In addition, Torstar has a minority investment in Black Press, a company led by David Black that publishes more than 150 newspapers, including weeklies, dailies and shoppers in Canada and the U.S.

LOOKING FORWARD AND SUCCESSION

We are embracing the multi-platform media environment in which we operate. We are striving to adapt and are demonstrating our willingness to take bold but measured steps to enhance value over the long term for Torstar as a whole.

We are focused on our strategic priorities:

- Achieving further digital evolution of our asset base through reinvestment in and support of VerticalScope's growth;
- Continuing to build digital capabilities and grow digital revenue within our wholly-owned operations;
- Continuing to optimize print revenues and reduce costs;
- Across our media operations, increasingly focusing on the unique characteristics of our various audiences to generate revenue opportunity;
- Continuing to exploit Metro's unique strengths to build value in the franchise;
- Successfully evolving Metroland Media Group into the community-focused print and digital media and marketing solutions organization of the future, with particular emphasis on growing the local revenue base across platforms.

This is my last message to shareholders after serving as Torstar's President and Chief Executive Officer since 2009. In July, 2016, I announced my intention to retire and assist with the transition to my successor. On March 3, 2017, I am officially retiring and Torstar announced that John Boynton will be the new President and Chief Executive Officer of Torstar and Publisher of the Toronto Star.

His experience and sales and marketing acumen will be great assets in his new role. I wish him the very best in leading the many dedicated employees of Torstar in the continued evolution of the company.

OUR GREATEST STRENGTH – PEOPLE

We have many strengths across our operations, but no strength is greater or more critical than the talented, committed and passionate people at all levels of our company. They continue to weather the challenge and seek out the opportunities ahead with great energy and distinction.

Guiding these employees is a very talented executive team, including Ian Oliver at Metroland Media, Chris Goodridge at Digital Ventures, and in the Corporate office Lorenzo DeMarchi, our Executive Vice-President and Chief Financial Officer. We also benefit greatly from the leadership of Rob Laidlaw, the founder and CEO at VerticalScope.

Ian Oliver is an outstanding community newspaper leader who consistently draws on his long experience to champion the innovation needed to succeed in the long run in this highly competitive space.

Chris Goodridge is a forward-thinking, very talented executive at the forefront of Torstar's efforts to orient to its more digital future through both his oversight of our increasingly important Digital Ventures segment and his leadership of digital efforts within Star Media Group.

I have benefited greatly from relying on their efforts.

We are also very fortunate to be partnered with Rob Laidlaw, one of Canada's most successful leading digital entrepreneurs, the Chief Executive Officer of VerticalScope.

In the corporate office, I am very grateful to Lorenzo DeMarchi who has provided much wise counsel as my partner as we have navigated the organization through this turbulent period.

I have also been very fortunate to have benefited from the support and wise counsel of John Honderich, our Chair, and all the members of the Board of Directors throughout my eight-year tenure.

It has been both a privilege and an honour to have worked at Torstar for 31 years, most recently as President and Chief Executive Officer. The company has many strengths and I believe it will successfully transition through this period. We have made some tough choices in recent years. I have no doubt there will be difficult choices ahead. The great news is that we are positioned to make the right choices that are in the long-term interests of the company.

I wish my successor and the Board great wisdom in making the choices ahead.

TORSTAR

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TORSTAR

For the year ended December 31, 2016

The following management's discussion and analysis ("MD&A") of Torstar Corporation's ("Torstar", "we", "our" or the "Company") 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, 2016 (the "2016 Consolidated Financial Statements").

We report our financial results under International Financial Reporting Standards ("IFRS") as set out in the CPA Canada Standards and Guidance Collection. All financial information contained in this MD&A and in the 2016 Consolidated Financial Statements has been prepared in accordance with IFRS, except for certain "Non-IFRS Measures" as described in Section 14 of this MD&A. Per share amounts are calculated using the weighted average number of shares outstanding for the applicable period. In addition, during 2016, we reclassified the manner in which certain items are categorized including the exclusion of share based compensation from our definition of adjusted EBITDA. The results for 2015 have been restated on a comparative basis to reflect these and other classification changes.

This MD&A is dated February 28, 2017 and all amounts are in Canadian dollars unless otherwise noted.

Additional information relating to Torstar, including our Annual Information Form, is available on our website at www.torstar.com and on SEDAR at www.sedar.com.

Forward-looking statements

Certain statements in this MD&A and in the Company's oral and written public communications may constitute forward-looking statements that reflect management's expectations regarding the Company's future growth, financial performance and business prospects and opportunities as of the date of this MD&A. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "plan", "forecast", "expect", "estimate", "intend", "would", "could", "if", "may" and similar expressions. This MD&A includes, among others, forward-looking statements regarding estimates and expectations relating to contingent liabilities and impairment of assets in Section 3 of this MD&A, estimates and expectations relating to contingent liabilities in Section 4 of the MD&A, Torstar's expectations regarding expected savings including savings from restructuring initiatives in Sections 3, 4 and 5 of this MD&A, Torstar's outlook for 2017 including anticipated revenue trends and adjusted EBITDA, expected costs related to Toronto Star Touch, pension plan funding obligations and expenses, anticipated capital expenditures and non-cash amortization charges in Section 5 of this MD&A, expectations regarding cash flows and forecasted cash requirements, the potential impact of the Ontario Government's solvency funding review, expected pension plan funding requirements and timing and amount of digital media tax credits in Section 6 of this MD&A, expectations regarding the costs, obligations, contributions, return on plan assets, discount rates, required funding, other expectations related to employee future benefit obligations and the potential impact of the Ontario Government's solvency funding review in Section 8 of this MD&A, expectations described in connection with critical accounting policies and estimates and judgements in Section 9 of this MD&A, expectations regarding recent accounting pronouncements in Section 10 of this MD&A and expectations regarding risks and uncertainties in Section 16 of this MD&A. 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 MD&A. In addition, forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

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 not to 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:

-the Company's ability to operate in highly competitive industries;
-the Company's ability to compete with digital media, other newspapers and other forms of media;
-the Company's ability to respond to the shift to digital media and the shift by advertisers to other digital platforms;
-the Company's ability to attract, grow and retain its digital audience and profitably develop its digital platforms;
-the Company's ability to attract and retain advertisers;
-the Company's ability to maintain adequate circulation/subscription levels;
-the Company's ability to attract and retain readers and traffic;
-the Company's ability to integrate the technology associated with new digital platforms;
-general economic conditions and customer prospects in the principal markets in which the Company operates;
-the Company's ability to reduce costs;
-loss of reputation;
-dependence on third party suppliers and service providers;
-reliance on technology and information systems and risks of security breaches;
-changes in employee future benefit obligations;

-the Company's ability to execute appropriate strategic growth initiatives including acquisitions;
-unexpected costs or liabilities related to acquisitions and dispositions;
-investments in other businesses;
-labour disruptions;
-reliance on printing operations;
-newsprint costs;
-litigation;
-privacy, anti-spam, communications, e-commerce and environmental laws, health and safety regulations and other laws and regulations applicable generally to the Company's businesses;
-foreign exchange fluctuations and foreign operations;
-availability of insurance;
-dependence on key personnel;
-intellectual property rights;
-credit risk;
-availability of capital and restrictions imposed by credit facilities;
-income tax and other taxes;
-dividend policy;
-results of impairment tests and uncertainties associated with critical accounting estimates
-holding company structure; and
-control of the Company by the Voting Trust.

Torstar cautions that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect Torstar's results. In addition, a number of assumptions, including those assumptions specifically identified throughout this MD&A, were applied in making the forward-looking statements set forth in this MD&A which the Company believes are reasonable as of the date of this MD&A. Some of the key assumptions include, without limitation, assumptions regarding the performance of the North American economies; tax laws; continued availability of printing operations; availability of financing on appropriate terms; exchange rates; market competition; rates of return and discount rates relating to pension expense and pension plan obligations; expected future revenues; expected future liabilities; expected future cash flows and discount rates relating to valuation of goodwill and intangible assets; and successful development and launch of new products. There is a risk that some or all of these assumptions may prove to be incorrect. There is no assurance regarding the amount and timing of future dividends. When relying on our forward-looking statements to make decisions with respect to the Company and its securities, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not intend, and disclaims any obligation, to update any forward-looking statements, whether written or oral, or whether as a result of new information or otherwise, except as may be required by law.

Management's Discussion and Analysis – Contents

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1. Overview and Strategic Initiatives

A summary of our business and strategic initiatives

Torstar is a broadly based Canadian media company listed on the Toronto Stock Exchange (Symbol:TS.B). Torstar has three reportable operating segments: Metroland Media Group ("MMG"), Star Media Group ("SMG") and Digital Ventures.

Metroland Media Group includes The Hamilton Spectator and the Waterloo Region Record daily newspapers and more than 100 weekly community newspapers, digital properties (including homefinder.ca, save.ca, travelalerts.ca, wagjag.com ("WagJag") and the regional online sites, such as durhamregion.ca) and flyer distribution operations. Metroland Media Group also has a number of specialty publications, directories and consumer shows.

Star Media Group includes the daily Toronto Star newspaper, Toronto Star Touch and thestar.com. Star Media Group also includes Free Daily News Group Inc. ("Metro"), which publishes the English-language Metro free daily newspapers in several of Canada's largest cities, and through a joint venture arrangement, Star Media Group owns an interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary. Star Media Group also includes wheels.ca, toronto.com and other specialty publications and magazines and distribution services and our interest in Olive Media. Olive Media ceased operations effective January 1, 2016.

Digital Ventures includes our 56% interest in VerticalScope, eyeReturn Marketing Inc. ("eyeReturn") and our joint venture interest in Workopolis. Our investment in VerticalScope is classified as an associated business rather than a consolidated subsidiary or joint venture as a result of certain terms in the applicable shareholders' agreement. VerticalScope is a Toronto-based vertically focused digital media company with expertise in programmatic advertising and which has approximately 170 employees and services the North American market through its network of user forums and premium content sites offering advertisers access to large audiences in popular verticals including automotive, powersports, outdoors, home and health.

We also have several other investments in Associated Businesses, which at December 31, 2016 included a 19% equity investment in Black Press Ltd. ("Black Press"), an 18% equity investment in Blue Ant Media Inc. ("Blue Ant") and a 33% equity investment in Canadian Press Enterprises Inc. ("Canadian Press"). We also had a 15% equity investment in Shop.ca Network Inc. ("Shop.ca") until its bankruptcy in the third quarter of 2016.

Blue Ant is a media company founded in 2011 that creates and distributes video content across a range of traditional and new media platforms in categories such as Outdoor Life, Nature and Science, Style and Do-It-Yourself ("DIY"), Music and Gaming.

Black Press is a privately held company that publishes more than 150 titles in print and online in Canada and the U.S. and has operations in British Columbia, Alberta, Washington, California, Hawaii and Ohio.

Canadian Press operates The Canadian Press news agency.

Competitive Landscape and Strategic Initiatives

Over the last several years, the media landscape, and the newspaper industry in particular, has continued to experience significant changes. These changes include an increasing percentage of consumer time spent with new digital and mobile platforms and fragmentation of audiences across an increasing array of digital media options which has resulted in a structural shift in advertising spending from various traditional media, including newspapers, to digital media as well as a significant increase in the availability of advertising impressions on digital platforms. Having made a significant investment in a high growth digital business opportunity in VerticalScope, we are continuing to transform Torstar's asset base. While the landscape is evolving quickly, we remain committed to maintaining a strong financial foundation and we are embracing the multi-platform environment in which we operate and we are striving to adapt and strengthen our position, across our asset base, through the following strategic initiatives:

- Continuing to advance digitally across our businesses;
- Continuing to optimize print revenues and reduce costs, while investing and delivering in those areas of highest value to our print customers;
- Continuing to evolve the Metro publications across Canada;

- Successfully evolving Metroland Media Group into the community focused print and digital media and marketing solutions organization of the future by building on the foundation of tight connections with our local communities; and
- Achieve further digital evolution of our asset base through both organic and acquisition growth at VerticalScope.

2. Highlights

Highlights for 2016 compared to 2015

(in $000's, except per share amounts)	2016	2015	Favourable (Unfavourable)
Net loss from continuing operations	($76,036)	($399,837)	$323,801
Per Share	*($0.94)*	*($4.96)*	*$4.02*
Net loss attributable to equity shareholders	(74,750)	(403,966)	329,216
Per Share (Basic)	*($0.93)*	*($5.02)*	*$4.09*
Adjusted loss Per Share[2]	*($0.46)*	*($0.10)*	*($0.36)*
Operating loss[1,2]	(118,507)	(403,079)	284,572
Adjusted EBITDA[1,2]	60,478	69,296	(8,818)
Revenues[1,2]	761,697	843,640	(81,943)

[1] Includes proportionately consolidated share of joint ventures and VerticalScope's operations.
[2]These are Non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.

Highlights:

- In July 2016, printing of The Toronto Star was successfully transitioned to Transcontinental Printing ("Transcontinental") and in September 2016, we sold the Vaughan Printing Facility and surrounding lands for net proceeds of $53.6 million recognizing a gain of $21.8 million on the sale.

- During 2016, $22.8 million of restricted cash was released from the Harlequin escrow. We ended 2016 with $75.4 million of cash and cash equivalents as well as $11.8 million of restricted cash; Torstar has no bank indebtedness.

- Our net loss from continuing operations was $76.0 million ($0.94 per share) in 2016 and $399.8 million ($4.96 per share) in 2015. Our net loss in 2016 included $122.0 million of non-cash amortization and depreciation, $74.8 million of which related to our investment in VerticalScope, and $7.5 million of non-cash impairment charges. Our net loss in 2015 included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

- Our net loss attributable to equity shareholders was $74.8 million ($0.93 per share) in 2016 compared to net loss attributable to equity shareholders of $404.0 million ($5.02 per share) in 2015.

- Adjusted loss per share was $0.46 in 2016, up $0.36 from adjusted loss per share of $0.10 in 2015. Adjusted loss per share included a $0.55 per share effect of amortization and depreciation.

- Our segmented adjusted EBITDA was $60.5 million in 2016, down $8.8 million from $69.3 million in 2015 including the negative impact of the loss of $7.6 million in contribution from commercial printing and the closure of Olive Media, the absence of $7.1 million of digital media tax credits recorded in 2015 and the impact of revenue declines. These negative factors were partially offset by $34.5 million of net savings from restructuring initiatives, other cost reductions, $3.6 million of lower net investment in Toronto Star Touch (including $1.2 million of savings from restructuring) and $14.4 million of additional adjusted EBITDA from our investment in VerticalScope. Digital ventures adjusted EBITDA represented approximately 45% of total segmented adjusted EBITDA in 2016, up from approximately 17% in 2015 and largely due to our investment in VerticalScope in July of 2015. In the first full year

of our investment, VerticalScope's U.S. dollar revenues and adjusted EBITDA increased approximately 21% and 20% respectively, relative to the full year in 2015.

- Segmented revenue was $761.7 million in 2016, down $81.9 million (9.7%) from $843.6 million in 2015.

The following chart provides a continuity of earnings per share from the year ended December 31, 2015 to the year ended December 31, 2016:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share **
Loss per share from continuing operations attributable to equity shareholders in 2015	**($4.96)**	**($0.10)**
Changes		
• Adjusted EBITDA *	(0.11)	(0.11)
• Amortization and depreciation *	(0.55)	(0.55)
• **Operating earnings (loss) ***	(5.62)	(0.76)
• Restructuring and other charges*	(0.19)	
• Impairment of assets*	4.39	
• **Operating loss ***	(1.42)	(0.76)
• Interest and financing costs	(0.01)	(0.01)
• Non-cash foreign exchange	0.02	
• Income from associated businesses (excluding VerticalScope)	0.12	0.12
• Other income	0.33	
• Change in deferred taxes (including associated businesses)	0.02	0.19
Loss per share attributable to equity shareholders in 2016 from continuing operations	**($0.94)**	**($0.46)**
Earnings per share from discontinued operations attributable to equity shareholders in 2016	**$0.01**	
Loss per share attributable to equity shareholders in 2016	**($0.93)**	**($0.46)**

*Includes proportionately consolidated share of joint ventures and VerticalScope's operations. These are Non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.
**Refer to Section 14 for a reconciliation of earnings (loss) per share to adjusted earnings (loss) per share and a definition of adjusted earnings (loss) per share.

3. Annual Operating Results

A discussion of our operating results for 2016 and 2015

Unless otherwise noted, the following is a discussion of our 2016 operating results relative to 2015. We have three reportable operating segments for segment reporting purposes: MMG, SMG and Digital Ventures. As a result of the increasing significance of segmented financial results from our investment in VerticalScope relative to our total segmented financial results, during 2016 we revised our definition of adjusted EBITDA to exclude share based compensation. We made this change because of the relative significance and variability of this non-cash expense in our proportionate share of VerticalScope's financial results and we believe that the exclusion of this non-cash expense from adjusted EBITDA provides greater insight for investors, analysts and readers, in regards to our segmented earnings excluding non-cash expenses. Refer to Section 14 for more information. In addition, the paywall at thestar.com was eliminated effective April 1, 2015. Revenues associated with the paywall were not material and have been excluded from the prior period for comparison purposes in the discussions of digital and subscriber revenues below.

Relevant comparative information has been restated to reflect these changes.

Overall Performance

As noted above, we have three reportable operating segments to which Corporate costs have not been allocated. Management of the segments are accountable for the revenues, adjusted EBITDA, operating earnings and operating profit of the segments including our proportionate share of joint venture operations as well as our 56% interest in VerticalScope. When reported in the consolidated statement of income, joint ventures and our 56% investment in VerticalScope (which, pursuant to certain terms in the shareholders agreement, is classified as an Associated Business rather than a consolidated subsidiary or joint venture), are accounted for using the equity method. The net income is included in “Income (loss) from joint ventures” and “Income (loss) from associated businesses”, as applicable. We own a significantly higher percentage of VerticalScope relative to our other Associated Businesses.

The following tables set out our segmented results which include our proportionate share of results from VerticalScope and our joint ventures for the years ended December 31, 2016 and December 31, 2015 and provide a reconciliation to the consolidated statement of income.

2016							
(in $000’s)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$407,646	$280,070	$73,981		$761,697	($76,598)	$685,099
Salaries and benefits	(188,175)	(104,859)	(21,361)	($7,448)	(321,843)	22,528	(299,315)
Other operating costs	(176,942)	(174,468)	(25,352)	(2,614)	(379,376)	23,184	(356,192)
Adjusted EBITDA**	42,529	743	27,268	(10,062)	60,478	(30,886)	29,592
Amortization & depreciation	(14,382)	(27,934)	(79,642)	(66)	(122,024)	78,004	(44,020)
Share based compensation	(528)	(268)	(1,128)	(630)	(2,554)	2,554	—
Operating earnings (loss)**	27,619	(27,459)	(53,502)	(10,758)	(64,100)	49,672	(14,428)
Restructuring and other charges	(13,504)	(32,531)	(262)	(610)	(46,907)	1,084	(45,823)
Impairment of assets	(800)		(6,700)		(7,500)	6,700	(800)
Operating profit (loss)**	$13,315	($59,990)	($60,464)	($11,368)	($118,507)	$57,456	($61,051)
Loss from continuing operations							($76,036)
Income from discontinued operations							$1,200
Net loss							($74,836)

2015							
(in $000’s)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$447,064	$343,555	$53,021		$843,640	($57,009)	$786,631
Salaries and benefits	(207,831)	(126,148)	(18,118)	($8,864)	(360,961)	19,137	(341,824)
Other operating costs	(189,755)	(198,057)	(23,160)	(2,411)	(413,383)	19,988	(393,395)
Adjusted EBITDA**	49,478	19,350	11,743	(11,275)	69,296	(17,884)	51,412
Amortization & depreciation	(14,055)	(14,991)	(48,428)	(37)	(77,511)	47,334	(30,177)
Share based compensation	(600)	(944)	(749)	(180)	(2,473)	2,473	—
Operating earnings (loss)**	34,823	3,415	(37,434)	(11,492)	(10,688)	31,923	21,235
Restructuring and other charges	(19,777)	(10,634)	(899)		(31,310)	1,087	(30,223)
Impairment of assets	(265,936)	(79,145)	(16,000)		(361,081)	16,000	(345,081)
Operating profit (loss)**	($250,890)	($86,364)	($54,333)	($11,492)	($403,079)	$49,010	($354,069)
Loss from continuing operations							($399,837)
Loss from discontinued operations							($5,000)
Net loss							($404,837)

[1] Reflects eliminations of our proportionate share of joint ventures and our 56% interest in VerticalScope
*Includes our proportionately consolidated share of joint venture operations and VerticalScope
**These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A

Revenue

Segmented revenue was down $81.9 million or 9.7% with revenues negatively impacted by several factors including the absence of $14.6 million of net revenue associated with the closure of Olive Media at the end of 2015 and the absence of $8.9 million of commercial printing revenue at the Vaughan Printing Facility. These negative factors were partially offset by increased revenue of $24.9 million from VerticalScope, $20.0 million of which was the result of including a full year of revenue in 2016, relative to a partial year in 2015 and $4.9 million or 29% of year over year comparable period revenue growth at VerticalScope. Adjusting for the non-recurring factors, segmented revenue was down $78.8 million or 9.3% in 2016.

Revenue excluding our proportionate share of revenue from joint ventures and our 56% interest in VerticalScope ("operating revenue") was down $101.5 million or 13%. Adjusting for the above noted factors, operating revenue was down $78.4 million or 10.0%.

Segmented revenue in 2016 reflected declines of 15% in print advertising revenues, with particular softness in national advertising revenues, a 6.8% decrease in subscriber revenue, approximately 1% of which was due to the closure of the Guelph Mercury, and a 5.1% decrease in distribution revenues.

Excluding the impact of Olive Media, digital revenue across all segments increased 18% in 2016, largely resulting from our investment in VerticalScope as well as revenues from Toronto Star Touch and continued growth in local digital advertising within the community websites at Metroland Media Group. These revenue increases were partially offset by lower revenues at Workopolis and WagJag. Digital revenues were 18% of total segment revenues in 2016 compared to 15% in 2015.

The following charts provide a breakdown of total segmented operating revenue for 2016 and 2015 ($ in millions):

Year ended December 31, 2016	MMG		SMG		Digital Ventures		Total	
	$	%	$	%	$	%	$	%
Print advertising	**$174.0**	**43%**	**$148.5**	**53%**			**$322.5**	**42%**
Digital advertising	**36.4**	**9%**	**22.7**	**8%**	**$74.0**	**100%**	**133.1**	**18%**
Distribution	**131.2**	**32%**	**7.9**	**3%**			**139.1**	**18%**
Subscriber	**25.9**	**6%**	**94.2**	**34%**			**120.1**	**16%**
Other	**40.1**	**10%**	**6.7**	**2%**			**46.8**	**6%**
Total	**$407.6**	**100%**	**$280.1**	**100%**	**$74.0**	**100%**	**$761.7**	**100%**

Year ended December 31, 2015	MMG		SMG		Digital Ventures		Total	
	$	%	$	%	$	%	$	%
Print advertising	$200.3	45%	$180.8	53%			$381.1	45%
Digital advertising	37.7	8%	35.2	10%	$53.0	100%	125.9	15%
Distribution	136.5	31%	10.1	3%			146.5	17%
Subscriber	28.4	6%	100.5	29%			128.9	15%
Other	44.2	10%	17.0	5%			61.2	7%
Total	$447.1	100%	$343.6	100%	$53.0	100%	$843.6	100%

Salaries and benefits

Our segmented salaries and benefits costs were down $39.2 million or 11% in 2016 including the absence of $7.1 million of digital media tax credits recorded in 2015. Segmented salaries and benefit costs in 2016 reflected the benefit of savings from restructuring initiatives, including the closure of the Vaughan Printing Facility and lower commission costs partially offset by the inclusion of our proportionate share of salaries and benefit costs of VerticalScope and higher staffing costs associated with Toronto Star Touch.

Other operating costs

Segmented other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 40%, 12% and 12% respectively of segmented other operating costs in 2016. Segmented other operating costs were down $34.0 million (8.2%) as a result of lower print volumes and the impact of other cost reductions partially offset by fees associated with outsourcing the printing of the Toronto Star effective July 2016, as well as increased costs related to our proportionate share of VerticalScope's other operating costs.

Adjusted EBITDA

Our segmented adjusted EBITDA was $60.5 million in 2016, down $8.8 million from 2015 including the negative impact of the loss of $7.6 million in contribution from commercial printing and the closure of Olive Media, the absence of $7.1 million of digital media tax credits recorded in 2015 and the impact of revenue declines. These negative factors were partially offset by $34.5 million of net savings from restructuring initiatives, other cost reductions, $3.6 million of lower net investment in Toronto Star Touch (including $1.2 million of savings from restructuring) and $14.4 million of additional adjusted EBITDA from our investment in VerticalScope.

Amortization and depreciation

Total segmented amortization and depreciation increased $44.5 million in 2016, which included an increase of $30.5 million associated with our investment in VerticalScope on July 28, 2015 as well as $9.3 million of accelerated amortization of equipment related to the transition of printing of the Toronto Star effective July 3, 2016.

Operating earnings (loss)

Segmented operating loss was $64.1 million in 2016, compared to a segmented operating loss of $10.7 million in 2015. The loss in 2016 included the impact of $74.8 million of amortization expense associated with our investment in VerticalScope (2015 - $44.3 million) as well as the above mentioned accelerated amortization of equipment related to the transition of printing of the Toronto Star.

Restructuring and other charges

Total segmented restructuring and other charges were $46.9 million in 2016 and largely related to ongoing efforts to reduce costs including a charge of $20.0 million for severance and facility related expenses in respect of our decision to outsource printing of the Toronto Star. The 2016 restructuring initiatives are expected to result in annualized net savings of approximately $36.5 million and a reduction of approximately 590 positions. Of the expected savings, $19.9 million was realized in 2016. Total segmented restructuring and other charges of $31.3 million were recorded in 2015.

Over the last few years we have undertaken several restructuring initiatives in order to reduce our ongoing operating costs. At December 31, 2016, our liability for payments in respect of these restructuring initiatives was $37.1 million. The following chart provides a year-over-year summary of the realized and expected net savings by year:

	Year of Initiative			
(in $000's)	**2014**	**2015**	**2016**	**Total**
Realized net savings in:				
2015	$9,700	$10,000		$19,700
2016	2,600	13,200	$19,900	35,700
Expected net savings in:				
2017	2,500	100	16,600	19,200
Annualized net savings	$14,800	$23,300	$36,500	$74,600

Impairment of assets

During 2016, we incurred non-cash charges related to asset impairment of our intangible assets and investments in joint ventures totalling $7.5 million. During 2015, we incurred charges related to asset impairment of property, plant and equipment, goodwill and investments in joint ventures totalling $361.1 million. These charges have no impact on cash flows.

In carrying out our impairment testing during the fourth quarter of 2016, we determined that the carrying amount of our joint venture investment in Workopolis exceeded the value in use ("VIU") and we recorded an impairment charge of $6.7 million in respect of this investment as a result of a further downward revision in longer term forecasted revenues reflecting continued increased competition in the online recruitment and job search markets as well as prevailing economic conditions. We also recorded a $16.0 million impairment charge in respect of our joint venture investment in Workopolis during 2015

reflecting the above noted factors. Also, during the fourth quarter of 2016, following lower than forecasted performance in one of our digital Cash Generating Units ("CGUs") at Metroland Media Group in the quarter, we recorded an impairment charge of $0.8 million in respect of intangible assets within this CGU.

During the third quarters of 2016 and 2015, we conducted impairment tests on the carrying value of intangible assets and goodwill. While no impairments of these assets were identified during our 2016 testing, in carrying out this testing in 2015, we determined that the carrying amount of goodwill in the Metroland Media Group of CGUs exceeded the VIU and we recorded an impairment charge of $135.0 million for goodwill and a charge of $0.4 million for intangible assets in the Metroland Media Group of CGUs. This impairment was the result of lower revenue projections reflecting current economic conditions coupled with lower forecasted longer term revenues resulting from continued shifts in spending by advertisers.

In addition, in connection with our impairment test on December 31, 2015, we determined that the carrying amount of goodwill in the Metroland Media Group of CGUs and the Star Media Group of CGUs exceeded their fair value less cost to sell ("FVLCS") and accordingly, we recorded impairment charges of $130.6 million in respect of goodwill in the Metroland Media Group of CGUs and $70.8 million in respect of goodwill and $8.0 million in respect of intangible assets in the Star Media Group of CGUs. Please refer to the discussion of Critical Accounting Policies and Estimates in Section 9 of this MD&A for further discussion.

Operating loss

In 2016, our segmented operating loss was $118.5 million compared to $403.1 million in 2015. Our 2016 segmented operating loss included $122.0 million of non-cash amortization and depreciation and $7.5 million of non-cash impairment charges. Our 2015 segmented operating loss included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

Our operating loss excluding our proportionate share of operating profit (loss) from VerticalScope and our joint ventures operating profit (loss) decreased $293.0 million in 2016 compared to 2015.

Interest and financing costs

Interest and financing costs increased $1.1 million in 2016 primarily reflecting lower interest earned on cash and cash equivalents.

Loss from joint ventures

Loss from joint ventures was $5.5 million in 2016 and $14.2 million in 2015. These losses primarily reflect non-cash impairment charges of $6.7 million recorded in 2016 and $16.0 million recorded in 2015 related to our joint venture investment in Workopolis, as discussed above. Excluding the impact of these charges, income from joint ventures was $1.2 million in 2016 and $1.8 million in 2015 largely reflecting lower adjusted EBITDA at both Workopolis and Sing Tao as well as restructuring charges at Sing Tao.

Loss from associated businesses

Loss from associated businesses was $34.9 million in 2016 compared to a loss of $29.0 million in 2015. The 2016 loss included income of $5.6 million from Black Press and $2.4 million from Blue Ant offset by a loss of $0.6 million from Shop.ca and a loss of $42.2 million from VerticalScope. The 2016 loss from VerticalScope included $74.8 million of amortization and depreciation expense. The 2015 loss included income of $3.0 million from Black Press offset by a loss of $3.0 million from Shop.ca, a loss of $1.9 million from Blue Ant and a loss of $27.0 million from VerticalScope. The 2015 loss from VerticalScope included $44.2 million of amortization and depreciation expense.

Our share of Black Press' net income was $5.6 million in 2016 ($3.0 million in 2015), representing Black Press' results through November 30, 2015. Black Press has a February fiscal year end and therefore does not have coterminous quarter-ends with us.

Our share of Blue Ant's net income was $2.4 million in 2016 ($1.9 million loss in 2015) representing Blue Ant's results through November 30, 2016. Our equity interest in Blue Ant was 18% at the end of 2016 relative to 23% at the end of 2015. Blue Ant has raised additional capital during calendar 2016 at a value approximately 40% higher than our weighted average cost per share. Blue Ant has an August fiscal year end and therefore does not have coterminous quarter-ends with us.

Our share of the Shop.ca net loss was $0.6 million in 2016 which reduced the carrying value of our investment to nil. Our share of Shop.ca's net loss was $3.0 million in 2015. Shop.ca declared bankruptcy in 2016.

We did not record any income or loss during 2016 or 2015 in respect of our investment in Canadian Press as the carrying value had previously been reduced to $nil. We will begin to report our share of Canadian Press' results once the unrecognized losses, including Other Comprehensive Income ("OCI") losses ($4.6 million as of December 31, 2016) have been offset by net income, OCI or additional investments are made. For the year ended December 31, 2016, the Company would have reported income of $0.3 million and other comprehensive loss of $1.8 million from Canadian Press (2015 – income of $0.5 million and OCI of $0.4 million).

Investment in VerticalScope

In 2015, we acquired a 56% interest in VerticalScope. Pursuant to certain terms in the shareholders agreement, the investment is accounted for as an associated business using the equity method, rather than a subsidiary or joint venture. The results of VerticalScope are reported as part of our Digital Ventures Segment in our segmented reporting.

In connection with the investment in VerticalScope, and consistent with the general methodology VerticalScope uses when making its acquisitions, we allocated the difference between the fair value of the purchase price paid and the book value of the net assets of VerticalScope to customer relationships, technology, domain names, acquired content and goodwill. The amortization periods for these intangible assets generally range from 5-10 years, with the exception of acquired content which, consistent with VerticalScope's accounting policy, is amortized over one year. Given the relatively large value allocated to acquired content (U.S. $60.6 million) and the one year amortization period associated with it, we have incurred large amortization charges related to these intangible assets through the end of July 2016.

Our 56% share of VerticalScope's 2016 net loss included $74.8 million in respect of amortization and depreciation expense. This included amortization of fair value differences of intangible assets identified when we made our investment in VerticalScope as well as the amortization of fair value differences which VerticalScope has identified on acquisitions it has made subsequent to July 28, 2015. Amortization and depreciation has been very significant and has been the primary contributor to the decrease in the carrying value of our investment from approximately $180 million at the time of our investment (net of a distribution we received in the third quarter of 2015 and anticipated at the time of the investment) to $115 million at December 31, 2016. Further details of the operating results for this investment during 2016 are outlined in our discussion of the operating results for the Digital Ventures segment below.

During 2016 VerticalScope generated U.S. $22.4 million of cash from operations and made acquisitions and investments totalling U.S. $15.7 million. VerticalScope's debt, net of cash on hand, was U.S. $74.4 million at December 31, 2016 down U.S. $6.4 million from U.S. $80.8 million at December 31, 2015.

Other income (expense)

Other income was $24.3 million in 2016 compared to other expenses of $1.8 million in 2015. Other income in 2016 included a gain of $21.8 million on the sale of the Vaughan Printing Facility and surrounding lands, a gain of $1.3 million on the sale of a real estate property in Guelph and an additional $1.3 million gain recognized on the sale of one of Metroland Media Group's real estate properties in Mississauga.

Income and other taxes

We recorded an income tax recovery of $3.9 million in 2016 and an income tax recovery of $2.3 million in 2015. The tax recovery in 2016 reflects deferred income tax assets not recognized, adjustment to deferred tax assets related to prior years and losses from associated businesses which are not deductible for tax purposes. The tax recovery in 2015 reflected the non-deductibility of non-cash impairment charges and losses from associated businesses for tax purposes.

Net loss from continuing operations

Our net loss from continuing operations was $76.0 million ($0.94 per share) in 2016, compared to a loss of $399.8 million ($4.96 per share) in 2015. Our loss in 2016 included $122.0 million of amortization and depreciation expense and $7.5 million of non-cash impairment charges. Our 2015 net loss included $361.1 million of non-cash impairment charges and $77.5 million of non-cash amortization and depreciation.

Income (loss) from discontinued operations

On August 1, 2014 Torstar sold all of the shares of Harlequin Enterprises Limited ("Harlequin") to a division of HarperCollins Publishers L.L.C., a subsidiary of News Corp., for a purchase price of $455.0 million, subject to certain adjustments for working capital and other related items. In connection with the sale of Harlequin, Torstar indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters and estimated the exposure under these indemnities and recorded a contingent liability in respect of these matters. The gain of $1.2 million in 2016 primarily reflects recoveries related to insurance reserves as well as revised estimates of provisions related to legal costs

and taxes. The loss from discontinued operations of $5.0 million in 2015 also reflected revised estimates of provisions related to taxes and legal costs.

Net income (loss) attributable to equity shareholders

Our net loss attributable to equity shareholders was $74.8 million ($0.93 per share) in 2016 compared to net loss attributable to equity shareholders of $404.0 million ($5.02 per share) in 2015.

Segment Operating Results – Metroland Media Group

Revenues

Metroland Media Group revenues were down $39.5 million or 8.8% in 2016. In 2016, local advertising revenues, on a combined print and digital basis, which represents the largest portion of Metroland Media Group's advertising revenues, were down 9.1%. Within the combined print and digital local advertising revenues, the real estate category was much weaker than the local retail category where declines were more moderate. National advertising revenues, on a combined print and digital basis, which represents a less significant portion of Metroland Media Group's overall revenue, were down 20% in 2016. Flyer distribution revenues which represented 32% of Metroland Media Group's total revenue in 2016, were down 3.8% in the year. Digital revenues at Metroland Media Group in 2016 were comparable to 2015.

Salaries and benefits costs

Metroland Media Group’s salaries and benefits costs were down $19.6 million or 9.4% in 2016 as a result of cost savings from restructuring as well as lower commission costs.

Other operating costs

Metroland Media Group’s other operating costs were down $12.9 million or 6.8% in 2016, as a result of lower circulation and lower flyer distribution costs, lower newsprint consumption and other cost reductions.

Adjusted EBITDA

Metroland Media Group adjusted EBITDA was down $7.0 million in 2016 which primarily reflects the above noted revenue decline which was largely offset by the impact of $18.1 million in savings from restructuring initiatives as well as other cost reductions.

Operating profit (loss)

Metroland Media Group operating profit was $13.3 million in 2016, compared to operating loss of $250.9 million in 2015. Our operating profit in 2016 included $13.5 million of restructuring and other charges and $0.8 million of non-cash impairment charges. Our loss in 2015 included $265.9 million of non-cash impairment charges and $19.8 million of restructuring and other charges.

Segment Operating Results – Star Media Group

Revenues

Star Media Group revenues were down $63.5 million or 18% in 2016 which included the absence of revenue associated with the closures of Olive Media and the commercial printing operation at the Vaughan Printing Facility. Adjusting for these items, Star Media Group segmented revenues were down $40.4 million (12%) in 2016, primarily reflecting lower print advertising revenues. This decline was largely the result of pressures on national advertising at both the Toronto Star and Metro as well as retail advertising revenues at the Toronto Star. While regional revenue at Metro in Toronto continued to be under pressure in 2016, pressures on regional revenues in certain western markets were more moderate. In addition, subscriber revenues at the Toronto Star declined 5.2% in the 2016. These declines were partially offset by revenue from Toronto Star Touch.

Excluding the absence of revenue associated with the closure of Olive Media, Star Media Group’s digital revenues were up 6.1% in 2016 primarily due to incremental revenue from Toronto Star Touch.

Salaries and benefits costs

Star Media Group’s salaries and benefits costs were down $21.2 million or 17% in 2016 including the absence of $7.1 million of digital media tax credits recorded in 2015. The decrease in salary and benefit costs in 2016 reflected the benefit of savings from restructuring initiatives, including the closure of the Vaughan Printing Facility and lower pension costs partially offset by increased staffing costs associated with Toronto Star Touch.

<u>Other operating costs</u>
Star Media Group's other operating costs were down $23.6 million or 12% in 2016 reflecting lower circulation and distribution costs, lower newsprint consumption and other cost reductions, including lower costs associated with Toronto Star Touch. These cost reductions were partially offset by incremental costs associated with outsourcing the printing of the Toronto Star effective July 2016.

<u>Adjusted EBITDA</u>
Star Media Group adjusted EBITDA was $0.7 million in 2016, down $18.7 million from 2015. The decline in segment adjusted EBITDA in 2016 included the absence of $7.1 million of digital media tax credits; the loss of $7.6 million of contribution from the absence of commercial printing and the closure of Olive Media, as well as the impact of revenue declines, partially offset by $3.6 million of lower net investment in Toronto Star Touch and an incremental $14.8 million of net savings from restructuring initiatives, as well as other cost reductions.

<u>Operating profit (loss)</u>
Star Media Group operating loss was $60.0 million in 2016, which included $32.5 million of restructuring and other charges and $27.9 million of non-cash depreciation and amortization expense. Star Media Group's operating loss reflected lower adjusted EBITDA and higher restructuring charges offset by lower impairment charges. Star Media Group operating loss was $86.4 million in 2015.

Segment Operating Results – Digital Ventures

<u>Revenues</u>
Digital Ventures revenues were up $21.0 million or 40%, in 2016, including $24.9 million of additional revenue resulting from our investment in VerticalScope with $20.0 million resulting from a full year in 2016 relative to a partial year in 2015, and $4.9 million in year over year comparable period revenue growth. VerticalScope's U.S. dollar revenue grew 21% in 2016 relative to the full year in 2015 through a combination of organic revenue growth and growth from acquisitions. Our proportionate share of VerticalScope's revenue in 2016 was $40.1 million. The increase in revenue in the Digital Ventures segment in 2016 also reflected lower revenues at Workopolis.

<u>Salaries and benefits costs</u>
Digital Ventures' salaries and benefits costs were up $3.3 million or 18% in 2016. The increase in 2016 included the impact of the inclusion of a full year of our proportionate share of VerticalScope's salaries and benefits costs. VerticalScope's U.S. dollar denominated salaries and benefits costs increased in 2016 relative to 2015 reflecting additional staffing required to support revenue growth. Salaries and benefits costs at eyeReturn and Workopolis were lower in 2016 and included the benefit of $1.6 million of savings from restructuring initiatives at Workopolis.

<u>Other operating costs</u>
Digital Ventures' other operating costs were up $2.2 million or 9.5% in 2016 resulting from the inclusion of a full year of our proportionate share of VerticalScope's other operating costs, partially offset by lower costs at both Workopolis and eyeReturn. VerticalScope's U.S. dollar denominated other operating costs increased in 2016 reflecting growth in the underlying business.

<u>Adjusted EBITDA</u>
Digital Ventures' adjusted EBITDA increased by $15.6 million to $27.3 million in 2016 largely due to $14.4 million of additional adjusted EBITDA from VerticalScope. Our results from VerticalScope included $10.4 million of adjusted EBITDA resulting from the inclusion of a full year of adjusted EBITDA in 2016 relative to a partial year in 2015 and $4.0 million which was the result of year over year comparable period growth. VerticalScope's U.S. dollar adjusted EBITDA grew by 20% in 2016, relative to the full year in 2015. Our proportionate share of VerticalScope's adjusted EBITDA was $23.7 million in 2016. Digital Ventures adjusted EBITDA in 2016 also reflected increased EBITDA at eyeReturn which was partially offset by lower adjusted EBITDA at Workopolis.

<u>Operating loss</u>
Digital Ventures' operating loss was $60.5 million in 2016, compared to an operating loss of $54.3 million in 2015, resulting from a $15.6 million improvement in adjusted EBITDA and a $9.3 million decrease in non-cash impairment charges which was entirely offset by $31.2 million of increased amortization and depreciation expense, (almost entirely related to the VerticalScope acquisition).

4. Fourth Quarter Operating Results

A discussion of our fourth quarter operating results

Unless otherwise noted, the following is a discussion of our fourth quarter 2016 operating results relative to the fourth quarter of 2015. We have three reportable operating segments for segment reporting purposes: MMG, SMG and Digital Ventures. As a result of the increasing significance of segmented financial results from our investment in VerticalScope relative to our total segmented financial results, during 2016 we revised our definition of adjusted EBITDA to exclude share based compensation. We made this change because of the relative significance and variability of this non-cash expense in our proportionate share of VerticalScope's financial results and we believe that the exclusion of this non-cash expense from adjusted EBITDA provides greater insight for investors, analysts and readers, in regards to our segmented earnings excluding non-cash expenses. Refer to Section 14 for more information. Relevant comparative information has been restated to reflect these changes.

Overall Performance

The following tables set out our segmented results which include our proportionate share of results from VerticalScope and our joint ventures for the three months ended December 31, 2016 and December 31, 2015 and provide a reconciliation to the consolidated statement of income.

Fourth Quarter 2016							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$112,650	$75,191	$20,828		$208,669	($20,261)	$188,408
Salaries and benefits	(49,152)	(21,750)	(4,977)	($1,760)	(77,639)	4,798	(72,841)
Other operating costs	(46,569)	(45,099)	(6,985)	(466)	(99,119)	5,661	(93,458)
Adjusted EBITDA**	16,929	8,342	8,866	(2,226)	31,911	(9,802)	22,109
Amortization & depreciation	(4,485)	(2,361)	(8,687)	(30)	(15,563)	8,214	(7,349)
Share based compensation	(123)	(84)	(209)	(502)	(918)	918	—
Operating earnings (loss)**	12,321	5,897	(30)	(2,758)	15,430	(670)	14,760
Restructuring and other charges	(2,558)	(1,418)	16	(480)	(4,440)	742	(3,698)
Impairment of assets	(800)		(6,700)		(7,500)	6,700	(800)
Operating profit (loss)**	$8,963	$4,479	($6,714)	($3,238)	$3,490	$6,772	$10,262
Income from continuing operations							$683
Income from discontinued operations							$400
Net income							$1,083

Fourth Quarter 2015							
(in $000's)	MMG	SMG	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Total Per Consolidated Statement of Income
Operating revenue	$120,399	$92,890	$19,740		$233,029	($19,280)	$213,749
Salaries and benefits	(52,629)	(33,513)	(5,694)	($1,960)	(93,796)	6,290	(87,506)
Other operating costs	(49,345)	(56,572)	(7,551)	(380)	(113,848)	5,789	(108,059)
Adjusted EBITDA**	18,425	2,805	6,495	(2,340)	25,385	(7,201)	18,184
Amortization & depreciation	(3,624)	(5,333)	(28,258)	(5)	(37,220)	27,911	(9,309)
Share based compensation	(148)	(178)	(536)	319	(543)	543	—
Operating earnings (loss)**	14,653	(2,706)	(22,299)	(2,026)	(12,378)	21,253	8,875
Restructuring and other charges	(3,958)	(2,730)	(808)		(7,496)	841	(6,655)
Impairment of assets	(130,569)	(78,752)	(4,000)		(213,321)	4,000	(209,321)
Operating profit (loss)**	($119,874)	($84,188)	($27,107)	($2,026)	($233,195)	$26,094	($207,101)
Loss from continuing operations							($233,413)
Loss from discontinued operations							($1,100)
Net loss							($234,513)

[1] Reflects eliminations of our proportionate share of joint ventures and our 56% interest in VerticalScope
*Includes our proportionately consolidated share of joint venture operations and VerticalScope
**These are non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.

Revenue
Segmented revenue was down $24.3 million or 10% with revenues negatively impacted by several factors including the absence of $5.0 million of net revenue associated with the closure of Olive Media at the end of 2015 and the absence of $2.3 million of commercial printing revenue at the Vaughan Printing Facility. Adjusting for these factors, segmented revenue was down $17.1 million or 7.3% in the fourth quarter of 2016 which included revenue growth of $2.3 million (25%) from VerticalScope.

Segmented revenue in the fourth quarter reflected declines of 13% in print advertising revenues, with particular softness in national advertising revenues, a 7.1% decrease in subscriber revenue, which included the impact of the closure of the Guelph Mercury, and a 3.0% decrease in distribution revenues.

Operating revenue (excluding our proportionate share of revenues from our joint ventures and our 56% interest in VerticalScope) was down $25.3 million or 12%.

Excluding the impact of Olive Media, digital revenue across all segments increased 2.1% in the fourth quarter of 2016, largely resulting from growth at VerticalScope and in local digital advertising at Metroland Media Group partially offset by lower revenues at Save.ca, Workopolis and WagJag. Digital revenues were 18% of total segment revenues in the fourth quarter of 2016 comparable with the fourth quarter of 2015.

Salaries and benefits
Our segmented salaries and benefits costs decreased $16.2 million or 17% in the fourth quarter of 2016 including the benefit of savings from restructuring initiatives, including the closure of the Vaughan Printing Facility, lower commission costs, and lower staffing costs associated with Toronto Star Touch.

Other operating costs
Segmented other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 41%, 12% and 13% respectively of segmented other operating costs in the fourth quarter of 2016. Segmented other operating costs were down $14.7 million or 13% as a result of lower print volumes and the impact of other cost reductions partially offset by fees associated with outsourcing the printing of the Toronto Star effective the third quarter of 2016.

Adjusted EBITDA
Our segmented adjusted EBITDA was $31.9 million in the fourth quarter of 2016, up $6.5 million from the fourth quarter of 2015 benefiting from $2.4 million of higher contribution from our Digital Ventures segment which included 34% growth

in adjusted EBITDA at VerticalScope. In the newspaper operations segmented adjusted EBITDA at Star Media Group was up $5.5 million in the fourth quarter of 2016 while Metroland Media Group was down $1.5 million in the quarter.

Amortization and depreciation

Total segmented amortization and depreciation decreased $21.6 million in the fourth quarter of 2016 which was primarily the result of lower amortization associated with our investment in VerticalScope.

Operating earnings (loss)

Segmented operating earnings was $15.4 million in the fourth quarter of 2016, an improvement of $27.8 million from an operating loss of $12.4 million in the fourth quarter of 2015. This improvement was the result of an increase in adjusted EBITDA combined with lower amortization and depreciation expense.

Restructuring and other charges

Total segmented restructuring and other charges were $4.4 million in the fourth quarter of 2016 and $7.5 million in the comparable period of 2015. Restructuring provisions in the fourth quarter of 2016 are expected to result in annualized net savings of $1.8 million and a reduction of approximately 20 positions. $0.2 million of the savings associated with these initiatives were realized in the fourth quarter of 2016.

Impairment of assets

During the fourth quarter of 2016, we incurred non-cash charges related to asset impairment of investments in joint ventures and intangible assets totalling $7.5 million (2015 - goodwill and investments in joint ventures $213.3 million). Of the impairment charges in the fourth quarter, $6.7 million was in respect of our joint venture investment in Workopolis and the balance of which related to intangible assets at Metroland Media Group. These charges had no impact on cash flows and are discussed further in the discussion of annual operating results in Section 3 of this MD&A.

Operating profit (loss)

In the fourth quarter of 2016 our segmented operating profit was $3.5 million compared to an operating loss of $233.2 million in the fourth quarter of 2015. Our profit in the fourth quarter of 2016 included $15.6 million of amortization and depreciation expense and $7.5 million of non-cash impairment charges. Our loss in the fourth quarter of 2015 included $213.3 million of in non-cash impairment charges and $37.2 million of amortization and depreciation expense.

Our operating profit, excluding our proportionate share of operating profit (loss) from our joint ventures and our investment in VerticalScope increased $217.4 million in the fourth quarter of 2016 to $10.3 million.

Loss from joint ventures

Loss from joint ventures was $6.5 million in the fourth quarter of 2016 compared to a loss of $4.4 million in the fourth quarter of 2015. The loss in the fourth quarter of 2016 included a non-cash impairment charge of $6.7 million related to our joint venture investment in Workopolis (2015 - $4.0 million), as discussed further in the discussion of annual operating results in Section 3 of this MD&A.

Income (loss) from associated businesses

Income from associated businesses was $2.3 million in the fourth quarter of 2016 compared to a loss of $17.9 million in the fourth quarter of 2015. The 2016 fourth quarter included income of $2.2 million from Black Press, income of $1.7 million from Blue Ant, partially offset by a loss of $1.5 million from VerticalScope. The fourth quarter loss from VerticalScope included $7.7 million of amortization expense. The loss in the fourth quarter of 2015 included income of $0.9 million from Black Press offset by a loss of $1.3 million from Blue Ant, a loss of $0.7 million from Shop.ca, and a loss of $16.6 million from VerticalScope. The 2015 fourth quarter loss from VerticalScope included $26.9 million of amortization expense.

Investment in VerticalScope

During 2015, we acquired a 56% interest in VerticalScope. In connection with the investment in VerticalScope, during the fourth quarters of 2016 and 2015 we recorded $7.7 million and $26.9 million of additional amortization and depreciation expense. Further details of our accounting for this investment is included in Section 3 of this MD&A and further details of the operating results for this investment during the fourth quarter of 2016 are outlined in our discussion of the operating results for the Digital Ventures segment below.

Other income (expense)

Other income was nil in the fourth quarter of 2016 compared to other expenses of $2.0 million in the fourth quarter of 2015. Other expense in the fourth quarter of 2015 included a partial write-down of $2.3 million in respect of one of our portfolio investments partially offset by a $0.2 million gain on the sale of an asset and $0.1 million of other income.

Income and other taxes
We recorded a tax expense of $4.2 million in the fourth quarter of 2016. This compares to an income tax recovery of $0.6 million in the fourth quarter of 2015. The income tax expense in the fourth quarter of 2016 reflects deferred income tax assets not recognized and losses from associated businesses which are not deductible for tax purposes. The income tax recovery recorded in the fourth quarter of 2015 reflected the non-deductibility of non-cash impairment charges and losses from associated businesses for tax purposes.

Net income (loss) from continuing operations
Our net income from continuing operations was $0.7 million ($0.01 per share) in the fourth quarter of 2016. This compares to net loss of $233.4 million ($2.90 per share) in the fourth quarter of 2015.

The following chart provides a continuity of earnings per share from the fourth quarter of 2015 to the fourth quarter of 2016:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share **
Loss per share from continuing operations attributable to equity shareholders in 2015	**($2.90)**	**($0.10)**
Changes		
• Adjusted EBITDA *	0.08	0.08
• Amortization and depreciation *	0.27	0.27
• **Operating earnings (loss)***	(2.55)	0.25
• Restructuring and other charges*	0.04	
• Impairment of assets*	2.55	
• **Operating profit ***	0.04	0.25
• Non-cash foreign exchange	0.01	
• Income from associated businesses (excluding VerticalScope)	0.06	0.06
• Other income	0.02	
• Change in deferred taxes (including associated businesses)	(0.12)	(0.15)
Earnings per share attributable to equity shareholders in 2016	**$0.01**	**$0.16**

*Includes proportionately consolidated share of joint ventures and 56% interest in VerticalScope. These include Non-IFRS or additional IFRS measures, refer to Section 14

**Refer to Section 14 for a reconciliation of earnings (loss) per share to adjusted earnings (loss) per share and a definition of adjusted earnings (loss) per share

Income (loss) from discontinued operations
Income from discontinued operations of $0.4 million in the fourth quarter of 2016 and the loss from discontinued operations of $1.1 million in the fourth quarter of 2015 relate to adjustments made to provisions for indemnities associated with the sale of Harlequin in 2014. These adjustments reflect revised estimates of the amounts of these provisions in respect of taxes, and legal and other costs.

Segment Operating Results – Metroland Media Group

Revenues
Metroland Media Group revenues were down $7.7 million or 6.4% in the fourth quarter of 2016. Local advertising revenues, on a combined print and digital basis, were down 9.5% in the fourth quarter. Similar to the experience earlier in the year, local advertising revenues, on a combined print and digital basis, included a more modest decrease in local retail advertising revenues combined with weakness in the real estate category. Flyer distribution revenues continued to be relatively stable in the fourth quarter, down only 1.5%. National advertising revenues, on a combined print and digital basis, were down 11% in the fourth quarter, reflecting some moderation in the revenue trend relative to earlier in the year.

Metroland Media Group’s total digital revenues were up slightly in the fourth quarter of 2016 as a result of strong growth in local digital advertising revenue partially offset by lower revenues from Save.ca and WagJag.

Salaries and benefits costs
Metroland Media Group’s salaries and benefits costs were down $3.4 million or 6.5% in the fourth quarter of 2016 as a result of cost savings from restructuring as well as lower commission costs.

Other operating costs
Metroland Media Group's other operating costs were down $2.7 million or 5.5% in the fourth quarter of 2016, as a result of lower circulation and flyer distribution costs, lower newsprint consumption and price, and other cost reductions.

Adjusted EBITDA
Metroland Media Group adjusted EBITDA was down $1.5 million in the fourth quarter of 2016 primarily reflecting the above noted revenue declines which were only partially offset by the impact of $6.2 million in lower total costs, including $3.6 million of savings related to restructuring initiatives.

Operating profit (loss)
Metroland Media Group operating profit was $9.0 million in the fourth quarter of 2016. This compares to an operating loss of $119.9 million in the fourth quarter of 2015. The improvement in operating profit in the fourth quarter of 2016 primarily reflects a decline of $129.8 million in impairment charges.

Segment Operating Results – Star Media Group

Revenues
Star Media Group revenues were down $17.7 million or 19% in the fourth quarter of 2016 which included the absence of revenue associated with the closure of Olive Media and the absence of commercial printing revenue at the Vaughan Printing Facility. Adjusting for these items, Star Media Group segmented revenues were down $10.4 million (11%) in the fourth quarter primarily reflecting lower print advertising revenues. The decline in print advertising revenues in the fourth quarter was largely the result of weakness in both national and retail advertising revenues at the Toronto Star. At Metro, regional revenues were weak in the fourth quarter while national revenue declines experienced some moderation relative to the trend experienced in the first half of the year. In addition, subscriber revenues at the Toronto Star declined 5.9% in the fourth quarter of 2016.

Excluding the absence of revenue associated with the closure of Olive Media, Star Media Group's digital revenues were down 3.4% in the fourth quarter of 2016, primarily as a result of lower national revenues at thestar.com.

Salaries and benefits costs
Star Media Group's salaries and benefits costs decreased $11.7 million (35%) in the fourth quarter of 2016 reflecting the benefit of savings from restructuring initiatives, including the closure of the Vaughan Printing Facility and $1.2 million of lower staffing costs associated with Toronto Star Touch.

Other operating costs
Star Media Group's other operating costs were down $11.5 million or 20% in the fourth quarter of 2016 reflecting $7.8 million of lower costs in respect of Toronto Star Touch, lower circulation and distribution costs, lower newsprint consumption and other cost reductions partially offset by incremental costs associated with outsourcing the printing of the Toronto Star effective the third quarter of 2016.

Adjusted EBITDA
Star Media Group adjusted EBITDA was $8.3 million in the fourth quarter of 2016, up $5.5 million from the fourth quarter of 2015. The improvement in the fourth quarter of 2016 includes the loss of $3.7 million in contribution from commercial printing at the Vaughan Printing Facility and the closure of Olive Media, offset by $9.0 million of lower net investment in Toronto Star Touch, including savings from restructuring. Adjusting for these factors, Star Media Group segmented adjusted EBITDA increased $0.2 million in the fourth quarter, due to $7.2 million of net savings from restructuring initiatives and other cost reductions, partially offset by the above noted revenue declines.

Operating profit (loss)
Star Media Group operating profit was $4.5 million in the fourth quarter of 2016, compared to an operating loss of $84.2 million in the fourth quarter of 2015. The improvement in operating profit in the fourth quarter of 2016 primarily reflects the absence of $78.8 million of impairment charges recorded in the fourth quarter of 2015.

Segment Operating Results – Digital Ventures

Revenues
Digital Ventures revenues increased $1.1 million (5.6%) in the fourth quarter of 2016, due to revenue growth of $2.3 million at VerticalScope, partially offset by lower revenues from Workopolis. Our proportionate share of VerticalScope's revenue in the fourth quarter of 2016 was $11.6 million which represented growth of 25% relative to the fourth quarter of 2015 resulting from a combination of organic revenue growth and growth from acquisitions.

Salaries and benefits costs
Digital Ventures' salaries and benefits costs were down $0.7 million or 12% in the fourth quarter of 2016 primarily reflecting lower salary and benefit costs at Workopolis and eyeReturn, partially offset by increased salary and benefit costs at VerticalScope. Salaries and benefits costs in the fourth quarter of 2016 also included the benefit of $0.2 million of savings from restructuring initiatives at Workopolis.

Other operating costs
Digital Ventures' other operating costs were flat in the fourth quarter of 2016 reflecting lower costs at Workopolis and eyeReturn, offset by increased costs at VerticalScope reflecting growth in the underlying business.

Adjusted EBITDA
Digital Ventures adjusted EBITDA was $8.9 million in the fourth quarter of 2016, up $2.4 million from $6.5 million in the fourth quarter of 2015 primarily due to growth at VerticalScope. Our proportionate share of VerticalScope's adjusted EBITDA was $7.5 million in the fourth quarter of 2016 representing an increase of 34% over the fourth quarter of 2015. Relative to the prior year, adjusted EBITDA at Workopolis increased $0.2 million in the fourth quarter of 2016 while adjusted EBITDA at eyeReturn was consistent with the prior year in the fourth quarter.

Operating loss
Digital Ventures' operating loss was $6.7 million in the fourth quarter of 2016, compared to an operating loss of $27.1 million in the fourth quarter of 2015. The improvement in the operating loss in the third quarter of 2016 was the result of the above noted improvements in adjusted EBITDA as well as a significant decrease in amortization and depreciation expense.

5. Outlook

The outlook for our business in 2017

In 2016, Metroland Media Group and Star Media Group continued to face a challenging print advertising market resulting from ongoing shifts in spending by advertisers and indications are that the revenue challenges experienced at Star Media Group and Metroland Media Group in 2016 have continued early into 2017. However, it is difficult to predict if the trends experienced in 2016 will continue through 2017. Flyer distribution revenues and revenues from subscribers declined moderately in 2016 and this trend is expected to continue in 2017. In 2017, Metroland Media Group and Star Media Group overall digital revenue is expected to be stable with expected growth in certain business lines offsetting expected declines in other areas.

Within the Digital Ventures segment, the trend in revenue and adjusted EBITDA growth from a combination of organic growth and acquisitions at VerticalScope experienced in 2016 has continued early into 2017 and is expected to remain strong through the balance of 2017.

Cost reduction will remain an ongoing important area of focus for us in 2017. Net savings related to restructuring initiatives undertaken through the end of 2016 are expected to be $17.0 million in 2017 ($6.1 million in Metroland Media Group, $10.9 million in the Star Media Group). In addition, we expect the net investment in Toronto Star Touch in 2017 to be between $2 million and $4 million for the full year in 2017, (including the benefit of an additional $2.2 million of savings from restructuring initiatives undertaken to date and not included above) down from approximately $11 million in 2016.

Expenses related to our registered defined benefit pension plans are currently expected to decrease by approximately $3 million to approximately $11 million in 2017. However, from a cash flow perspective, in 2017, similar to 2016, we anticipate that the required funding of our registered defined benefit pension plans to remain at approximately $18 million. We are required to file updated actuarial valuation reports in respect of our largest registered defined benefit pension plans as of December 31, 2016. These valuations will determine the minimum future funding requirements in respect of these plans beyond 2017.

Capital expenditures in 2017 are currently anticipated to be reduced to between $12 million and $13 million.

In addition, in 2017, we anticipate our 56% share of VerticalScope's non-cash amortization charges, including those related to intangible assets identified at the time of our investment (refer to discussion of Investment in VerticalScope in Section 3 of this MD&A), to drop to approximately $7 - $8 million per quarter excluding any potential impact of acquisitions completed in 2017.

6. Liquidity and Capital Resources

A discussion of our cash flow, liquidity, credit facilities and other disclosures

We use cash and cash equivalents on hand and the cash generated by our operations to fund working capital, capital expenditures, distributions to shareholders, and acquisitions. Based on our current and anticipated level of operations, it is expected that our future cash flows from operating activities, combined with existing cash and cash equivalents, will be adequate to cover forecasted cash requirements through the end of 2018, acknowledging that beyond 2017, our cash requirements are expected to increase significantly in respect of our defined benefit pension plans. Based on our estimated solvency deficit at December 31, 2016 and the Ontario Government's determination of minimum funding requirements, the minimum required funding for our defined benefit pension plans is expected to increase significantly beginning in 2018. The Ontario Government has released a consultation paper on solvency funding in Ontario, (Refer to further discussion in Section 8 - Employee Benefit Obligations). While there can be no certainty as to the outcome of the Ontario Government's solvency funding review or the availability of funding relief measures, if such funding relief were to materialize and be applicable to us, it is possible that it could significantly reduce our minimum required funding in respect of our defined benefit pension plans.

Given the above noted factors, beyond 2018, we may need to take additional measures to increase our liquidity and capital resources, including through the sale of investments or assets, obtaining additional debt or equity financing, reducing distributions to shareholders or reducing capital expenditures.

In 2016, we used $10.6 million of cash in operating activities, generated $65.3 million of cash from investing activities and used $14.5 million of cash in financing activities.

In the fourth quarter of 2016, we generated $11.7 million of cash from operating activities, used $4.2 million of cash in investing activities and used $2.0 million in financing activities.

At December 31, 2016 we had $75.4 million of cash and cash equivalents as well as $11.8 million of restricted cash. Restricted cash included $10.5 million held as collateral for outstanding standby letters of credit supporting an unfunded executive retirement plan liability. At December 31, 2015 we had $35.2 million of cash and cash equivalents as well as $37.9 million of restricted cash. Restricted cash was comprised of $15.2 million held as collateral for outstanding standby letters of credit (substantially all of which was in respect of a standby letter of credit supporting an unfunded executive retirement plan liability) and $22.8 million which was held in escrow in respect of the sale of Harlequin.

Operating Activities

In 2016, we used $10.6 million of cash in operating activities. Cash used in operating activities included $30.4 million of funding towards our employee future benefit plans of which $18.0 million was contributed to registered defined benefit pension plans and $12.4 million was applied to unfunded pension and other post employment benefit plans. This was partially offset by an $11.0 million decrease in non-cash working capital and a $3.3 million decrease in restricted cash. During 2015, we generated $38.1 million of cash from operating activities which included funding of $20.4 million of contributions to our employee future benefit plans and a $12.0 million decrease in non-cash working capital.

In the fourth quarter of 2016, we generated $11.7 million of cash from operating activities which included $15.9 million of funding towards our employee future benefit plans ($5.3 million was contributed to registered defined benefit pension plans and $10.6 million was applied to unfunded pension and other post employment benefit plans) and a $2.5 million increase in non-cash working capital, partially offset by a $6.9 million decrease in restricted cash. During the fourth quarter of 2015 we generated cash of $16.2 million of cash from operating activities which included $5.9 million of contributions to our employee future benefit plans, a $5.9 million decrease in non-cash working capital and a decrease of $2.5 million in restricted cash.

Investing Activities

During 2016, we generated $65.3 million of cash in investing activities. This included the receipt of $61.0 million in proceeds on the sale of assets, including $53.6 million received on the sale of the Vaughan Printing Facility and surrounding lands and $7.4 million in respect of the sale of two Metroland Media Group real estate properties. We also received $22.8 million from the release of escrowed cash related to the sale of Harlequin in February 2016. These receipts were offset in part by $17.7 million in additions to property, plant and equipment and intangible assets (excluding our proportionate share of additions related to our joint ventures and 56% interest in VerticalScope).

During 2015, we used $213.5 million of cash in investing activities. This included a $180.0 million investment in VerticalScope (net of a $22.1 million distribution received in the fourth quarter of 2015, which was anticipated at the time of the initial investment), a $1.5 million investment in Nest Wealth Asset Management Inc., an associated business, $30.6 million for additions to property, plant and equipment and intangible assets (excluding Torstar's proportionate share of additions related to our joint ventures and our 56% interest in VerticalScope) and $2.1 million for acquisitions and portfolio investments. Portfolio investments included an investment in CanadaStays.com. Additions to intangible assets included $10.7 million of additions related to Toronto Star Touch.

During the fourth quarter of 2016 we used $4.2 million of cash from investing activities primarily for additions to property, plant and equipment and intangible assets. During the fourth quarter of 2015 we generated $14.1 million of cash in investing activities. This included a $22.1 million distribution from VerticalScope, as anticipated at the time of the initial investment, partially offset by $6.6 million for additions to property, plant and equipment and intangible assets and $1.5 million of investments in associated businesses which represented the payment of costs associated with our investment in VerticalScope in the third quarter of 2015.

Financing Activities

In 2016 we used cash of $14.5 million in financing activities which was primarily used for the payment of dividends. In 2015 cash of $40.7 million was used in financing activities with $41.5 million used for the payment of dividends.

We used cash of $2.0 million and $10.3 million for financing activities in the fourth quarters of 2016 and 2015 respectively which was primarily used in the payment of dividends.

Dividends per share were 6.5 cents in each of the first and second quarters of 2016, and 2.5 cents in the third and fourth quarter of 2016. Dividends per share were 13.125 cents in each of the first, second, third and fourth quarters of 2015.

Contractual Obligations and Other

As at December 31, 2016, we had the following significant contractual obligations which were not included in our liabilities in the Statement of Financial Position.

(In 000's) Nature of the Obligation	Total	2017	2018 – 2019	2020 – 2021	2022+
Office leases	$45,243	$14,462	$24,179	$6,555	$47
Services	62,806	22,319	33,032	7,455	
Total	$108,049	$36,781	$57,211	$14,010	$47
Receivable from office sub-leases	($7,619)	($3,013)	($3,602)	($1,004)	

In 2015, we received cash proceeds of $7.1 million in digital media tax credits, net of expenses, in respect of claims filed for the year ended December 31, 2010. While we have filed additional claims in respect of these credits, there is uncertainty with regard to timing and amounts (if any) that may ultimately be received under this program.

Outstanding Share and Share Option Information

As at February 24, 2017, we had 9,826,215 Class A voting shares and 70,891,397 Class B non-voting shares outstanding. As at December 31, 2016 we had 9,826,215 Class A voting shares and 70,891,322 Class B non-voting shares outstanding. More information on our share capital is provided in Note 20 of the 2016 Consolidated Financial Statements.

As at February 24, 2017, we had 6,380,203 (December 31, 2016 - 5,686,932) options to purchase Class B non-voting shares outstanding to executives. More information on Torstar's share option plan is provided in Note 21 of the 2016 Consolidated Financial Statements.

7. Financial Instruments

A summary of our financial instruments

Foreign Exchange

In order to offset the foreign exchange risk associated with the investment in VerticalScope in July 2015, we entered into a hedge of the net investment using 90 day rolling forward foreign exchange contracts, which established a rate of exchange of Canadian dollar per U.S. dollar of $1.30 for U.S. $153.8 million as of the date of the investment. At December 31, 2015, we had forward foreign exchange contracts in place, which established a rate of exchange of Canadian dollar per U.S. dollar of $1.34 for U.S. $137.0 million. The forward foreign exchange contracts were designated as a hedge of the net investment in VerticalScope. Gains or losses on the translation of the effective portion of the designated hedge amount were transferred to OCI to offset any gains or losses on translation of the net investment. Any changes to the U.S. dollar/Canadian dollar exchange rate would be offset by the gains or losses on translation of the net investment to the extent of hedge effectiveness.

In 2016, we extinguished all of the U.S. rolling forward contracts we had in place and simultaneously entered into a $137.0 million zero cost collar arrangement with a range of Canadian $1.46 to Canadian $1.19 for U.S. $1.00. These collar options were also designated as a hedge of the net investment in VerticalScope. Any fluctuations in fair value arising from fluctuations in the rate of exchange of Canadian dollar per U.S. dollar outside this collar range is recorded in OCI on the effective portion of the designated hedge. Any gains or losses related to the ineffective portion of the hedge are recorded in net income. While there are no cash payments or receipts while inside the collar range, any fluctuations within the collar range are recorded in net income.

In February 2017, we extinguished the collar arrangement we had in place in and simultaneously entered into a new $137.0 million zero cost collar arrangement maturing in 2018, with a range of Canadian $1.40 to Canadian $1.20 for U.S. $1.00.

8. Employee Benefit Obligations

A summary of our employee benefit obligations

We have several registered defined benefit pension plans which provide pension benefits to our employees, and an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives of Torstar. In addition, we have a number of capital accumulation (defined contribution) plans. We also have a post-employment benefit plan that provides health and life insurance benefits to certain grandfathered employees, primarily in the newspaper operations.

We had the following employee future benefit assets (obligations) as at December 31:

($000's)	2016	2015
Registered pension plans	($12,661)	($11,426)
Unregistered/unfunded pension plans	(10,658)	(21,238)
Post employment benefit plan	(47,015)	(47,875)
	($70,334)	($80,539)

At December 31, 2016, our net deficit related to our defined benefit pension plans was $12.7 million, a favourable movement of $69.6 million from a net deficit of $82.3 million at September 30, 2016 and an unfavourable movement of $1.3 million from a net deficit of $11.4 million at December 31, 2015.

We have recognized the following expense in operating profit related to the defined benefit obligations:

($000's)	2016	2015
Registered pension plans	($15,236)	($17,452)
Unregistered/unfunded pension plans	(612)	(537)
Post employment benefits plan	413	(364)
	($15,435)	($18,353)

The cost and obligations of pensions and post employment benefits earned by employees is calculated annually by independent actuaries using the projected unit credit method prorated on service and management's best estimate of assumptions for salary increases, employee turnover, retirement ages of employees, mortality rates and expected health care costs. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted to actual when the annual calculations are completed by the independent actuaries.

The significant assumptions made by management in 2016 and 2015 were:

	2016	2015
To determine the net benefit obligation at the end of the year:		
Discount rate	3.2% to 3.8%	3.1% to 3.9%
Rate of future compensation increase	2.5%	2.0% to 2.5%
To determine benefit expense:		
Discount rate	3.1% to 3.9%	3.5% to 3.9%
Rate of future compensation increase	2.0% to 2.5%	2.25% to 2.75%
	2017	
To determine the pension benefit expense for the following year:		
Discount rate	3.2% to 3.8%	
Rate of future compensation increase	2.5%	

The discount rates of 3.2% to 3.8% were the yields at December 31, 2016 on high quality Canadian corporate bonds with maturities that match the expected maturity of the pension obligations. The selection of a discount rate that was one percent higher (holding all other assumptions constant) would have resulted in a decrease in the value of the net pension plan obligation at December 31, 2016 of $113.6 million. A discount rate that was one percent lower would have increased the value of the net pension plan obligation at December 31, 2016 by $129.9 million.

Management has estimated the rate of future compensation increases to be 2.5%. This rate includes an anticipated level of inflationary increases as well as merit increases. Management has considered both historical trends and expectations for the future. Recent compensation increases have been lower than this range given current market conditions but management believes the range reflects an appropriate longer-term view.

For the post employment benefits plan that provides health and life insurance benefits to certain grandfathered employees, the key assumptions are the discount rate and health care cost trends. The discount rate used is the same as the prescribed rate for the defined benefit pension obligation. If the estimated discount rate were one percent higher, the obligation at December 31, 2016 would be approximately $4.9 million lower. If the estimated discount rate were one percent lower, the obligation at December 31, 2016 would be approximately $5.9 million higher. For health care costs, the estimated trend was for a 4.8% increase for the 2016 expense. For 2017, health care costs are estimated to increase by 5.0%. If the estimated increase in health care costs were one percent higher, the obligation at December 31, 2016 would be approximately $1.3 million higher. If the estimated increase in health care costs were one percent lower, the obligation at December 31, 2016 would be approximately $1.2 million lower.

Due to the extensive use of estimates in the benefit calculations, actuarial gains and losses arise over time as discount rates change, when actual return performance differs from the estimated returns and as other assumptions change. The most significant actuarial gains and losses arise from changes in the discount rate used to value the pension plan obligations as well as differences in the actual and estimated returns earned on pension plan assets. We recognize these actuarial gains and losses as realized, through OCI. Actuarial losses of $1.7 million were recognized through OCI in 2016 and actuarial losses of $3.4 million were recognized through OCI in 2015.

Ontario pension plan regulations require that the funded status of registered pension plans be determined no less frequently than every three years through an actuarial solvency report. Any incremental solvency deficits determined by such reports must normally be funded over a five-year period. As all of our pension plans are registered in Ontario, solvency valuations are a key determinant of ongoing defined benefit pension contribution requirements.

Actuarial reports for our most significant group of registered defined benefit pension plans (in terms of assets and obligations) were completed as of December 31, 2013 and form the basis on which required annual funding was set for 2015 through 2017. Based on these valuations, we expect the required annual funding for our registered defined benefit plans for 2017

to be approximately $18 million similar to our funding level in 2016. Our next required actuarial reports will be as of December 31, 2016.

Based on the December 31, 2013 solvency report, we had an estimated solvency deficit of $45.3 million at December 31, 2013. This report also indicated that a 100 basis point change in the discount rate used to calculate solvency liabilities would result in a change in liabilities of approximately $119 million. The blended discount rate of the most significant group of our registered defined benefit pension plans which management uses to calculate the estimated solvency deficit decreased by 0.02% in 2016 and by 0.74% from December 31, 2013. Given the change in the discount rate, combined with asset returns from December 31, 2013 through to December 31, 2016, we estimate that the solvency deficit for these plans at December 31, 2016 was approximately $122 million.

Subsequent to December 31, 2013, we have taken steps to immunize approximately one quarter of the registered defined benefit pension plan liabilities and accordingly, management now estimates that a 100 basis point movement in the discount rate used to estimate solvency liabilities would result in an approximate $70 million change in the remaining solvency liabilities.

On July 26, 2016, the Ontario Government released a consultation paper on solvency funding in Ontario. According to the consultation paper, which can be found at http://www.fin.gov.on.ca/en/pension/solvency/review-solvency-funding.html "Over the last several years, sponsors of defined benefit pension plans, have faced funding pressures associated with persistently low interest rates. The stated purpose of the solvency funding review is to develop a balanced set of solvency funding reforms that would focus on plan sustainability, affordability and benefit security, and take into account the interests of pension stakeholders - including sponsors, unions, members and retirees. Further temporary solvency relief measures are intended to provide plan sponsors with flexibility as the funding review proceeds." Feedback on key policy issues associated with pension plan funding in Ontario was due to the Ministry of Finance by September 30, 2016. This was to be followed by the development of proposed funding reforms which was to include synthesis and analysis of feedback and continued consultation. There can be no certainty as to the outcome of the Ontario Government's solvency funding review or the availability of funding relief measures. However, if such funding relief were to materialize and be applicable to us, it is possible that it could significantly reduce our minimum required funding in respect of our defined benefit pension plans.

9. Critical Accounting Policies and Estimates

A description of accounting estimates and judgements that are critical to determining our financial results, and changes to accounting policies

Accounting Policies

The accounting policies used in the preparation of the 2016 Consolidated Financial Statements are outlined in Note 2 of the 2016 Consolidated Financial Statements for the year ended December 31, 2016. Several new amendments and interpretations applied for the first time in 2016. However, they had little or no impact on our consolidated financial statements.

Accounting Estimates and Judgements

The preparation of our 2016 Consolidated Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and goodwill impairment. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The more significant estimates and assumptions made by management are described below:

Employee Future Benefits

The accrued net benefit asset or liability and the related cost of defined benefit pension plans and other post employment benefits earned by employees is determined each year by independent actuaries based on several assumptions. The actuarial valuation uses management's assumptions for rate of compensation increase, employee turnover, retirement ages, mortality rates, trends in healthcare costs and expected average remaining years of service of employees. Management applies judgement in the selection of these estimates, based on regular reviews of salary increases, health care costs and demographic employee data. The most significant assumption is the discount rate.

The discount rate used to determine the present value of the net defined benefit obligation is based on the yield on long-term, high-quality corporate bonds, with maturities matching the estimated cash flows from the benefit plan. A lower discount rate would result in a higher employee benefit obligation.

Management's current estimates, along with a sensitivity analysis are further discussed under "Employee Future Benefit Obligations" in this MD&A and are disclosed in Note 19 of the 2016 Consolidated Financial Statements.

Impairment of non-financial assets

At each reporting date, we are required to assess our investments, intangible assets, property, plant and equipment and goodwill for potential indicators of impairment such as an adverse change in business climate that may indicate that these assets may be impaired. If any such indication exists, we estimate the recoverable amount of the asset, CGU or group of CGUs and compare it to the carrying value. In addition, irrespective of whether there is any indication of impairment, we are required to test intangible assets with an indefinite useful life and goodwill for impairment at least annually. We complete our annual testing during the fourth quarter of each year.

For intangible assets other than goodwill, we are also required to assess at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

The test for impairment for property, plant and equipment, intangible assets, investments or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the greater of FVLCS, and VIU. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets (such as goodwill). If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

We have computed the FVLCS using a forward EBITDA multiple that requires market participant assumptions about future cash flows and forward multiples. In calculating the recoverable amount, under either a VIU or FVLCS methodology, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows, forward multiples and discount rates. Our assumptions are influenced by current market conditions and levels of competition, both of which may affect expected revenues. Expected cash flows may be further affected by changes in operating costs beyond what we are currently anticipating. We have also made certain assumptions for the forward multiples, discount and terminal growth rates to reflect possible variations in the cash flows. However, the risk premiums expected by market participants, as reflected in forward multiples, related to uncertainties about the industry, specific reporting units or specific intangible assets may differ or change quickly, depending on economic conditions and other events. Changes in any of these assumptions may have a significant impact on the fair value of the investment, CGU or group of CGUs or intangible assets and the results of the related impairment testing. Refer to Note 12 of the 2016 Consolidated Financial Statements for further details about the methods and assumptions used in estimating the recoverable amount.

As at December 31, 2016 the carrying value of investments, intangible assets, property, plant & equipment and goodwill represented 33%, 10%, 11% and 1% respectively of total assets and each reporting segment had investments, intangible assets and property, plant and equipment with carrying values subject to these estimates. As at December 31, 2015 the carrying value of investments, intangible assets, property, plant and equipment and goodwill represented 34%, 10%, 17% and 1% respectively of total assets. These values, for the applicable segments, are outlined in the notes to the 2016 Consolidated Financial Statements. In the year ended December 31, 2016, we have recorded impairment charges (on a segmented basis), related to intangible assets and investments totaling $7.5 million in 2016. In the year ended December 31, 2015, we have recorded impairment charges (on a segmented basis), related to goodwill, intangible assets and investments totaling $361.1 million. These charges impact net income but have no effect on cash flow. Refer to the discussion of "Impairment of assets" in Section 3 for further detail surrounding the impairment of asset charges recorded during 2016.

Taxes

We are subject to income taxes in Canada and in certain foreign jurisdictions. Significant judgement is required in determining the provision for income taxes. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Management uses judgement in interpreting tax laws and determining the appropriate rates and amounts in recording current and deferred taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Deferred tax is provided using the liability method for temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured using substantively enacted tax rates and laws at the reporting date that are expected to be in effect when the temporary differences are expected to reverse.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which they can be utilized. When assessing the probability of taxable profit being available, management primarily considers prior years' results, forecasted future results and non-recurring items. As such, the assessment of our ability to utilize tax losses carried forward is to a large extent judgement-based. If our future taxable results differ significantly from those expected, we would be required to increase or decrease the carrying value of the deferred tax assets with a potentially material impact in our consolidated statement of financial position and consolidated statement of comprehensive income. The carrying amount of deferred tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred tax assets. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable profits to allow all or part of the asset to be recovered.

More information on our income taxes is provided in Note 14 of the 2016 Consolidated Financial Statements.

Significant judgements made by management are described below.

Classification of investments as portfolio investments, associated businesses, joint ventures and subsidiaries

Classification of investments requires judgement on whether we control, have joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. Joint control is the contractually agreed sharing of control over the financial and operating policy decisions of the investee. It exists only when the decisions require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

In assessing the level of control or influence that we have over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. Black Press, Blue Ant and Shop.ca have been classified as associated businesses based on management's judgement that we have, based on rights to board representation and other provisions in the respective shareholder agreements, significant influence despite owning less than 20% of the voting rights throughout 2016 and 2015 for Black Press and throughout 2015 until the third quarter 2016 for Shop.ca and since the third quarter of 2016 for Blue Ant. Similarly, VerticalScope has been classified as an associated business, rather than a consolidated subsidiary or joint venture, based on management's judgement that we have, based on provisions in the shareholders agreement, significant influence despite owning 56% of the voting rights.

Classification of cash equivalents

Classification of cash equivalents requires judgement on whether short-term investments are easily convertible into cash. Short-term investments with maturities on acquisition of 90 days or less are presumed to be cash equivalents due to the short holding period of the investment. We have classified our short-term investments with original maturities on acquisition of over 90 days but less than 365 days as cash equivalents based on management's judgement that the short-term investments are liquid as we have a contractual right to convert them into cash with 30 days' notice.

Determination of operating segments, reportable segments and CGUs

We have three reportable operating segments for segment reporting purposes: Metroland Media Group, Star Media Group and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. Each of the Star Media Group, Metroland Media Group and Digital Ventures segments include CGUs which have been grouped together for purposes of reviewing performance and impairment testing. Our chief operating decision-maker monitors the operating results of the operating units separately for the purpose of assessing performance. Segment performance is evaluated based on operating profit which corresponds to operating profit as measured in the consolidated financial statements except that it includes the proportionately consolidated share of joint venture operations. Decisions regarding resource allocation are made at the reportable segment level.

Within the MMG operating segment, we have identified a number of CGUs including the daily newspapers and their flyer distribution operations, the community newspapers and their flyer distribution and printing operations as well as a number of separate digital CGUs. In addition, we have identified SMG as one CGU which includes the Toronto Star and the Metro publications as well as a number of other smaller digital platforms and publications. Within the Digital Ventures segment, we have identified eyeReturn Marketing as one CGU.

10. Recent Accounting Pronouncements

A discussion of recent IFRS developments that will affect our business

The International Accounting Standards Board ("IASB") continues to issue new and revised IFRS. A listing of the changes in IFRS is included in Note 2(t) in our 2016 Consolidated Financial Statements. The following new standards or amendments to accounting standards, which will be effective subsequent to 2016, are expected to have an impact on the interim or annual consolidated financial statements or related disclosures:

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 which specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. We do not anticipate early adoption and we plan to adopt the standard on its effective date of January 1, 2018. We have reviewed our significant sources of revenue and to date, we have not identified any areas for which the recognition of revenue will change significantly with the adoption of the new standard. We will continue to assess the impact of IFRS 15 on our less significant sources of revenue as well as disclosure requirements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: Classification and Measurement; Impairment; Hedge Accounting; and Derecognition. We do not anticipate early adoption and plan to adopt the standard on its effective date of January 1, 2018.
Our review of IFRS 9 performed to date indicates the following impacts:

- financial assets such as receivables which were previously classified as "loans and receivables" under IAS 39, will now be classified as "amortized cost" under IFRS 9 while most financial liabilities will continue to be measured at "amortized cost".
- The quantitative retrospective and prospective hedge effectiveness assessment within the 80-125 percent threshold to qualify for hedge accounting will no longer apply. Rather, once a hedge relationship qualifies for hedge accounting, retrospective effectiveness testing and voluntary discontinuation of hedge accounting are not permitted. Hedge accounting can only discontinue where the qualifying criteria are no longer met.

We will continue to assess the impact of IFRS 9 on the consolidated financial statements.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 *Leases* and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. We do not anticipate early adoption and we plan to adopt the standard on its effective date of January 1, 2019. We are in the process of reviewing the standard to determine the impact on the consolidated financial statements.

11. Controls and Procedures

A discussion of our disclosure controls and internal controls over financial reporting

Disclosure Controls and Procedures

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.

As at December 31, 2016, under the supervision of, and with the participation of the CEO and CFO, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our CEO and CFO have concluded that, as at December 31, 2016, our disclosure controls and procedures were effective.

Internal Controls over Financial Reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Torstar; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, management acknowledges that our internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of, and with the participation of the CEO and CFO, assessed the effectiveness of internal controls over financial reporting, using the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, and based on that assessment concluded that internal controls over financial reporting were effective as at December 31, 2016.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the three months ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

12. Selected Annual Information

A summary of selected annual financial information for 2016, 2015 and 2014

(in $000's - except per share amounts)	2016	2015	2014
Revenue	$685,099	$786,631	$858,134
Segmented Revenue *	$761,697	$843,640	$904,618
Net loss from continuing operations	($76,036)	($399,837)	($49,598)
Per Class A voting and Class B non-voting share - Basic and Diluted	($0.94)	($4.96)	($0.62)
Net income (loss)	(74,836)	(404,837)	173,064
Net income (loss) attributable to equity shareholders	(74,750)	(403,966)	172,685
Per Class A voting and Class B non-voting share			
Basic	($0.93)	($5.02)	$2.16
Diluted	($0.93)	($5.02)	$2.15
Average number of shares outstanding during the year (in 000's)			
Basic	80,653	80,400	80,078
Diluted	80,653	80,400	80,254
Cash dividends per Class A voting and Class B non-voting share	$0.180	$0.525	$0.525
Total assets	$564,491	$696,416	$1,143,521

*Includes proportionately consolidated share of joint venture operations and VerticalScope. This is a non-IFRS or additional IFRS measures, refer to Section 14 of this MD&A.

Revenue has declined each year reflecting a structural shift within the advertising industry from print media to digital media. Excluding the impact of the closure of Olive Media on December 31, 2015, digital revenues increased 18% in 2016 and 14% in 2015. These increases were primarily related to the investment in VerticalScope in July 2015.

Over the three year period, significant labour cost savings have been realized in the newspaper operations from restructuring initiatives. The provisions for the costs of these restructuring initiatives have had a negative impact on net income, generally in a period in advance of the cost savings being realized.

In addition, 2014 included a $224.6 million pre-tax gain on the sale of Harlequin, while 2015 included additional charges of $5.0 million related to provisions for indemnities in respect of the sale of Harlequin.

Total assets have declined over the three year period reflecting total impairment charges of $7.5 million in 2016, $361.1 million in 2015 and $97.9 million in 2014. In addition, on a segmented basis, we recorded amortization and depreciation expenses totalling $122.0 million in 2016, and $77.5 million in 2015, largely related to the investment in VerticalScope in July 2015.

13. Summary of Quarterly Results

A summary view of our quarterly financial performance

The following table presents selected financial information for each of the eight most recently completed quarters:

	Quarter Ended							
(in $000's - except per share amounts)	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015
Revenue	$188,408	$162,098	$177,912	$156,681	$213,749	$185,386	$206,327	$181,169
Net Income (loss) from continuing operations	$683	$1,081	($24,268)	($53,532)	($233,413)	($164,834)	($1,131)	($459)
Per Class A voting and Class B non-voting share -								
Basic and Diluted	$0.01	$0.01	($0.30)	($0.66)	($2.90)	($2.04)	($0.01)	($0.01)
Net Income (loss) attributable to equity shareholders	$1,264	$1,432	($23,923)	($53,523)	($234,817)	($164,337)	($1,118)	($3,694)
Per Class A voting and Class B non-voting share								
Basic	$0.01	$0.02	($0.30)	($0.66)	($2.91)	($2.05)	($0.01)	($0.05)
Diluted	$0.01	$0.02	($0.30)	($0.66)	($2.91)	($2.05)	($0.01)	($0.05)

The summary of quarterly results illustrates the cyclical nature of revenues and operating profit in Star Media Group, Metroland Media Group and Digital Ventures. The second and fourth quarters are generally the strongest with the first and third quarters being the softest.

Restructuring and other charges have also affected the level of net income for several quarters. Reported on a segmented basis, restructuring and other charges were $31.8 million, $6.9 million, $3.7 million and $4.4 million in the first, second, third and fourth quarters of 2016 and $3.8 million, $15.9 million, $4.2 million and $7.5 million in the first, second, third and fourth quarters of 2015, respectively. Additionally, losses on impairment of assets (reported on a segmented basis) of $7.5 million were recorded in the fourth quarter of 2016 and $147.8 million and $213.3 million were recorded in the third and fourth quarters of 2015, respectively.

In addition, the second, third and fourth quarters of 2016 included pre-tax recoveries from discontinued operations of $0.5 million, $0.4 million and $0.5 million respectively, while the first, third and fourth quarters of 2015 included additional pre-tax charges related to discontinued operations of $4.0 million, $0.5 million and $1.3 million, all of which related to provisions for indemnities in respect of the sale of Harlequin.

14. Reconciliation and Definition of Non-IFRS Measures

A description and reconciliation of certain non-IFRS and additional IFRS measures used by management

In addition to operating profit, an additional IFRS measure, as presented in the consolidated statement of income, management uses the following non-IFRS measures: segmented revenue, adjusted EBITDA (and where applicable segmented adjusted EBITDA), operating earnings (loss) (and where applicable segmented operating earnings (loss)) and adjusted earnings (loss) per share, as measures to assess the consolidated performance and the performance of the reporting units and business segments.

Segmented revenue

Segmented revenue is calculated in the same manner as operating revenue in the 2016 Consolidated Financial Statements, except that it is calculated using total segment results which includes our proportionately consolidated share of revenues from joint ventures and our 56% interest in VerticalScope. Management of each segment is accountable for the revenues, including the proportionately consolidated share of revenues from joint venture operations. We believe that segmented revenue is a useful measure for investors as it is a measure of the revenues for which management of each segment is accountable. The intent of segmented revenue is to provide additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies.

Adjusted EBITDA/Segmented Adjusted EBITDA

As a result of the increasing significance of segmented financial results from our investment in VerticalScope relative to our total segmented financial results, effective 2016 we have revised our definition of adjusted EBITDA to exclude share based compensation. We made this change because of the relative significance and variability of this non-cash expense in our proportionate share of VerticalScope's financial results and we believe that the exclusion of this non-cash expense from adjusted EBITDA provides greater insight for investors, analysts and readers in regards to our segmented earnings excluding non-cash expenses. We have accordingly restated prior period comparative figures.

Management believes that adjusted EBITDA is an important proxy for the amount of cash generated by our ongoing operations (or by a reporting unit or business segment) to generate liquidity to fund future capital needs and we use this metric for this purpose. Adjusted EBITDA is not the actual cash provided by operating activities and is not a recognized measure of financial performance under IFRS. We calculate adjusted EBITDA as operating revenue, less salaries and benefits and other operating costs, as presented on the consolidated statement of income (loss), and exclude share based compensation, restructuring and other charges and impairment of assets. Share based compensation is eliminated as it is a non-cash expense that fluctuates significantly from period to period, in particular for VerticalScope as a result of industry compensation practices. Restructuring and other charges and impairment of assets are eliminated as these activities are not related to ongoing operations as of the end of the period. The exclusion of impairment of assets also eliminates the non-cash impact. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of adjusted EBITDA is to provide additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies (including calculating EBITDA on an adjusted basis to exclude restructuring and other charges, impairment of assets and share based compensation). Segmented adjusted EBITDA is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated results for joint ventures and our 56% interest in VerticalScope for which management is accountable.

Operating earnings (loss)/Segmented operating earnings (loss)

Operating earnings (loss) is used by management to represent the results of ongoing operations inclusive of amortization and depreciation. We use operating earnings (loss) as a measure of the amount of income (loss) generated by our ongoing operations (or by a reporting unit or business segment) after giving effect to amortization and depreciation. We believe this metric is also useful for investors for this purpose. We calculate operating earnings (loss) as operating revenue less salaries and benefits, other operating costs, share based compensation and amortization and depreciation. Operating earnings (loss) excludes restructuring and other charges and impairment of assets. Restructuring and other charges and impairment of assets are eliminated as these activities are not related to ongoing operations as of the end of the period. Our method of calculating operating earnings (loss) (including calculating operating earnings (loss) on an adjusted basis to exclude restructuring and other charges and impairment of assets) may differ from other companies and accordingly may not be comparable to measures used by other companies. The intent of operating earnings (loss) is to provide additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS, is not a recognized measure of financial performance under IFRS, and accordingly may not be comparable to measures used by other companies. Segmented operating earnings (loss) is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated operating earnings (loss) for joint ventures and our 56% interest in VerticalScope for which management is accountable.

The following is a reconciliation of adjusted EBITDA and operating earnings (loss) (and segmented adjusted EBITDA/ segmented operating earnings (loss) - as applicable) with operating profit (loss) (segmented operating profit (loss) - as applicable). Adjusted EBITDA, segmented adjusted EBITDA, operating earnings (loss) and segmented operating earnings (loss) are regularly reported to the chief operating decision maker and correspond to the definitions used in our historical discussions.

	Segmented		Per Consolidated Statement of Income	
	Fourth Quarter 2016	Fourth Quarter 2015	Fourth Quarter 2016	Fourth Quarter 2015
Operating profit (loss)	$3,490	($233,195)	$10,262	($207,101)
Add: Restructuring and other charges	4,440	7,496	3,698	6,655
Add: Impairment of assets	7,500	213,321	800	209,321
Operating earnings (loss)	$15,430	($12,378)	$14,760	$8,875
Add: Share based compensation	918	543		
Add: Amortization and depreciation	15,563	37,220	7,349	9,309
Adjusted EBITDA	$31,911	$25,385	$22,109	$18,184

	Segmented		Per Consolidated Statement of Income	
	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Operating profit (loss)	($118,507)	($403,079)	($61,051)	($354,069)
Add: Restructuring and other charges	46,907	31,310	45,823	30,223
Add: Impairment of assets	7,500	361,081	800	345,081
Operating earnings (loss)	($64,100)	($10,688)	($14,428)	$21,235
Add: Share based compensation	2,554	2,473		
Add: Amortization and depreciation	122,024	77,511	44,020	30,177
Adjusted EBITDA	$60,478	$69,296	$29,592	$51,412

Adjusted earnings (loss) per share

Adjusted earnings (loss) per share is used by management to represent the per share earnings (loss) of results of our ongoing operations (or by a reporting unit or business segment) and is not a recognized measure of financial performance under IFRS. We believe this metric is also useful for investors for this purpose. We calculate adjusted earnings (loss) per share as earnings (loss) per share from continuing operations less the per share effect of restructuring and other charges, impairment of assets, non-cash foreign exchange, other income (expense) and change in deferred taxes. Restructuring and other charges and impairment of assets are eliminated as these activities are not related to ongoing operations as of the end of the period. Non-cash foreign exchange, other income (expense) and changes in deferred taxes are eliminated as these are not related to routine operating activities. The intent of presenting adjusted earnings (loss) per share is to provide additional useful information to investors, analysts and readers of our financial statements. Our method of calculating adjusted earnings (loss) per share may differ from other companies and accordingly may not be comparable to measures used by other companies. The measure does not have any standardized meaning under IFRS, is not a recognized measure of financial performance under IFRS, and accordingly may not be comparable to measures used by other companies. The following is a reconciliation of adjusted earnings per share to earnings per share.

	Fourth Quarter		Twelve months ended December 31	
	2016	2015	2016	2015
Adjusted earnings (loss) per share	$0.16	($0.10)	($0.46)	($0.10)
• Restructuring and other charges	(0.06)	(0.08)	(0.58)	(0.29)
• Impairment of assets	(0.09)	(2.67)	(0.09)	(4.53)
• Non-cash foreign exchange		(0.02)		(0.02)
• Other income (expense)		(0.03)	0.30	(0.02)
• Change in deferred taxes			(0.11)	
Earnings (loss) per share from continuing operations	$0.01	($2.90)	($0.94)	($4.96)

Operating profit (loss)/Segmented operating profit (loss)

Operating profit (loss) is an additional IFRS measure. Management uses operating profit (loss) to measure the results of operations inclusive of impairments and restructuring and other charges. Operating profit (loss) appears in our consolidated statement of income (loss). We believe that operating profit (loss) provides additional useful information to investors, analysts and readers of our financial statements. The measure does not have any standardized meaning under IFRS and accordingly may not be comparable to measures used by other companies. Our method of calculating operating profit (loss) may differ

from other companies and accordingly may not be comparable to measures used by other companies. Segmented operating profit (loss) is calculated in the same manner described above, except that it is calculated using total segment results including proportionately consolidated results for joint ventures and our 56% interest in VerticalScope for which management is accountable.

15. Enterprise Risk Management

Enterprise risks and uncertainties Torstar is facing and how we manage these risks

Definition of Business Risk

We define business risk as the degree of exposure associated with the achievement of key strategic, financial, organizational and process objectives in relation to the effectiveness and efficiency of operations, the reliability and integrity of financial reporting, compliance with laws, regulations, policies, procedures and contracts and safeguarding of assets within an ethical organizational culture.

Our enterprise risks are largely derived from our business environment and are fundamentally linked to our strategies and business objectives. We strive to proactively mitigate our risk exposures through performance planning, effective business operational management and risk response strategies which can include mitigating, transferring, retaining and/or avoiding risks. We also strive to avoid taking on undue risk exposures whenever possible and to ensure alignment of exposures with business strategies, objectives, values and risk tolerances.

Section 16 summarizes the principal risks and uncertainties that could affect our future business results.

Torstar's Risk and Control Assessment Process

In 2016, we used a multi-level enterprise risk and control assessment process that incorporated the insight of employees throughout the organization.

At a high level, during the year, we performed an assessment of key business and strategic risks in order to capture changing business risks, monitor key risk mitigation activities and provide ongoing updates and assurance to the Audit Committee. This assessment included interviews with senior managers. Additionally, our assessment process incorporated input from internal and external audit, internal control over financial reporting compliance activities and risk assessment activities, as well as input from other relevant internal and external compliance and audit processes. Key enterprise risks were identified, defined and prioritized, and risks were classified into discrete risk categories.

Lastly, we conducted detailed risk assessments through various compliance activities and risk management initiatives (e.g. health and safety, network and IT vulnerability, fraud and ethics assessments and environmental assessments). The results of these multiple risk assessments were evaluated, prioritized, updated and integrated into the key risk profile during the year.

Board risk governance and oversight

In carrying out the above noted process, we have also ensured that the key risks identified in the key risk matrix were assigned for oversight by the Board, or one or more Board committees, as outlined in the Board's terms of reference and Board Committee mandates.

16. Risks and Uncertainties

Risks and uncertainties facing our business

We are subject to a number of risks and uncertainties, including those set forth below. A risk is the possibility that an event might happen in the future that could have a negative effect on our financial condition, financial performance or our business. The actual effect of any event on our business could be materially different from what is anticipated. The risks described below impact some or all of our businesses, including our investment in VerticalScope. This description of risks does not include all possible risks.

Revenue Risks

Our revenue is primarily dependent upon the sale of advertising and, to a lesser extent, the distribution of inserts and flyers and the generation of circulation/subscription revenue. Advertising revenue includes in-paper advertising, digital advertising and specialty publications.

Competition and Digital Shift

There has been a continuing structural shift within the advertising industry from print to digital advertising and, as a result, digital media generates significant competition for advertising. This shift has and will continue to negatively impact print advertising revenue and appears to be permanent. Competition also comes from a variety of other sources such as free and paid local, regional and national newspapers, radio, broadcast and cable television, magazines, outdoor, direct marketing, flyers, directories, and other communications and advertising media.

In addition, the shift to digital media has resulted in a significant increase in competition from global competitors. Competitors are increasingly larger, may have interests in multiple forms of media and may be more successful in attracting advertising revenue.

Digital competition is not limited to platforms that provide news and news aggregation. Competitors include but are not limited to providers of search engine marketing, display advertising, digital classifieds, digital directories, social media, mobile advertising and video advertising. In addition, online advertising networks, exchanges, real-time bidding and programmatic buying channels that allow advertisers to target audiences are playing an increasingly significant role in the advertising industry. Our platforms and sites, including those of VerticalScope, face competition for users, readers and advertisers. Our existing and potential future digital competitors range from start-up operations with low cost structures to global players that may have access to greater operational, financial and other resources than us. The extent and nature of competition has intensified over the past several years as a result of the rapid and continued development of digital media alternatives, and this has resulted in the fragmentation of audiences. We expect intense competition to continue. Advertisers also have increased access to data and greater ability to reach customers directly with digital technologies, which may contribute to reduced spending on external advertising. We may not be able to successfully adapt to these rapid changes and increasing number of digital media options, to respond as quickly to new or emerging technologies and changes in consumer behavior as our competitors, or to distinguish our products and services from those of our competitors.

In response to this shift to digital media, we have been investing significant time and resources in our digital platforms to evolve our existing products and develop new products, including mobile platforms, video and other evolving content delivery platforms. There is a risk that we will be unable to successfully attract or retain users and advertisers with our existing or new digital platforms. Revenue generated by our advertising offerings will depend, to a large extent, on their perceived effectiveness and the continued growth in digital advertising. Thus far, digital advertising revenues have not offset a significant portion of lost print advertising revenue and we may not be successful in replacing print revenue declines in the future. In addition, some of our digital platforms are in an early stage of development or implementation and may not achieve profitability. We also use third party platforms to distribute some of our content and advertising. These third parties may discontinue or modify their platforms which could restrict access to our content, result in the loss of a direct relationship with consumers, and impact our ability to generate revenue through these platforms.

In addition, our success on mobile platforms depends upon the ability to provide advertising for most mobile connected devices, as well as the major operating systems that run on them. The design of mobile devices and operating systems is controlled by third parties with whom we do not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. In addition, these parties may also impact the ability to access specified content on mobile devices. If our solutions were unable to work or provide advertising on these devices, our ability to generate revenue could be significantly harmed.

Finally, the use of technology to restrict or block the targeting or display of advertising by device manufacturers, network carriers or consumers could increase, and this may have an adverse impact on our ability to provide advertising inventory and attract advertisers to our platforms.

Content, Audience and Readership

Advertisers often base their decisions about where to advertise on readership and circulation data. Print readership levels, in addition to generating circulation/subscription revenues, have traditionally been an important factor in the ability of a newspaper to generate advertising revenues. General trends affecting the newspaper industry, including changes in everyday lifestyle and technology have meant that people, and particularly younger audiences are devoting less time to reading print newspapers than they once did and as a result print newspaper readership is aging. If these or other trends continue to result in declining print circulation, circulation revenues and the ability to maintain advertising rates may be adversely affected. While digital readership appears to be an important factor in the ability of a newspaper to generate

digital advertising revenue, it may have a negative impact on print circulation/subscription volumes and revenues and also on readership.

Our reputation for quality journalism and content is an important factor in maintaining readership levels. We strive to provide content across numerous platforms that is perceived as reliable, relevant and entertaining by readers and advertisers. Public preferences and tastes, general economic conditions, the availability of alternative sources of and platforms for content and the newsworthiness of current events, among other intangible factors, may also contribute to the fluctuation in readership levels, and accordingly, limit our ability to generate advertising and circulation/subscription revenue.

Digital readership and traffic levels are a key driver of how digital advertisers base their decisions about where to advertise digitally. In order to be successful, we need to generate traffic on our digital platforms that is valuable to advertisers. With the increase in alternative digital content providers and digital platforms, we face the risk that we may not be able to sufficiently attract and retain a base of frequent and engaged visitors to our digital platforms. This is particularly important for certain of our platforms, including those of VerticalScope, that rely on user generated content and forum discussions. If usage is insufficient or if we do not meet advertisers' expectations by delivering quality traffic, we may not be able to create enough advertiser interest in our digital platforms, or our advertising partners may pay less or cease doing business with us altogether. We may incur additional costs to attract readers and increase our platform usage and we may not be able to recover these costs through advertising revenues. In addition, certain new and evolving content delivery platforms may present more limited opportunities for advertising.

The reputation of our digital platforms is an important factor in growing and maintaining traffic and generating advertising revenue. Advertisers' perceptions of the attractiveness of the content on our digital platforms, including in some cases user generated content and forum discussions, will impact our ability to generate advertising revenue. Public preferences and tastes, general economic conditions, the availability of alternative sources of and platforms for content and forum discussions may also contribute to the fluctuation in traffic levels, and accordingly, limit our ability to generate advertising revenue. To some degree, our traffic levels are dependent on internet search engines and our ability to influence search engine rankings as we depend in part on various internet search engines to direct traffic to our platforms and properties. Our ability to influence search engine rankings of platforms and properties through search engine optimization efforts is limited. Changes by internet search engines in their algorithms could cause us to receive less user traffic.

Economic Conditions and Customer Prospects

Advertising revenue in our newspapers and digital platforms is dependent on the prospects of our advertising customers, which can be affected by a variety of factors, including prevailing economic conditions and the level of consumer confidence. Adverse economic conditions generally, and economic weakness and uncertainty have had and may continue to have a negative impact on the advertising industry and on our operations. Certain of our local and national advertisers operate in industries that are sensitive to adverse economic conditions and are subject to increasing competition, including car manufacturers and dealers, home builders, financial services, telecommunications, travel, department and grocery stores and other retailers and a downturn that impacts any of these industries could also have an adverse impact on Torstar's revenue. In addition, a change in an advertiser's individual business, prospects or competitive position could alter their spending priorities and impact their advertising budgets, which could have an adverse effect on our revenue.

Cost Structure

Our Metroland Media Group and Star Media Group segments are characterized by a relatively high fixed cost structure and accordingly, a change in revenue could have a disproportionately negative effect on our financial performance. Over the last several years, we have reduced costs in a number of ways including by reducing staff and outsourcing certain services. It is becoming increasingly difficult to continue to reduce costs from current levels. Our ability to achieve cost savings may be impacted by the level of unionization at our newspaper operations, existing third-party suppliers and service providers and our ability to outsource additional components of our business operations in the future (see "Dependence on Third-Party Suppliers and Service Providers" below). In addition, reductions in staff and cost control measures may impact our ability to attract and retain key employees (see "Dependence on Key Personnel" below).

Loss of Reputation

Our customers, shareholders and employees place considerable reliance on our good reputation, including our significant businesses and brands and our ability to maintain our existing customer relationships and generate new customers depends greatly on this reputation. The Toronto Star's reputation for high-quality journalism and content makes this brand a key asset and its continued success depends in part on our ongoing ability to preserve and leverage the value of this brand. Our ability to preserve and leverage the value of Metroland Media Group's brands, VerticalScope's brands and other brands

is also important to our success. In addition, as we outsource services and develop brand extensions, we may work with third party service providers or vendors whose actions could impact our reputation and the value of our brands. The loss or tarnishing of our reputation through negative publicity or otherwise, whether true or not, could have an adverse impact on our business, operations or financial condition.

Dependence on Third-Party Suppliers and Service Providers
We rely on third-party suppliers and service providers for certain key services including distribution, printing (including printing of the Toronto Star), call center services, certain information technology functions and digital publishing platforms, including cloud computing and storage and certain page production, advertising production and sales, content delivery and content supply requirements. In addition, we may outsource additional components of our business operations in the future. Our business or operations could be interrupted or otherwise adversely impacted by our third-party suppliers and service providers experiencing business difficulties or interruptions, the suppliers or service providers being unable or unwilling to provide services as anticipated or by our being unable to transition to, integrate with or effectively utilize the services of the third-party suppliers and service providers. In such event, we may be unable to find alternate service providers in a timely and efficient manner and on acceptable terms, if at all. In addition, delays in delivery or other service disruptions could have a negative impact on our subscriber base and our ability to generate revenue.

Reliance on Technology and Information Systems and Risk of Security Breaches
We place considerable reliance upon technology and information systems ("IT"), including those of third party service providers, throughout our operations, including for digital platforms, content delivery, payment processing, email, back-office support, software provision and other functions. Our businesses also collect, use and store sensitive data, including intellectual property, employee information, business information and personal information (including internal information and information from customers, users of our digital platforms or services, suppliers and business partners). The continuing, uninterrupted and secure performance of our systems is critical to our businesses. We have a steering committee in place which oversees technology and information systems security and we provide periodic reports to the Audit Committee. We constantly re-assess our IT security threat landscape and its impact on our risk exposure. Emerging and existing cyber risks are mitigated through our continuous monitoring program, implementation of advanced technology based defense systems and administrative controls which include entity wide security policies and procedures. Despite our security measures and those of our third-party service providers, our systems and those of our service providers may be vulnerable to interruption, damage or failure from loss of power, hacking or other unauthorized access, viruses, worms or other destructive or disruptive software, process breakdowns, human error, denial of service attacks, advanced persistent threats, malicious social engineering or other similar events. This could compromise our systems and the information we store could be accessed, corrupted, publicly disclosed, lost or stolen.

Businesses in general have seen a rise in cyberattacks (including by state-sponsored and criminal organizations and other individuals and groups) and as a result risks associated with these kinds of attacks continue to increase. While we have implemented controls and taken other preventative actions to protect our systems against attacks, we can give no assurance that these controls and preventative actions will be effective or that the systems of its service providers will be adequately protected.

The occurrence of any of these events could have an adverse effect on our operations and revenues, including through a disruption of our services or disclosure of personal or confidential information, which could harm our reputation, require us to expend resources to remedy such a breach or defend against further attacks, subject us to litigation, fines or liability including under privacy or other applicable laws or divert management’s attention and resources. In addition, protecting against these events is costly and requires ongoing monitoring and updating as technologies change. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and are becoming more sophisticated, and consequently we and our service providers may be unable to anticipate, prevent, identify or adequately remediate such incidents. Our general liability insurance may not cover these risks and consequently we could be required to expend significant resources in connection with any costs, liabilities or losses that may be incurred.

Employee Future Benefits
Relative to our size, and when compared to other companies, we have large pension liabilities, funding requirements and costs. The funded status of our defined benefit pension plans and our contribution obligations may be impacted by many factors, including changes to pension laws, regulations and interpretations thereof, changes to benefits provided to plan participants, changes to actuarial assumptions and methods, changes in participant demographics, mortality, plan experience, changes to the discount rate used to determine our contribution obligations and the rate of return on plan assets. Changes to any of the foregoing factors could produce further underfunding in our defined benefit pension plans as well as

increases to the net pension cost in subsequent financial years that could require increased funding contributions to those plans, which could have an adverse effect on our cash flows, liquidity and financial condition.

The most significant group of our registered defined benefit pension plans (in terms of assets and obligations) completed the preparation of actuarial reports as of December 31, 2013. While the required funding resulting from these reports should not change until 2018, there is no guarantee that the funding requirements beyond 2017 will not increase.

In addition to the registered defined benefit pension plans, we also have an unregistered, unfunded defined benefit pension plan that provides pension benefits to eligible senior management executives and a post-employment benefits plan that provides health and life insurance benefits to certain grandfathered employees. These plans are being funded as payments are made. The liabilities associated with these plans may be affected by several factors, including changes to benefits provided to plan participants, changes to actuarial assumptions and methods, changes in participant demographics and plan experience, and the discount rate used to assess plan obligations.

Strategic Initiatives, Acquisitions and Dispositions

Our growth, including growth of our investment in VerticalScope, is dependent on the ability to identify, develop and execute appropriate strategic initiatives, which may involve organic growth, growth through acquisition or investment. Acquisitions and investments involve numerous risks, such as: difficulties in integrating operations, technologies, products and personnel; diversion of financial and management resources from existing operations; operating under commercial agreements entered into by an acquisition target; risks of entering new markets; potential loss of key employees; and inability to generate sufficient revenue to offset acquisition or investment costs.

There is no guarantee that any such opportunities will be available to us or that they will be available at an appropriate price. The implementation of our strategic initiatives is subject to the risks affecting our businesses generally, the risks associated with identifying and implementing new strategies and the risks associated with acquisitions, investments or expansions. Strategic initiatives may not successfully generate revenues or improve operating profit and, if they do, it may take longer or cost more than anticipated. In addition, there is no assurance that the implementation or integration of any strategic initiative, acquisition or expansion will be successful.

Unexpected Costs or Liabilities Related to Acquisitions and Dispositions

From time to time, we may make acquisitions or sell certain investments, subsidiaries, real property and other assets and these transactions may affect our costs, revenues, profitability and financial position. Transaction agreements may provide for certain post-closing adjustments and indemnities or the assumption of certain liabilities and we may be subject to unexpected costs or liabilities in connection with such transactions. For example, we may have, or may be required to provide representations, warranties and/or indemnities to third party purchasers which may expose us to costs or liabilities for breaches of representations and warranties or indemnity claims including as a result of unexpected or unknown changes.

Investments in Other Businesses

We hold investments in businesses that we do not hold a controlling interest in and/or in which we do not exercise control over the management, strategic direction or daily operations.

Labour Disruptions

We have a number of collective agreements at our newspaper operations that have historically tied annual wage increases to the cost of living. The newspapers face the risk associated with future labour negotiations and the potential for business interruption should a strike, lockout or other labour disruption occur. Such a disruption may lead to lost revenues and could have an adverse effect on our business.

The Toronto Star has approximately 210 staff at One Yonge Street covered by a collective agreement which expires December 31, 2018.

Sing Tao has two collective agreements covering approximately 60 employees that expires in December 2018. Metro's Toronto operations have a collective agreement covering approximately 110 employees that will expire in March 2018.

Metroland Media Group has a total of 20 collective agreements covering approximately 600 employees. There are ten collective agreements covering approximately 205 employees within the community newspapers. Negotiations have begun for three agreements covering approximately 35 employees which expired in November 2016 and for two agreements covering approximately 115 employees which expired in December 2016. Three agreements covering approximately 35

employees will expire in December 2017 and two agreements covering approximately 20 employees will expire in August 2018.

At the Metroland Media Group daily newspapers, there are nine agreements covering approximately 395 employees. One agreement covering approximately 65 employees at the Hamilton Spectator and four agreements covering approximately 85 employees at the Waterloo Region Record will expire in December 2017. Two agreements covering approximately 155 employees at the Hamilton Spectator will expire at the end of December 2018. Two agreements covering approximately 90 employees at the Hamilton Spectator will expire at the end of May 2019.

Reliance on Printing Operations

Our newspaper operations place considerable reliance on the functioning of printing operations for the printing of our various publications. We transitioned printing of the Toronto Star in 2016 to Transcontinental following the closure of the Toronto Star's Vaughan Printing Facility. In the event that any of our print facilities or third party contracted print facilities experience a shutdown or disruption, we and/or the third party printer will attempt to mitigate potential damage by shifting the printing to our remaining facilities or outsourcing such work to a third party commercial printer. However, given our reliance on such facilities, such a shutdown or disruption could result in being unable to print or distribute some publications, and consequently could have an adverse effect. See also the risks and uncertainties described above related to “Dependence on Third-Party Suppliers and Service Providers”.

Newsprint Costs

Newsprint is the single largest raw material expense for our newspaper operations and represents approximately 12% of total operating costs for 2016. Newsprint is priced as a commodity with the price varying widely from time to time.

We could face a risk in supply of newsprint and/or increased prices as a result of a reduction in the number of suppliers (due to financial instability, restructuring or consolidation) or as a result of mill closures and/or changes in grades and types of newsprint supplied. Volatility in the price of newsprint may also be caused by other factors influencing supplier profitability including increased raw material and energy costs. We primarily source newsprint from three main suppliers. For 2017, we have fixed the cost of newsprint with two of our suppliers and have negotiated a pricing band with our third supplier. Newsprint prices are currently expected to be somewhat higher than what we experienced in 2016. There can be no assurance that we will be able to extend these arrangements in future years or that we will not be exposed in the future to volatile or increased newsprint costs which could have an adverse effect on our financial performance.

Litigation

We are involved in various legal actions, which arise in the ordinary course of business. These actions include the litigation as described in Note 17 to our 2016 Consolidated Financial Statements and under the heading “Legal Proceedings” in our most recent Annual Information Form. In particular, given the nature of our businesses, we have had, and may have, litigation claims filed which are related to the publication of our editorial and other content, copyright or trademark infringement, privacy, electronic communications and anti-spam, personal injury, product liability, breach of contract, misleading advertising, unfair competition or other legal claims. We may also be exposed to potential liability in connection with the sale and promotion of products through the product business that was previously operated by Metroland Media Group (including claims from purchasers, distributors, regulators and law enforcement) which could include claims for personal injury, wrongful death, damage to personal property, claims relating to misrepresentation of product features and benefits or violation of applicable laws. Although we maintain insurance for many of these types of claims, there can be no assurance that insurance will be available for all such claims. In addition, there can be no assurance as to the outcome of any future litigation, proceedings or investigations or that the outcome will not be adverse nor have a negative impact on our results. We could incur significant costs in investigating and defending such claims, even if ultimately found not to be liable.

Government Regulations

General

Our businesses are subject to a variety of laws and regulations, including laws applicable generally to business and environmental, privacy, anti-spam, communications and e-commerce laws. We may also be notified from time to time of additional laws and regulations which governmental organizations or others may claim should be applicable to certain of our businesses. If we are required to alter our business practices as a result of any laws and regulations, revenue could decrease, costs could increase and/or certain of our businesses could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations, the diversion of

management's attention and resources and any payments of related penalties, judgements or settlements could adversely impact certain of our businesses.

E-Commerce, Privacy and Confidential Information
Laws relating to privacy, anti-spam, communications, data protection, e-commerce, direct marketing and digital advertising and use of public records have become more prevalent in recent years. Legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted and enforced by regulators and courts in Canada and other jurisdictions, may impose limits on the collection and use of certain kinds of information, including without limitation online and mobile analytics, profiling data, geo-location data and data collected in the course of online behavioural advertising, and the distribution of certain communications. In addition, the costs of compliance and/or non-compliance with industry or legislative initiatives to address consumer protection concerns or other related issues such as copyright infringement, unsolicited communications and computer programs, invasion of privacy, privacy breaches and breach notification, cyber-crime and access could adversely impact our businesses.

In connection with many of our businesses, we routinely obtain personal and confidential information relating to our customers and users of our digital platforms or services, which may include potentially sensitive personal information. Our practices involving collection, use, disclosure and retention of personal information continue to evolve in light of changes in information technology and analytics technology and services. The potential misuse or inadvertent or unauthorized dissemination of such information could violate applicable laws, cause damage to our relationships with our customers or others, cause damage to our brands and reputation, impair our ability to attract and retain our audiences, or result in legal or regulatory actions. See also the risks and uncertainties described above related to "Reliance on Technology and Information Systems and Risk of Security Breaches".

Environmental and Health and Safety
We are subject to a variety of environmental, health and safety laws concerning, among other things, emissions to the air, water and sewer discharges, handling and disposal of wastes, recycling, the use of recycled materials, or otherwise relating to the protection of the environment and employee health and safety. Environmental, health and safety laws and regulations have become increasingly stringent, and such laws and regulations are expected to continue to change. While we have an environmental policy, an environmental committee and health and safety policies and committees in place to assist in monitoring compliance with applicable legislation, there can be no assurance that all applicable liabilities have been identified or that additional expenditures will not be required to meet current or future legislation. Compliance with existing and new environmental, health and safety laws and regulations may subject us to unexpected costs and a failure to comply with present or future laws or regulations could result in fines, civil or criminal sanctions, third-party claims or other costs, including costs or expenses required to modify existing business processes.

Foreign Exchange Fluctuations and Foreign Operations
Our investment in VerticalScope is denominated in U.S. dollars, VerticalScope's functional currency. To offset the exposure to Torstar's U.S. dollar investment in VerticalScope, we have entered into forward foreign exchange collar contracts to sell U.S. dollars. As a result, our cash flows and operating results may be affected by changes in the value of the Canadian dollar relative to the U.S. dollar (See additional information on foreign exchange risks in Section 7 of this MD&A and in Note 15 to our 2016 Consolidated Financial Statements). In addition, predominantly all of VerticalScope's revenues (approximately 5% of Torstar's 2016 segmented operating revenues) are earned in U.S. dollars. As a result, Torstar's share of VerticalScope's revenues and operating earnings are affected by changes in the value of the Canadian dollar relative to the U.S. dollar.

In addition, exclusive of our interest in VerticalScope, certain of our revenues, expenses and monetary assets and liabilities are denominated in currencies other than the Canadian dollar, largely the U.S. dollar. To the extent that the value of the Canadian dollar changes relative to the applicable foreign currencies, this will result in a foreign currency gain or loss reflected in our earnings.

Over the past few years, the Canadian currency has become increasingly volatile and may retain the same or higher levels of volatility in the coming years. To the extent that this continues, such volatility may be reflected in our operating results in the form of additional costs and reduced revenues.

Availability of Insurance
We have insurance, including media liability, property and casualty and directors' and officers' liability insurance, in place to address certain material insurable risks. Such insurance is subject to certain coverage limits, exclusions and deductibles that we believe are reasonable given the cost of procuring insurance. There is no assurance that such insurance will continue

to be available on an economically feasible basis, that all events that could give rise to a loss or liability are insurable or insured, that amounts owing from insurers will be collected or that the insurance coverage will be sufficient to cover every material loss or claim that may occur involving our operations or assets.

Dependence on Key Personnel

We are dependent to a large extent upon the continued services of our senior management team and other key employees such as editorial, digital, sales and technical personnel, and including key employees of companies we invest in such as VerticalScope. There is intense competition for qualified managers and skilled employees and our failure to recruit, train and retain such employees could have an adverse effect on our business, financial condition or operating results.

Intellectual Property Rights

We place considerable importance on the protection of our intellectual property rights. Our businesses generate a significant volume of content every day, including text, photographs, images, graphics and interactive content such as third-party posts and links. On occasion, third parties may infringe upon our rights and changes and advancements in technology and the wide dissemination of content have made the enforcement of intellectual property rights more challenging. In addition, third parties may contest our intellectual property rights and there is a risk that some of the content we generate may be defamatory or infringing, and that content generated by users of our platforms and services may be defamatory or infringing. There can be no assurance that our actions will be adequate to prevent the infringement of our intellectual property rights, or protect us against claims by third parties. If third parties were to contest the validity or scope of our intellectual property rights or to allege violation of their rights, such challenges could result in the limitation or loss of intellectual property rights and other damages and regardless of their validity, such claims could cause us to incur significant costs in investigating and defending such claims and have a negative impact on our results. See also the risks and uncertainties described above related to “Litigation”.

Credit Risk

Credit risk is the risk of our financial loss if a customer or counterparty to a financial asset fails to meet its contractual obligations. In the normal course of business, we are exposed to credit risk for accounts receivable from our customers and counterparties holding cash and cash equivalents, restricted cash and derivatives.

While we apply a prudent approach to the granting of credit to customers, the collectability of accounts receivable could deteriorate to a greater extent than provided for in our 2016 Consolidated Financial Statements. Accounts receivable are carried at net realizable value and the allowance for doubtful accounts has been determined based on several factors, including the aging of accounts receivable, evaluation of significant individual credit risk accounts and historical experience. If such collectability estimates prove inaccurate, adverse adjustments to future operating results could occur and could be material.

Our cash and cash equivalents, restricted cash and derivative instruments are held with Canadian chartered banks. While we regularly review the financial condition of these counterparties, a failure of a counterparty could adversely affect our consolidated financial condition.

Availability of Capital and Restrictions Imposed by Credit Facilities

If internal funds are not available from our operations, we may be required to raise additional financing through public or private equity or debt financings, or other arrangements with corporate sources or other sources of financing to fund operations and meet our financial commitments. However, there is no assurance that additional funding, if required, will be available to us in amounts or on terms acceptable to us, if at all.

We may from time to time, enter into agreements for additional financing, including agreements in respect of credit facilities. Such agreements may impose a number of restrictions on us including but not limited to restrictions on certain distributions as well as compliance with certain financial covenants and compliance with other affirmative and negative covenants.

In addition, the agreement governing certain indebtedness of VerticalScope imposes a number of restrictions and includes restrictions on certain distributions. The agreement also requires compliance with certain financial covenants and compliance with other affirmative and negative covenants.

These restrictions may limit flexibility in planning for and reacting to business or industry changes and strategic objectives and may make us more vulnerable to adverse economic and industry conditions.

Income Tax and Other Taxes

We collect, pay and accrue income and other taxes. We have also recorded significant amounts of deferred income tax liabilities and current income tax expense, and calculated these amounts based on substantively enacted income tax rates in effect at the relevant time. A legislative change in these rates could have a material impact on the amounts recorded and payable in the future.

We have also recorded the benefit of income and other tax positions based on estimates, using accounting principles that recognize the benefit of income tax positions when it is more likely than not that the ultimate determination of the tax treatment of a position will result in the related benefit being realized. The assessment of the likelihood and amount of income tax benefits, as well as the timing of realization of such amounts, can materially affect the determination of net income or cash flows.

While we believe that we have paid and provided for adequate amounts of tax, significant judgement is required in interpreting tax legislation and regulations in relation to our businesses. Our tax filings are subject to audit by the relevant government revenue authorities and the results of the government audit could materially change the amount of our actual income tax expense, income taxes payable or receivable, other taxes payable or receivable and deferred income tax assets or liabilities and could, in certain circumstances, result in an assessment of interest and penalties.

Dividends

Decisions on the declaration and payment of dividends are made on a quarterly basis by our Board of Directors based on our overall financial performance and cash flow outlook. There is no guarantee that dividends will be declared or that we will continue to make dividend payments at the current level.

Impairment

Economic, market, legal, regulatory, competitive, customer, contractual and other factors may affect the value of our long-lived assets, intangible assets, investments and goodwill. If any of these factors impair the value of these assets, IFRS requires that we reduce their carrying value and recognize an impairment charge. This would reduce our reported assets and earnings in the year the impairment charge is recognized.

Holding Company Structure

We have no material sources of income or assets, other than the interests that we hold in our subsidiaries, joint arrangements and other entities. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of cash dividends, interest and principal payments on intercompany advances, and other payments and distributions from our subsidiaries, joint arrangements and other entities in which we have an interest together with proceeds we raise through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and other amounts by our subsidiaries, joint arrangements and other entities in which we have an interest may be subject to statutory or contractual restrictions, are contingent upon the earnings of those entities and are subject to various business and other considerations.

Control of Torstar by the Voting Trust

Almost 99% of our Class A shares are held in a Voting Trust pursuant to a Voting Trust Agreement, which joins together seven groups of shareholders. Under the Voting Trust Agreement, each shareholder group is entitled to appoint a Voting Trustee. The Voting Trustees exercise various powers and rights, including among others the right to vote in the manner as determined by a majority of the Voting Trustees, all of the Class A shares of Torstar held by the members of the Voting Trust. The Class A shares are the only class of issued shares carrying the right to vote in all circumstances. Accordingly, the Voting Trust, through a single ballot, effectively elects the Torstar Board of Directors and controls the vote on all matters submitted to a vote of shareholders of Torstar.

NOTES

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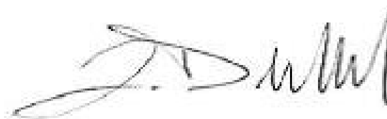
MANAGEMENT'S REPORT ON RESPONSIBILITY FOR FINANCIAL REPORTING

Management is responsible for preparation of the consolidated financial statements, notes hereto and other financial information contained in this annual report. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards using the best estimates and judgements of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the consolidated 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.



David P. Holland
President and Chief Executive Officer
February 28, 2017

Lorenzo DeMarchi
Executive Vice-President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Torstar Corporation

We have audited the accompanying consolidated financial statements of Torstar Corporation, which comprise the consolidated statement of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Torstar Corporation as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 28, 2017

Torstar Corporation
Consolidated Statement of Financial Position
(Thousands of Canadian Dollars)

	As at December 31, 2016	As at December 31, 2015
Assets		
Current:		
Cash and cash equivalents	**$75,374**	$35,141
Restricted cash (note 5)	**11,847**	37,935
Receivables (note 15)	**116,487**	144,997
Inventories (note 6)	**4,829**	6,231
Prepaid expenses	**4,467**	5,944
Prepaid and recoverable income taxes	**9,271**	5,780
Total current assets	**222,275**	236,028
Investments in joint ventures (note 7)	**27,463**	32,861
Investments in associated businesses (note 8)	**157,897**	202,203
Property, plant and equipment (note 9)	**61,969**	117,793
Intangible assets (note 10)	**55,945**	67,821
Goodwill (note 11)	**8,133**	8,133
Other assets (note 13)	**12,414**	9,422
Employee benefits (note 19)	**7,073**	6,922
Deferred income tax assets (note 14)	**11,322**	15,233
Total assets	**$564,491**	$696,416
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities (note 15)	**$101,133**	$122,296
Derivative financial instruments (note 15)	**472**	6,543
Provisions (note 17)	**28,473**	29,021
Income tax payable	**7,212**	5,943
Total current liabilities	**137,290**	163,803
Provisions (note 17)	**11,104**	13,228
Other liabilities (note 18)	**7,616**	9,872
Employee benefits (note 19)	**77,407**	87,461
Deferred income tax liabilities (note 14)	**4,904**	2,315
Equity:		
Share capital (note 20)	**402,814**	402,500
Contributed surplus	**20,797**	19,858
Accumulated deficit	**(102,599)**	(7,560)
Accumulated other comprehensive income (note 22)	**5,176**	3,121
Total equity attributable to equity shareholders	**326,188**	417,919
Minority interests	**(18)**	1,818
Total equity	**326,170**	419,737
Total liabilities and equity	**$564,491**	$696,416

(see accompanying notes)

ON BEHALF OF THE BOARD

John Honderich
Director

Paul Weiss
Director

Torstar Corporation
Consolidated Statement of Loss

(Thousands of Canadian Dollars except per share amounts)

	Year ended December 31	
	2016	2015
Operating revenue	**$685,099**	$786,631
Salaries and benefits	**(299,315)**	(341,824)
Other operating costs	**(356,192)**	(393,395)
Amortization and depreciation (notes 9 and 10)	**(44,020)**	(30,177)
Restructuring and other charges (note 17)	**(45,823)**	(30,223)
Impairment of assets (note 12)	**(800)**	(345,081)
Operating loss	**(61,051)**	(354,069)
Interest and financing costs (note 15)	**(3,080)**	(2,046)
Foreign exchange	**298**	(1,022)
Loss from joint ventures (note 7)	**(5,532)**	(14,170)
Loss from associated businesses (note 8)	**(34,919)**	(28,993)
Other income (expense) (note 23)	**24,348**	(1,837)
	(79,936)	(402,137)
Income and other taxes recovery (note 14)	**3,900**	2,300
Net loss from continuing operations	**(76,036)**	(399,837)
Income (loss) from discontinued operations (note 24)	**1,200**	(5,000)
Net loss	**($74,836)**	($404,837)
Attributable to:		
Equity shareholders	**($74,750)**	($403,966)
Minority interests	**($86)**	($871)
Net Loss attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic and Diluted:		
From continuing operations	**($0.94)**	($4.96)
From discontinued operations	**$0.01**	($0.06)
	($0.93)	($5.02)

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Comprehensive Loss
(Thousands of Canadian Dollars)

	Year ended December 31	
	2016	2015
Net loss	**($74,836)**	($404,837)
Other comprehensive income (loss) ("OCI") that are or may be reclassified subsequently to net income (loss):		
Unrealized foreign currency translation adjustment ("CTA") (no income tax effect)	**27**	(19)
Unrealized foreign currency translation adjustment for associated businesses (no income tax effect) (note 8)	**(5,459)**	10,780
Net movement on available-for-sale financial assets	**2,910**	346
Income tax effect	**(400)**	
Unrealized gain (loss) on hedge of net investment	**5,777**	(9,307)
Income tax effect	**(800)**	1,300
	2,055	3,100
OCI that will not be reclassified subsequently to net income (loss):		
Actuarial loss on employee benefits (note 19)	**(1,734)**	(3,417)
Income tax effect		900
Reduction in carrying amount of deferred income tax assets (note 14)		(6,000)
Actuarial loss on employee benefits for associated businesses (no income tax effect) (note 8)	**(1,726)**	(588)
	(3,460)	(9,105)
Total other comprehensive loss, net of tax	**($1,405)**	($6,005)
Comprehensive loss, net of tax	**($76,241)**	($410,842)
Attributable to:		
Equity shareholders	**($76,155)**	($409,971)
Minority interests	**($86)**	($871)

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Changes in Equity
(Thousands of Canadian Dollars)

	Share capital	Contributed surplus	Retained earnings (accumulated deficit)	Accumulated other comprehensive income ("AOCI")	Total attributable to equity shareholders	Minority interests	Total equity
At December 31, 2014	$400,577	$18,708	$447,725	$21	$867,031	$2,689	$869,720
Net loss for the year			(403,966)		(403,966)	(871)	(404,837)
Other comprehensive income (loss)			(9,105)	3,100	(6,005)		(6,005)
Total comprehensive income (loss)			(413,071)	3,100	(409,971)	(871)	(410,842)
Dividends (note 20)	682		(42,214)		(41,532)		(41,532)
Exercise of share options (note 20)	473	(79)			394		394
Issue of share capital – other (note 20)	768				768		768
Share-based compensation expense		1,229			1,229		1,229
At December 31, 2015	**$402,500**	**$19,858**	**($7,560)**	**$3,121**	**$417,919**	**$1,818**	**$419,737**
Net loss for the year			**(74,750)**		**(74,750)**	**(86)**	**(74,836)**
Other comprehensive income (loss)			**(3,460)**	**2,055**	**(1,405)**		**(1,405)**
Total comprehensive income (loss)			**(78,210)**	**2,055**	**(76,155)**	**(86)**	**(76,241)**
Dividends (note 20)	**168**		**(14,514)**		**(14,346)**		**(14,346)**
Issue of share capital – other (note 20)	**146**				**146**		**146**
Share of associate paid in capital (note 8)			**(2,315)**		**(2,315)**		**(2,315)**
Share-based compensation expense		**939**			**939**		**939**
Distribution						**(1,750)**	**(1,750)**
At December 31, 2016	**$402,814**	**$20,797**	**($102,599)**	**$5,176**	**$326,188**	**($18)**	**$326,170**

(see accompanying notes)

Torstar Corporation
Consolidated Statement of Cash Flows
(Thousands of Canadian Dollars)

	Year ended December 31	
	2016	2015
Cash was provided by (used in)		
Operating activities	**($10,599)**	$38,050
Investing activities	**65,337**	(213,513)
Financing activities	**(14,505)**	(40,735)
Increase (decrease) in cash	**40,233**	(216,198)
Cash, beginning of year	**35,141**	251,339
Cash, end of year	**$75,374**	$35,141
Operating activities:		
Net loss from continuing operations	**($76,036)**	($399,837)
Amortization and depreciation (notes 9 and 10)	**44,020**	30,177
Deferred income taxes (note 14)	**4,500**	
Loss from joint ventures (note 7)	**5,532**	14,170
Distributions from joint ventures (note 7)	**159**	7,500
Loss from associated businesses (note 8)	**34,919**	28,993
Dividend from associated businesses (note 8)	**387**	193
Impairment of assets (note 12)	**800**	345,081
Non-cash employee benefit expense (note 19)	**18,506**	21,459
Employee benefits funding (note 19)	**(30,445)**	(20,409)
Gain on sale of assets (note 23)	**(24,338)**	
Other (note 25)	**(2,926)**	(2,249)
	(24,922)	25,078
Decrease in restricted cash (note 5)	**3,338**	965
Decrease in non-cash working capital	**10,985**	12,007
Cash provided by (used in) operating activities	**($10,599)**	$38,050
Investing activities:		
Additions to property, plant and equipment and intangible assets	**($17,670)**	($30,602)
Investment in associated businesses (note 8)	**(500)**	(203,587)
Investment in joint ventures (note 7)	**(293)**	
Return of capital from associated business (note 8)		22,094
Acquisitions and portfolio investments (note 26)	**(373)**	(2,106)
Receipt of escrowed cash from the sale of Harlequin (note 5)	**22,750**	
Proceeds from sale of assets (note 23)	**61,037**	411
Other	**386**	277
Cash provided by (used in) investing activities	**$65,337**	($213,513)
Financing activities:		
Dividends paid	**($14,346)**	($41,532)
Exercise of share options		394
Other	**(159)**	403
Cash used in financing activities	**($14,505)**	($40,735)
Cash represented by:		
Cash	**$25,237**	$34,738
Cash equivalents – short-term deposits	**50,137**	403
Net cash, end of period	**$75,374**	$35,141

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2016 and 2015

(Tabular amounts in thousands of Canadian dollars except per share amounts)

1. CORPORATE INFORMATION

Torstar Corporation (the "Company") is incorporated under the laws of Ontario, Canada and its Class B (non-voting) shares are publicly traded on the Toronto Stock Exchange. The registered office is located at One Yonge Street, Toronto, Canada. The principal activities of the Company and its subsidiaries are described in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS policies effective as of December 31, 2016. These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on February 28, 2017.

Comparative figures for previous periods have been restated to conform to the current year presentation.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value as described in the accounting policies.

(c) Principles of consolidation

The consolidated financial statements of the Company include the accounts of Torstar Corporation and all its subsidiaries over which it has control. The Company controls an investee when the Company is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its power over the investee. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power. These facts and circumstances include: the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; potential voting rights held by the Company, other vote holders or other parties; and rights arising from other contractual arrangements. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences and are de-consolidated on the date when control ceases.

Profit or loss and each component of OCI are attributed to the equity holders of the Company and to the minority interests, even if this results in the minority interests having a deficit balance.

Intra-group balances and transactions are eliminated on consolidation. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Investments in joint ventures and associated businesses

A joint venture is a type of joint arrangement in which the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions.

The considerations made in determining joint control or significant influence are similar to those necessary to determine control over subsidiaries.

Investments in joint ventures and associates are accounted for using the equity method, whereby the investment is carried in the consolidated statement of financial position at cost (which includes acquisition-related fees) plus post-acquisition changes in the Company's share of the net assets of the investment. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. When the Company's share of losses of a joint venture or associate exceeds the Company's carrying value of the investment, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

The consolidated statement of income or loss reflects the Company's share of the results of operations of the joint venture or associate. Where there has been a change recognized directly in the OCI of the joint venture or associate, the Company recognizes its share of any changes and discloses this, when applicable, in OCI. When there has been a change recognized directly in the equity of the joint venture or associate, the Company recognizes, when applicable, its share of any changes in the statement of changes in equity.

The financial statements of the joint venture or associate are prepared for the same reporting period as the Company except when the joint venture or associate does not have coterminous year-end and quarter-ends with the Company, in which case the most recent period-end available in a quarter is used. When necessary, adjustments are made to bring the accounting policies of the joint venture or associate in line with those of the Company.

After the initial application of the equity method, the Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture or associate is impaired and consequently whether it is necessary to recognize an impairment loss with respect to the Company's investment. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognizes the impairment in the consolidated statement of income or loss.

Upon loss of significant influence over an associate, the Company measures and recognizes any retained investment at its fair value. Upon loss of joint control over a joint venture, the Company considers whether it has significant influence, in which case the retained investment is accounted for as an associate using the equity method, otherwise the Company measures and recognizes any retained investment as a portfolio investment at its fair value. Any difference between the carrying amount of the investment and the fair value of the retained investment or proceeds from disposal of the investment is recognized in profit or loss.

(e) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. Each entity consolidated by the Company determines its own functional currency based on the primary economic environment in which the entity operates.

Transactions in foreign currencies are initially recorded by the entities in their respective functional currencies on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the entity's functional currency are translated at the rates as at the date of the consolidated statement of financial position (period end rates). Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of income or loss, except for qualifying cash flow and net investment hedges for which these exchange differences are deferred in accumulated other comprehensive income or loss ("AOCI") within equity. These deferred foreign exchange gains and losses are carried forward to be recognized in income in the same period as the corresponding gains or losses associated with the hedged item. Non-monetary assets and liabilities are translated into functional currencies at historical exchange rates.

Assets and liabilities of entities with functional currencies other than Canadian dollars are translated at the period end rates of exchange, and items of income and expense are translated into Canadian dollars at the rates prevailing on the dates of the transactions, or average rates of exchange where these approximate actual rates. The resulting translation adjustments are included in OCI. Upon reduction of the Company's investment in a foreign subsidiary due to a sale or liquidation, the proportionate amount of AOCI is recognized in income.

(f) Financial instruments

Financial assets and liabilities

The Company classifies its financial assets and liabilities into the following categories:

- Financial instruments at fair value through profit or loss
- Loans and receivables
- Financial assets classified as available-for-sale ("AFS")
- Other financial liabilities

The Company has not classified any financial instruments as held-to-maturity. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated statement of financial position.

Financial instruments are recognized on the trade date - the date on which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities at fair value through profit or loss

The Company classifies certain financial assets and liabilities as either held for trading or designated at fair value through profit or loss. Assets and liabilities in this category include derivative financial instruments that are not designated as hedging instruments in hedge relationships.

Financial instruments at fair value through profit or loss are carried at fair value. Related realized and unrealized gains and losses are included in the consolidated statement of income or loss.

Loans and receivables

Loans and receivables include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are classified as current assets in the consolidated statement of financial position and include current receivables, cash and cash equivalents. Non-current receivables are classified as other assets.

Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. Receivables are reduced by estimated bad debt provisions which are determined by reference to past experience and expectations. Cash and cash equivalents consist of cash in bank and highly liquid short-term investments.

Financial assets classified as AFS

Financial assets that are not classified as at fair value through profit or loss or as loans and receivables are classified as AFS. A financial asset classified as AFS is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets classified as AFS are carried at fair value with the changes in fair value reported as unrealized gains or losses on AFS assets within OCI, unless the asset is subject to a fair value hedge, in which case changes in fair value resulting from the risk being hedged are recorded in the consolidated statement of income or loss.

Financial assets classified as AFS are assessed for impairment at each reporting date and the Company recognizes any impairment in the consolidated statement of income or loss.

Other financial liabilities

Other financial liabilities are measured at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities and long-term debt instruments. Long-term debt instruments are initially measured at fair value, which is the consideration received, net of transaction costs incurred. Transaction costs related to long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset. Any unrealized gains and losses recorded in AOCI are transferred to the consolidated statement of income or loss on disposal of an AFS asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative instruments and hedging

In the normal course of business, the Company uses derivative financial instruments to manage its risks related to foreign currency exchange rate fluctuations, interest rates and share-based compensation liability and expense. Derivative transactions are governed by a uniform set of policies and procedures covering areas such as authorization, counterparty exposure and hedging practices. Positions are monitored based on changes in interest and foreign currency exchange rates and their impact on the market value of derivatives. Credit risk on derivatives arises from the potential for counterparties to default on their contractual obligations to the Company. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality. The Company does not enter into derivative transactions for trading or speculative purposes.

All derivatives, including derivatives designated as hedges for accounting purposes and embedded derivatives, are recorded in the consolidated statement of financial position at fair value. The treatment of changes in the fair value of derivatives depends on whether or not they are designated as hedges for accounting purposes.

Collar arrangements and foreign exchange contracts to sell U.S. dollars have been designated as hedges against the foreign currency exposure on the net investment in VerticalScope. Gains and losses on these instruments, to the extent of hedge effectiveness, are transferred to OCI to offset the gains and losses on translation of the net investment. The portion of the hedge that is deemed ineffective is recorded in the consolidated statement of income or loss.

The Company uses derivative instruments to manage its exposure to changes in the fair value of its deferred share unit ("DSU") plans and the cost of its restricted share unit ("RSU") plan. These instruments are settled quarterly and changes in the fair value of these instruments are recorded as compensation expense. The change in the Company's share price between the settlement date and the reporting date is included in the consolidated statement of financial position at the fair value of these derivative instruments at each reporting date.

The treatment of changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. In order for a derivative to qualify for hedge accounting, the derivative must be formally designated as a fair value, cash flow or net investment hedge by documenting the relationship between the derivative and the hedged item. Documentation includes a description of the hedging instrument, the hedged item, the risk being hedged, the Company's risk management objective and strategy for undertaking the hedge, the method for assessing the effectiveness of the hedge and the method for measuring hedge ineffectiveness. Additionally, the hedge relationship must be expected to be highly effective at offsetting changes in either the fair value or cash flows of the hedged item at both the inception of the hedge and on an ongoing basis. The Company assesses the ongoing effectiveness of its hedges at each reporting date.

Amounts in AOCI are recycled to the consolidated statement of income or loss in the period when the hedged item will affect profit and loss (for instance, when the forecast sale that is hedged takes place). If a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any unrealized cumulative gain or loss remains in AOCI and is recognized when the forecast transaction is ultimately recognized

in the consolidated statement of income or loss. If a forecast transaction is no longer expected to occur, the unrealized cumulative gain or loss that was reported in AOCI is recognized in the consolidated statement of income or loss.

Fair value hedges

These are hedges of the fair value of recognized assets, liabilities or a firm commitment. Changes in the fair value of derivatives that are designated as fair value hedges are recorded in the consolidated statement of income or loss together with any changes in the fair value of the hedged asset or liability attributable to the hedged risk.

Cash flow hedges

These are hedges of highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized in OCI. The gain or loss relating to the ineffective portion is recognized in the consolidated statement of income or loss.

Net investment hedges

These are hedges of the Company's net investment in its foreign operations, currently VerticalScope. The effective portion of the change in the fair value of the hedging instrument is recorded directly in OCI. The ineffective portion is recognized in the consolidated statement of income or loss in the period in which the change occurs. Upon the sale or liquidation of the foreign operations, the amounts deferred in AOCI are recognized in the consolidated statement of income or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that a portion of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the consolidated statement of financial position, at its fair value. Any future changes in the fair value are recorded in the consolidated statement of income or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized in the consolidated statement of income or loss.

Determination of fair value

Fair value is defined as the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, willing parties, other than in a forced or liquidation sale. The fair value of instruments quoted in active markets is determined using quoted prices where they represent those at which regularly and recently occurring transactions take place. The Company uses valuation techniques to establish the fair value of instruments where prices quoted in active markets are not available. Where possible, parameter inputs to the valuation techniques are based on observable data derived from prices of relevant instruments traded in an active market. These valuation techniques involve some level of management estimation and judgement, the degree of which will depend on the price transparency for the instrument or market and the instrument's complexity.

The Company categorizes fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

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 the reporting date. The fair value represents a point-in-time estimate that may not be relevant in predicting the Company's future earnings or cash flows.

The Company's derivative financial instruments include derivative instruments to manage its exposure associated with changes in the fair value of its DSU plans and the cost of its RSU plan, and foreign exchange forward contracts and collar arrangements to hedge the foreign currency exposure on its net investment in VerticalScope. The fair value of the derivative instruments used to manage the Company's exposure under the DSU and RSU plans is classified within Level 2 and is based on the movement in the Company's share price between the quarterly settlement date and the reporting date which are observable inputs.

The fair value of the foreign exchange forward contracts and collar arrangements is classified within Level 2 as it is based on foreign currency rates quoted by banks and is the difference between the forward exchange rate and the contract rate.

The fair value of portfolio investments that have quoted market prices is classified within Level 1 except when the securities are not actively traded and thus classified within Level 2. The fair value of portfolio investments that do not have quoted market prices is classified within Level 3 and determined when possible using a valuation technique that maximizes the use of observable market inputs and unobservable market inputs such as earnings multiples and cash flow projections.

(g) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Raw materials are valued at purchase cost on a first in, first out basis. The cost of finished goods and work in progress includes raw materials, translation and printing and production costs. Provisions are made for slow moving and obsolete inventory. If the carrying value exceeds the net realizable amount, a writedown is recognized. The writedown may be reversed in a subsequent period if the circumstances causing it no longer exist.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost or at fair value as deemed cost, net of accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income or loss as incurred.

Depreciation is calculated using the straight-line basis over the estimated useful life of the asset as follows:

- Buildings
  - Structural 25 – 60 years
  - Components 10 – 35 years
- Machinery and Equipment
  - Machinery and Equipment 3 – 40 years
  - Furniture and Fixtures 3 – 10 years

• Leasehold Improvements Term of the lease plus renewal periods, when renewal is reasonably assured

The useful lives and methods of depreciation and the assets' residual values are reviewed at least annually, and the depreciation charge is adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of income or loss when the asset is derecognized.

(i) Intangible assets

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets which have a finite useful life are amortized over the useful economic life of the asset and are stated at cost less accumulated amortization and any accumulated impairment losses. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits is accounted for by changing the amortization period or method, as appropriate, and adjusted prospectively.

Amortization is calculated using the straight-line basis over the estimated useful life of the asset as follows:

- Software 3 – 10 years
- Customer relationships and other 2 – 10 years
- Trademarks 5 – 10 years
- Domain names 5 – 10 years
- Other 5 – 10 years

Intangible assets with indefinite useful lives are not amortized. These included newspaper mastheads and trade and certain domain names. The assessment of indefinite life is reviewed at each reporting date to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income or loss when the asset is derecognized.

(j) Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred.

(k) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed in the consolidated statement of income or loss.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the Company's previously held equity or jointly controlled interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the

Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, either in the consolidated statement of income or loss or as a change to OCI.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. If this consideration is lower than the fair value of the net assets acquired, the difference is recognized in the consolidated statement of income or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(l) Non-current assets held for sale and discontinued operations

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Remaining actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Additionally, the sale should be expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as a discontinued operation if it is:
- A component of the Company that is a cash generating unit ("CGU") or a group of CGUs;
- A major line of business or major geographical area; or
- Classified as held for sale or already disposed in such a way.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount, net of tax, as income or loss from discontinued operations in the consolidated statement of income or loss.

(m) Impairment of non-financial assets

Property, plant and equipment, intangible assets and goodwill are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, intangible assets with an indefinite useful life and goodwill are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (a CGU). The test for impairment for property, plant and equipment, intangible assets or goodwill is to compare the recoverable amount of the asset or CGU to the carrying value. The recoverable amount is the greater of fair value less costs to sell ("FVLCS"), and value in use ("VIU"). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. In its assessment of the recoverable amounts of the group of CGUs at both December 31, 2016 and December 31, 2015, the Company considered both the VIU and FVLCS approaches.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that is expected to benefit from the related business combination. For internal management purposes, goodwill is monitored at the operating segment level which represents a group of CGUs. Goodwill is not amortized.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

The VIU calculation uses cash flow projections for a five year period and a terminal value. The terminal value is the value attributed to the cash flow beyond the projected period using a perpetual growth rate. The key assumptions in the VIU calculations are:

- Earnings before interest, taxes, depreciation and amortization, restructuring and other charges, and impairment of assets (“Adjusted EBITDA”), growth rates (for periods within the cash flow projections and in perpetuity for the calculation of the terminal value), future levels of maintenance expenditures on capital and discount rates.

- Adjusted EBITDA growth rates and future levels of capital expenditures are based on management’s best estimates considering historical and expected operating plans, strategic plans, economic conditions and the general outlook for the industry and markets in which the CGU or group of CGUs operates. The projections are based on the most recent financial budgets, approved by the Company’s Board of Directors, three year strategic plans and management forecasts beyond that period.

- In calculating the VIU, the Company uses a discount rate in order to establish values for each CGU or group of CGUs. The discount rate applied to each calculation is a pre-tax rate that reflects an optimal debt-to-equity ratio and considers the risk free rate, market equity risk premium, size premium and the risks specific to each CGU or group of CGUs cash flow projections.

- The perpetuity growth rate is based on management’s best estimates considering the industry, operating income trends and growth prospects for that specific CGU or group of CGUs.

The FVLCS calculation uses projections for a one year period and a forward multiple. The key assumptions in the fair value less cost to sell calculation are:

- Earnings before interest, taxes, depreciation and amortization, restructuring and other charges, and impairment of assets (“Adjusted EBITDA”). The projections are based on the most recent financial budgets approved by the Company’s Board of Directors.

- Forward multiples which are based on public market data including information from analysts covering the Company as well as competitor data.

(n) Revenue recognition

The Company has a number of different revenue streams. Print and digital advertising revenue is primarily generated through the provision of advertisements in print publications as well as on various digital platforms. Revenue from circulation/subscribers is largely generated by home delivery subscriptions; single copy sales at newsstands and vending machines; and the provision of digital format subscriptions. Distribution revenue is primarily generated from the delivery of flyers to consumers on behalf of advertisers. Other revenues are generated from the provision of commercial printing for external customers as well as the sale of various products.

Print advertising and distribution revenue

Revenue related to print advertising and flyer distribution is recognized when a print advertisement or flyer is included in the newspaper and the newspapers are delivered to the reader.

Digital advertising revenue

The Company has a number of digital advertising revenue streams. The majority of the Company’s digital revenue is recognized when advertisements are placed on digital platforms and to a lesser extent when a user clicks on an advertisement, on a per click basis.

Circulation/subscription revenue

In respect of revenue from circulation/subscribers related to print newspapers, the Company recognizes revenue at the time of delivery of the newspaper to the customer/subscriber. Revenue from single copy sales is recognized net of a provision for returns based on historical rates of returns. In the case of revenue from subscribers, revenue is recognized proportionately over the term of the subscription.

Other revenue

Other revenue is recognized upon delivery to or at the time that goods are made available to the customer. For example, when products are printed for external customers, revenue is recognized at the time that such materials are made available to the customer. In the case of product sales, revenue is recognized per the terms of delivery.

(o) Employee benefits

The Company maintains both defined benefit and capital accumulation ("defined contribution") employee benefit plans. Details with respect to accounting for defined benefit employee future benefit plans are as follows:

- The net asset or net liability recognized in the consolidated statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. The service cost and obligations of pensions and post employment benefits earned by employees is calculated annually by independent actuaries using the projected unit credit method prorated on service and management's best estimate of assumptions of salary increases, retirement ages of employees and expected health care costs.

- The present value of the defined benefit obligation is determined by discounting estimated future cash flows using the current interest rate at the reporting date on high quality fixed income investments with maturities that match the expected maturity of the obligations.

- Net interest is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation (at the beginning of the year) and is included in Interest and financing costs in the consolidated statement of income or loss.

- Past service costs are recognized immediately in the consolidated statement of income or loss.

- Current service costs, past service costs, special termination benefits, curtailment gains or losses and administration costs are recognized in the consolidated statement of income or loss and are included in Salaries and benefits or Restructuring and other charges, as applicable.

- Changes in actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized in OCI in the period in which they arise and charged or credited to retained earnings. On an interim basis, management estimates the changes in the actuarial gains and losses. These estimates are adjusted when the annual valuation or estimate is completed by the independent actuaries.

- For the funded plans, the value of any minimum funding requirements (as determined by applicable pension legislation) is recognized to the extent that the amounts are considered recoverable. Recoverability is limited to the extent to which the Company can reduce the future contributions to the plan.

Company contributions to defined contribution plans are expensed as incurred.

Termination benefits are expensed at the earlier of the time at which the Company can no longer withdraw the offer of those benefits and the time at which the Company recognizes costs for a restructuring. Benefits which are not expected to be settled wholly within twelve months from the end of the reporting period are discounted.

(p) Share-based compensation plans

The Company has a share option plan, an employee share purchase plan (“ESPP”), two DSU plans and an RSU plan.

Share option plan and ESPP

Eligible senior executives may be granted options to purchase Class B non-voting 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. Share options vest, and are expensed, over four years from the date of grant.

Under the Company's ESPP, employees may subscribe for Class B non-voting shares of the Company 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.

The fair value of share options granted and ESPP subscriptions are measured using the Black-Scholes pricing model. For share options, the model considers each tranche with graded vesting features as a separate share option grant. Forfeitures are estimated on the grant date and are revised as the actual forfeitures differ from estimates.

The fair value of share options granted and ESPP subscriptions is recognized as compensation expense over the vesting and subscription periods with a related credit to contributed surplus. The contributed surplus balance is reduced as options are exercised and as the ESPP matures through a credit to share capital. The consideration paid by option holders and the ESPP subscribers is credited to share capital when the options are exercised or when the plan matures.

DSUs

Eligible executives may elect to receive certain cash incentive compensation in the form of DSUs. Each DSU is equal in value to one Class B non-voting share of the Company and is issued on the basis of the closing market price per share of Class B non-voting shares of the Company on the Toronto Stock Exchange on the date of issue. DSUs also accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company.

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

Compensation expense is recorded in the year DSUs are granted and changes in the fair value of outstanding DSUs, including deemed dividend equivalents, are recorded as an expense in the period that they occur. DSUs can only be redeemed once the executive or director is no longer employed with the Company whereupon the executive or director is entitled to receive the fair market value of the equivalent number of Class B non-voting shares, net of withholdings, in cash. Outstanding DSUs are recorded as long-term liabilities.

RSUs

Eligible executives may be granted RSU awards equivalent in value to Class B non-voting shares of the Company as part of their long-term incentive compensation. RSUs vest after three years and are settled in cash. With effect from the 2015 fiscal year, subsequent RSU grants accrue dividend equivalents payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company. RSUs are accrued over the three-year vesting period as compensation expense and a related liability. Forfeitures are estimated on the grant date and revised if the actual forfeitures differ from the estimates. The liability is recorded at fair value at each reporting date. Accrued RSUs are recorded as long-term liabilities, except for the portion that will vest within twelve months which is recorded as a current liability.

(q) Taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in the consolidated statement of income or loss, unless it relates to items recognized outside the consolidated statement of income or loss. Tax expense relating to items recognized outside of the consolidated statement of income or loss is recognized in correlation to the underlying transaction in either OCI or equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax

Deferred income tax is provided using the liability method for temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred income tax assets and liabilities are measured using substantively enacted tax rates and laws at the reporting date that are expected to be in effect when the temporary differences are expected to reverse.

Deferred income taxes are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are not recognized for temporary differences that arise on initial recognition of assets and liabilities other than in a business combination.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which they can be utilized.

(r) Provisions

Provisions are recognized if the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation as of the date of the consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation.

Provisions are discounted and measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party (for example, because the obligation is covered by an insurance policy), an asset is recognized if it is virtually certain that reimbursement will be received.

(s) Use of estimates and judgements

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Management uses estimates when accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of long-lived assets, asset impairments, provisions, share-based compensation plans, employee benefit plans, deferred income taxes and goodwill impairment. Estimates are also made by management when recording the fair value of assets acquired and liabilities assumed in a business combination.

Estimates are based on a number of factors, including historical experience, current events and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The more significant estimates and assumptions made by management are described below:

Employee benefits

The valuation by independent actuaries uses management's assumptions for rate of compensation increase, trends in healthcare costs, employee turnover and expected mortality. However, the most significant assumption is the discount rate which is used to determine the present value of the future cash flows that are expected to be required to settle employee benefit obligations. The discount rate is based on the market yield on long-term high-quality corporate bonds with maturities matching the estimated cash flows from the benefit plan at the time of estimation. A lower discount rate would result in a higher employee benefit obligation. Further details about the assumptions used are provided in Note 19.

Impairment of non-financial assets

The Company tests goodwill and indefinite life intangible assets for impairment annually, or more frequently if there are indicators that impairment may have arisen. Impairment exists when the carrying value of an asset, CGU or group of CGUs exceeds its recoverable amount, which is the higher of its FVLCS and its VIU. The FVLCS calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices for similar transactions, adjusted for the specific facts and circumstances, less incremental costs for disposing of the asset. The VIU calculation is based on a discounted cash flow model. The key estimates and assumptions used in arriving at the FVLCS and VIU are outlined in Note 2(m).

In calculating the recoverable amount, management is required to make several assumptions, including, but not limited to, expected future revenues, expected future cash flows, forward multiples and discount rates. Management's assumptions are influenced by current market conditions and levels of competition, both of which may affect expected revenues. Expected cash flows may be further affected by changes in operating costs beyond what is currently anticipated. Management has also made certain assumptions for the forward multiples, discount and terminal growth rates to reflect possible variations in the cash flows, however, the risk premiums expected by market participants, as reflected in forward multiples, related to uncertainties about the industry, specific reporting units or specific intangible assets may differ or change quickly, depending on economic conditions and other events. Changes in any of these assumptions may have a significant impact on the fair value of the investment, CGU or group of CGUs or intangible assets and the results of the related impairment testing.

As at December 31, 2016, the carrying value of investments, intangible assets, property plant and equipment and goodwill represented 33%, 10%, 11% and 1% respectively of total assets and each reporting segment had investments and intangible assets with carrying values subject to these estimates. As at December 31, 2015, the carrying value of investments, intangible assets, property, plant and equipment and goodwill represented 34%, 10%, 17% and 1% respectively of total assets. Additionally, as a result of rapid and significant shifts in the print and digital advertising markets, expected future revenues and cash flows have changed significantly. The Company has recorded impairment charges related to investments and intangible assets totalling $7.5 million in the year ended December 31, 2016 ($361.1 million of impairment charges related to goodwill, intangible assets and investments in the year ended December 31, 2015). These charges impact net income or loss but have no effect on cash flows.

More details are provided in Note 12.

Taxes

The Company is subject to income taxes in Canada, and the discontinued operations were also subject to income taxes in foreign jurisdictions. Significant judgement is required in determining the world-wide provision for income taxes. In the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Management uses judgement in interpreting tax laws and determining the appropriate rates and amounts in recording current and deferred income taxes, giving consideration to timing and probability. Actual income taxes could significantly vary from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and

related appeals. To the extent that the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which they can be utilized. When assessing the probability of taxable profit being available, management primarily considers prior years' results, forecasted future results and non-recurring items. As such, the assessment of the Company's ability to utilize tax losses carried forward is to a large extent judgement-based. If the future taxable results of the Company differ significantly from those expected, the Company would be required to increase or decrease the carrying value of the deferred income tax assets with a potentially material impact on the Company's consolidated statement of financial position and consolidated statement of comprehensive income or loss. The carrying amount of deferred income tax assets is reassessed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred income tax assets. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it is probable that there will be sufficient taxable profits to allow all or part of the asset to be recovered.

Further details on taxes are disclosed in Note 14.

Significant judgements made by management are described below:

Classification of investments as subsidiaries, joint ventures, associated businesses and portfolio investments.

Classification of investments requires judgement on whether the Company controls, has joint control or significant influence over the strategic financial and operating decisions relating to the activity of the investee. In assessing the level of control or influence that the Company has over an investment, management considers ownership percentages, board representation as well as other relevant provisions in shareholder agreements. If an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

The Company has classified its investment in VerticalScope as an associated business (rather than being consolidated subsidiary or classified as a joint venture) based on management's judgement that the Company does not have control but has significant influence, based on rights to board representation and other provisions in the shareholders agreement. The Company has classified its investments in Black Press Ltd., Blue Ant Media Inc. and up until July 5, 2016, Shop.ca Network Inc. as associated businesses based on management's judgement that the Company has significant influence despite holding less than 20%, based on rights to board representation and other provisions in the respective shareholders' agreements.

Classification of cash equivalents

Classification of cash equivalents requires judgement on whether the short-term investments are easily convertible into cash. Short-term investments with maturities on acquisition of 90 days or less are presumed to be cash equivalents due to the short holding period of the investment. The Company has classified its short-term investments with original maturities on acquisition of over 90 days but less than 365 days as cash equivalents based on management's judgement that the short-term investments are liquid as the Company has a contractual right to convert them into cash upon 30 days notice without loss of interest after the initial 30 days.

Determination of operating segments, reportable segments and CGUs

The Company has three reportable operating segments: Metroland Media Group ("MMG"), Star Media Group ("SMG") and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. The Company has aligned its operating segments such that digital businesses outside the traditional newspaper operations are managed as one operating segment – Digital Ventures, which meets the quantitative threshold criteria and accordingly has become a separate reportable segment.

The Company's chief operating decision-maker ("CODM") monitors the operating results of the operating segments for the purpose of assessing performance. Segment performance is evaluated based on operating

profit which corresponds to operating profit as measured in the consolidated financial statements except that it includes the proportionately consolidated share of joint venture operations. Decisions regarding resource allocation are made at the reportable operating segment level.

Within the MMG operating segment, the Company has identified a number of CGUs including the daily newspapers and their flyer distribution operations, the community newspapers and their flyer distribution and printing operations as well as a number of separate digital CGUs. In addition, the Company has identified SMG as one CGU which includes the Toronto Star and the Metro publications as well as a number of other smaller digital platforms and publications. Within the Digital Ventures segment, the Company has identified eyeReturn Marketing as one CGU.

(t) Changes in accounting policies

Policies adopted in 2016:

Several new amendments and interpretations applied for the first time in 2016. However, they had little or no impact on the consolidated financial statements of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Future changes in accounting standards:

There are several new standards and amendments to accounting standards which will be effective for the Company subsequent to 2017, however, only the following new standards are expected to have a material impact on the interim or annual consolidated financial statements or disclosures of the Company:

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 which specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2018. The Company has reviewed its significant sources of revenue and has identified areas that may affect disclosures but is not expected to significantly impact revenue recognition relative to the current policy. The Company will continue to assess the impact of IFRS 15 on its less significant sources of revenue as well as disclosure requirements.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued a finalized version of IFRS 9 which contains accounting requirements for financial instruments replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: Classification and Measurement; Impairment; Hedge Accounting; and Derecognition. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2018.
The Company's review of IFRS 9 performed to date indicates the following impacts:

- financial assets such as receivables which were previously classified as "loans and receivables" under IAS 39, will now be classified as "amortized cost" under IFRS 9 while most financial liabilities will continue to be measured at "amortized cost".
- The quantitative retrospective and prospective hedge effectiveness assessment within the 80-125 percent threshold to qualify for hedge accounting will no longer apply. Rather, once a hedge relationship qualifies for hedge accounting, retrospective effectiveness testing and voluntary discontinuation of hedge accounting are not permitted. Hedge accounting can only discontinue where the qualifying criteria are no longer met.

The Company will continue to assess the impact of IFRS 9 on the consolidated financial statements.

IFRS 16 *Leases*

In January 2016, the IASB issued IFRS 16 which supersedes IAS 17 *Leases* and related interpretations. The new standard provides a single lessee accounting model which eliminates the distinction between operating and finance leases, by requiring lessees to recognize assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The Company does not anticipate early adoption and plans to adopt the standard on its effective date of January 1, 2019. The Company is in the process of reviewing the standard to determine the impact on the consolidated financial statements.

3. SEGMENTED INFORMATION

The Company has identified three reportable segments: MMG, SMG and Digital Ventures to which Corporate costs have not been allocated. Management of each segment is accountable for the revenues and segment operating profit or loss which includes the proportionately consolidated share of joint venture operations and in the case of the Digital Ventures segment, the Company's 56% interest in VerticalScope which, as a result of terms in the applicable shareholders agreement, is classified as an associated business (rather than being a consolidated subsidiary or classified as a joint venture). The Company owns a significantly higher percentage of VerticalScope relative to its other associated businesses.

Segment profit or loss has been defined as segmented operating profit or loss which corresponds to operating profit or loss as presented in the consolidated statement of income or loss but includes the proportionately consolidated share of joint venture operations as well as the Company's 56% interest in VerticalScope. All other income and expense items are managed on a Company basis and are not provided to the CODM at the operating segment level. Also, assets and liabilities are not provided to the CODM at the operating segment level. These items are therefore not allocated to the operating segments.

MMG publishes The Hamilton Spectator and the Waterloo Region Record daily newspapers and has more than 100 weekly community newspapers, digital properties (including homefinder.ca, save.ca, travelalerts.ca, wagjag.com ("WagJag") and the regional online sites, such as durhamregion.ca) and flyer distribution operations. MMG also has a number of specialty publications, directories and consumer shows.

SMG includes the daily Toronto Star newspaper, Toronto Star Touch and thestar.com. SMG also includes Free Daily News Group Inc. ("Metro"), which publishes the English-language Metro free daily commuter papers in several of Canada's largest cities, and through a joint venture arrangement, SMG owns an interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary. SMG also includes wheels.ca, toronto.com, other specialty publications and magazines and distribution services as well as the Company's interest in Olive Media. Olive Media ceased operations effective January 1, 2016.

Digital Ventures includes the Company's 56% interest in VerticalScope, eyeReturn Marketing Inc. and the Company's 50% interest in workopolis.com ("Workopolis").

Year ended December 31, 2016	**MMG**	**SMG**	**Digital Ventures**	**Corporate**	**Total**	**Adjustments and Eliminations[1]**	**Per Consolidated Statement of Income**
Operating revenue	**$407,646**	**$280,070**	**$73,981**		**$761,697**	**($76,598)**	**$685,099**
Salaries and benefits	**(188,703)**	**(105,127)**	**(22,489)**	**($8,078)**	**(324,397)**	**25,082**	**(299,315)**
Other operating costs	**(176,942)**	**(174,468)**	**(25,352)**	**(2,614)**	**(379,376)**	**23,184**	**(356,192)**
Amortization and depreciation	**(14,382)**	**(27,934)**	**(79,642)**	**(66)**	**(122,024)**	**78,004**	**(44,020)**
Restructuring and other charges	**(13,504)**	**(32,531)**	**(262)**	**(610)**	**(46,907)**	**1,084**	**(45,823)**
Impairment of assets	**(800)**		**(6,700)**		**(7,500)**	**6,700**	**(800)**
Reportable segment operating profit (loss)	**$13,315**	**($59,990)**	**($60,464)**	**($11,368)**	**($118,507)**	**$57,456**	**($61,051)**
Interest and financing costs							**(3,080)**
Foreign exchange							**298**
Loss from joint ventures							**(5,532)**
Loss from associated businesses							**(34,919)**
Other income							**24,348**
Loss before taxes from continuing operations							**($79,936)**

Year ended December 31, 2015	MMG	SMG	Digital Ventures	Corporate	Total	Adjustments and Eliminations[1]	Per Consolidated Statement of Income
Operating revenue	$447,064	$343,555	$53,021		$843,640	($57,009)	$786,631
Salaries and benefits	(208,431)	(127,092)	(18,867)	($9,044)	(363,434)	21,610	(341,824)
Other operating costs	(189,755)	(198,057)	(23,160)	(2,411)	(413,383)	19,988	(393,395)
Amortization and depreciation	(14,055)	(14,991)	(48,428)	(37)	(77,511)	47,334	(30,177)
Restructuring and other charges	(19,777)	(10,634)	(899)		(31,310)	1,087	(30,223)
Impairment of assets	(265,936)	(79,145)	(16,000)		(361,081)	16,000	(345,081)
Reportable segment operating loss	($250,890)	($86,364)	($54,333)	($11,492)	($403,079)	$49,010	($354,069)
Interest and financing costs							(2,046)
Foreign exchange							(1,022)
Loss from joint ventures							(14,170)
Loss from associated businesses							(28,993)
Other expense							(1,837)
Loss before taxes from continuing operations							($402,137)

[1] Adjustments and eliminations represent the elimination of the proportionately consolidated results of, and transactions with, joint ventures and VerticalScope.

The following charts provide a breakdown of total segmented operating revenue for the years ended December 31, 2016 and December 31, 2015.

Year ended December 31, 2016	MMG		SMG		Digital Ventures		Total	
	$	%	**$**	%	**$**	%	**$**	%
Print advertising	**$174,004**	**42.7%**	**$148,535**	**53.0%**			**$322,539**	**42.3%**
Digital advertising	**36,411**	**8.9%**	**22,731**	**8.1%**	**$73,981**	**100.0%**	**133,123**	**17.5%**
Distribution	**131,232**	**32.2%**	**7,880**	**2.8%**			**139,112**	**18.3%**
Subscriber	**25,913**	**6.4%**	**94,215**	**33.7%**			**120,128**	**15.8%**
Other	**40,086**	**9.8%**	**6,709**	**2.4%**			**46,795**	**6.1%**
Total	**$407,646**	**100.0%**	**$280,070**	**100.0%**	**$73,981**	**100.0%**	**$761,697**	**100.0%**

Year ended December 31, 2015	MMG		SMG		Digital Ventures		Total	
	$	%	**$**	%	**$**	%	**$**	%
Print advertising	$200,294	44.8%	$180,789	52.7%			$381,083	45.2%
Digital advertising	37,702	8.4%	35,208	10.2%	$53,021	100.0%	125,931	14.9%
Distribution	136,465	30.5%	10,064	2.9%			146,529	17.4%
Subscriber	28,420	6.4%	100,479	29.2%			128,899	15.3%
Other	44,183	9.9%	17,015	5.0%			61,198	7.2%
Total	$447,064	100.0%	$343,555	100.0%	$53,021	100.0%	$843,640	100.0%

Geographical information

The Company operates in the following main geographical areas:

	Revenue[1]		Non-current assets[2]	
	Year ended December 31		As at December 31	
	2016	2015	**2016**	2015
Canada	**$681,731**	$781,036	**$126,047**	$193,747
United States	**3,368**	4,132		
Other		1,463		
Total	**$685,099**	$786,631	**$126,047**	$193,747

[1] Revenue is allocated based on the country in which the order is received.
[2] Non-current assets include property, plant and equipment; intangible assets and goodwill.

4. INVESTMENTS IN SUBSIDIARIES

The Company's material subsidiaries are: Toronto Star Newspapers Limited and Metroland Media Group Ltd., which are Ontario corporations and Metro, which is a New Brunswick corporation. The Company has 100% voting and equity securities interest in each of these corporations.

The Company also has a 75% interest in the Olive Media partnership. The 25% interest that the Company does not own is reflected in Minority interests. Effective January 1, 2016, Olive Media ceased operations and the Toronto Star assumed responsibility for its digital advertising sales previously handled by Olive Media.

The principal activities of these subsidiaries are described in Note 3.

5. RESTRICTED CASH

At December 31, 2016, the Company had restricted cash totalling $11.8 million which included $10.5 million (December 31, 2015 – $15.1 million) held as collateral for outstanding standby letters of credit in respect of an unfunded executive retirement plan liability (Note 19).

At December 31, 2015, the Company had restricted cash totalling $37.9 million comprised of $15.2 million held as collateral for outstanding standby letters of credit and $22.8 million related to the sale of Harlequin in August 2014, which was held in an escrow account until the end of the escrow term on February 1, 2016 when the funds were released to the Company.

6. INVENTORIES

	December 31, 2016	December 31, 2015
Finished goods		$1,178
Work in progress	**$118**	129
Raw materials	**4,711**	4,924
	$4,829	$6,231

The Company expensed inventory costs of $42.9 million for the year ended December 31, 2016 (2015 – $50.4 million).

7. INVESTMENTS IN JOINT VENTURES

The Company's joint ventures include investments in Workopolis (50%) and Sing Tao Daily (approximately 50%).

The table below provides a continuity of Investments in joint ventures:

	Year ended December 31	
	2016	2015
Balance, beginning of year	**$32,861**	$54,531
Loss from joint ventures	**(5,532)**	(14,170)
Distributions from joint ventures	**(159)**	(7,500)
Investment and other	**293**	
Balance, end of year	**$27,463**	$32,861

Summarized Supplemental Financial Information

The following is summarized supplemental financial information based on the Company's proportionate share of the joint ventures:

(i) Statement of Financial Position

	As at December 31, 2016	As at December 31, 2015
Cash and cash equivalents	**$7,880**	$5,308
Other current assets	**6,049**	7,244
Total current assets	**13,929**	12,552
Total non-current assets	**21,227**	30,442
Total assets	**$35,156**	$42,994
Current liabilities	**$6,825**	$8,923
Other non-current liabilities	**868**	1,210
Total equity	**27,463**	32,861
Total liabilities and equity	**$35,156**	$42,994

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2016	2015
Operating revenue	**$36,634**	$42,020
Salaries and benefits	**(14,739)**	(17,670)
Other operating costs	**(16,167)**	(17,522)
Amortization and depreciation	**(3,203)**	(3,016)
Restructuring and other charges	**(780)**	(1,087)
Impairment of assets (note 12)	**(6,700)**	(16,000)
Operating loss	**(4,955)**	(13,275)
Interest and financing costs	**(21)**	(24)
Foreign exchange	**20**	(66)
	(4,956)	(13,365)
Income and other taxes	**(576)**	(805)
Net loss and Comprehensive loss	**($5,532)**	($14,170)

8. INVESTMENTS IN ASSOCIATED BUSINESSES

As of December 31, 2016, the Company's investments in associated businesses include a 19.4% equity interest in Black Press Ltd. ("Black Press"); a 18.3% equity investment in Blue Ant Media Inc. ("Blue Ant"); a 33.3% equity interest in Canadian Press Enterprises Inc. ("Canadian Press") and a 56.4% equity investment in VerticalScope. The Company also had a 14.7% equity investment in Shop.ca Network Inc. ("Shop.ca") until July 5, 2016.

The table below provides a continuity of Investments in associated businesses:

	Year ended December 31	
	2016	2015
Balance, beginning of year	**$202,203**	$39,960
Dividends received	**(387)**	(193)
Investments during the year	**500**	203,587
Sale of investment		(256)
Share of associate paid in capital (with minority interest)	**(2,315)**	
Return of capital		(22,094)
Loss of associated businesses	**(34,919)**	(28,993)
OCI – Actuarial loss on employee benefits	**(1,726)**	(588)
OCI – Foreign currency translation adjustment	**(5,459)**	10,780
Balance, end of year	**$157,897**	$202,203

The table below provides details of income and losses from associated businesses:

	Net income (loss)		OCI	
	2016	2015	**2016**	2015
VerticalScope	**($42,237)**	($26,950)	**($5,377)**	$9,985
Black Press	**5,635**	3,000	**(1,881)**	207
Blue Ant	**2,447**	(1,859)	**73**	
Shop.ca	**(613)**	(3,025)		
Other	**(151)**	(159)		
Total	**($34,919)**	($28,993)	**($7,185)**	$10,192

Black Press

Black Press is a privately held company that publishes more than 150 titles in print and online in Canada and the U.S. and has operations in British Columbia, Alberta, Washington, California, Hawaii and Ohio. For the year ended December 31, 2016, the Company's share of Black Press' net income was $5.6 million and other comprehensive loss of $1.9 million (2015 – net income of $3.0 million and other comprehensive income of $0.2 million).

Blue Ant

Blue Ant is a media company founded in 2011 that creates and distributes video content across a range of traditional and new media platforms in categories such as Outdoor Life, Nature and Science, Style and Do-It-Yourself ("DIY"), Music and Gaming. During 2016, the Company invested an additional $0.5 million in Blue Ant. The Company's equity interest at December 31, 2016 was 18.3% (December 31, 2015 – 23.1%). The Company's share of Blue Ant's net income in 2016 was $2.4 million (2015 – net loss of $1.9 million) and includes dilution gains of $2.3 million in 2016.

Canadian Press

Canadian Press operates The Canadian Press news agency. The Company's carrying value in Canadian Press was previously reduced to nil. The Company will begin to report its share of Canadian Press' results once the unrecognized losses ($4.6 million as of December 31, 2016) have been offset by net income, other comprehensive income or additional investments are made. For the year ended December 31, 2016, the Company would have reported income of $0.3 million and other comprehensive loss of $1.8 million from Canadian Press (2015 – income of $0.5 million and other comprehensive income of $0.4 million).

Shop.ca

For the year ended December 31, 2016, the Company's share of Shop.ca's net loss was $0.6 million (2015 – $3.0 million). Shop.ca declared bankruptcy on July 5, 2016.

Other

The Company has investments in other associated businesses for which a loss of $0.2 million was recorded for the year ended December 31, 2016 (2015 – loss of $0.2 million).

VerticalScope

VerticalScope is a Toronto-based vertically focused digital media company with expertise in programmatic advertising which services the North American market through its network of user forums and premium content sites offering advertisers access to large audiences in popular verticals including automotive, powersports, outdoors, home and health.

On July 28, 2015, the Company acquired a 56.4% interest in VerticalScope. The total purchase price including transaction costs was $202 million. Pursuant to certain terms in the shareholders agreement, the investment is accounted for as an associated business using the equity method. On October 22, 2015, the Company received a return of capital of $22.1 million.

The following is summarized supplemental financial information for 100% of VerticalScope including the Company's fair value adjustments on acquisition of the investment:

(i) Statement of Financial Position

	As at December 31, 2016	As at December 31, 2015
Cash and cash equivalents	$24,310	$10,716
Other current assets	16,716	15,109
Total current assets	41,026	25,825
Total non-current assets	319,149	445,129
Total assets	$360,175	$470,954
Current portion long-term debt	$6,009	$6,193
Other current liabilities	9,162	6,892
Total current liabilities	15,171	13,085
Long-term debt	115,692	113,676
Other non-current liabilities	23,840	56,786
Total equity	205,472	287,407
Total liabilities and equity	$360,175	$470,954

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2016	2015
Operating revenue	$71,043	$26,896
Net loss	($74,848)	($47,757)
Other comprehensive income (loss)	(9,528)	17,694
Total comprehensive loss	($84,376)	($30,063)

Torstar's comprehensive loss attributable to its interest in VerticalScope was $47.6 million for the year ended December 31, 2016 ($17.0 million for the period from July 29, 2015 through December 31, 2015).

9. PROPERTY, PLANT AND EQUIPMENT

	Land	**Building and leasehold improvements**	**Machinery and equipment**	**Total**
Cost				
Balance at December 31, 2014	$2,698	$124,731	$157,278	$284,707
Additions		1,563	8,695	10,258
Disposals		(1,424)	(12,507)	(13,931)
Foreign exchange			5	5
Balance at December 31, 2015	**2,698**	**124,870**	**153,471**	**281,039**
Additions		**1,132**	**3,794**	**4,926**
Disposals	**(1,291)**	**(62,371)**	**(44,595)**	**(108,257)**
Foreign exchange			**(1)**	**(1)**
Balance at December 31, 2016	**$1,407**	**$63,631**	**$112,669**	**$177,707**
Depreciation and impairment				
Balance at December 31, 2014		$55,079	$104,571	$159,650
Additions		6,331	10,762	17,093
Impairments (note 12)		297	93	390
Disposals		(1,420)	(12,469)	(13,889)
Foreign exchange			2	2
Balance at December 31, 2015		**60,287**	**102,959**	**163,246**
Additions [1]		**5,438**	**18,581**	**24,019**
Disposals		**(26,962)**	**(44,565)**	**(71,527)**
Balance at December 31, 2016		**$38,763**	**$76,975**	**$115,738**
Net book value				
At December 31, 2014	$2,698	$69,652	$52,707	$125,057
At December 31, 2015	$2,698	$64,583	$50,512	$117,793
At December 31, 2016	**$1,407**	**$24,868**	**$35,694**	**$61,969**

[1] As a result of the decision to outsource printing of the Toronto Star, additional depreciation expense totalling $9.3 million was recorded in respect of certain machinery and equipment.

10. INTANGIBLE ASSETS

	Indefinite life	Finite life			Total
		Software	Other	Total	
Cost					
Balance at December 31, 2014	$38,414	$73,778	$17,659	$91,437	$129,851
Additions - internally developed		4,834		4,834	4,834
Additions - purchased		22,845		22,845	22,845
Disposals		(6,643)	(3,555)	(10,198)	(10,198)
Balance at December 31, 2015	**38,414**	**94,814**	**14,104**	**108,918**	**147,332**
Additions - internally developed [1]		**4,871**		**4,871**	**4,871**
Additions - purchased		**4,054**		**4,054**	**4,054**
Reclassifications [2]	**(38,414)**		**38,414**	**38,414**	
Disposals		**(16,531)**		**(16,531)**	**(16,531)**
Balance at December 31, 2016		**$87,208**	**$52,518**	**$139,726**	**$139,726**
Amortization and Impairment					
Balance at December 31, 2014	$10,909	$43,636	$13,696	$57,332	$68,241
Amortization		12,230	854	13,084	13,084
Impairments (note 12)	8,367				8,367
Disposals		(6,626)	(3,555)	(10,181)	(10,181)
Balance at December 31, 2015	**19,276**	**49,240**	**10,995**	**60,235**	**79,511**
Amortization		**17,160**	**2,841**	**20,001**	**20,001**
Impairments (note 12)			**800**	**800**	**800**
Reclassifications [2]	**(19,276)**		**19,276**	**19,276**	
Disposals		**(16,531)**		**(16,531)**	**(16,531)**
Balance at December 31, 2016		**$49,869**	**$33,912**	**$83,781**	**$83,781**
Net book value					
At December 31, 2014	$27,505	$30,142	$3,963	$34,105	$61,610
At December 31, 2015	$19,138	$45,574	$3,109	$48,683	$67,821
At December 31, 2016		**$37,339**	**$18,606**	**$55,945**	**$55,945**

[1] This amount includes $3.1 million for software in development for which amortization has not commenced.
[2] During the year ended December 31, 2016, the Company both tested for impairment and then reclassified certain indefinite life intangible assets in the SMG and MMG segments to finite life intangible assets to be amortized over a period of five to ten years.

11. GOODWILL

The following is a continuity of the Goodwill balance:

	2016	2015
Balance, beginning of year	**$8,133**	$344,417
Acquisitions (note 26)		40
Impairment (note 12)		(336,324)
Balance, end of year	**$8,133**	$8,133

Goodwill acquired in a business combination is allocated to a CGU or groups of CGUs which are expected to benefit from the synergies of the combination. For internal management purposes, certain CGUs have been grouped together as goodwill is monitored at the operating segment level.

Goodwill at December 31, 2016 and 2015 has been allocated to the following groups of CGUs:

	December 31, 2016	December 31, 2015
Digital Ventures	**$8,133**	$8,133

12. IMPAIRMENT OF ASSETS

The Company recorded the following impairment on its assets:

	Year ended December 31	
	2016	2015
Property, plant and equipment (note 9)		$390
Intangible assets (note 10)	**$800**	8,367
Goodwill (note 11)		336,324
	800	345,081
Investments in joint ventures (note 7)	**6,700**	16,000
	$7,500	$361,081

Impairment Testing

During 2016, the Company tested for impairment and then reclassified certain indefinite life intangible assets in the SMG and MMG segments to finite life intangible assets. In carrying out the associated impairment test, it was determined that certain intangible assets in the MMG segment were impaired and accordingly the Company recorded an impairment charge totalling $0.8 million in respect of these assets.

In addition, the Company also recorded a $6.7 million impairment charge in respect of its joint venture investment in Workopolis during the fourth quarter of 2016. This resulted from a further downward revision in longer term forecasted revenues reflecting continued increased competition in the online recruitment and job search markets as well as prevailing economic conditions. The Company performed its annual impairment test in the fourth quarter of 2016. No further impairments were identified as a result of this test.

2015

During the three months ended September 30, 2015 and at October 1, 2015, the Company's annual impairment test date, the Company conducted impairment tests on the carrying value of property, plant and equipment, intangible assets with a finite useful life, intangible assets with an indefinite useful life and goodwill. In carrying out this testing,

it was determined that the carrying amount of the Metroland Media Group of CGUs exceeded the recoverable amount of $251.2 million, which was calculated using the VIU approach and the Company recorded an impairment charge of $135.0 million for goodwill in the Metroland Media Group of CGUs. This impairment was the result of lower revenue projections reflecting current economic conditions coupled with lower forecasted longer term revenues reflecting an acceleration in the shift in spending by advertisers from print advertising to digital advertising.

The Company also recorded a $12.0 million impairment charge in respect of its joint venture investment in Workopolis during the third quarter of 2015 resulting from lower forecasted revenues attributable to continued increases in competition in the online recruitment and job search markets as well as prevailing economic conditions.

As a result of the significant change in the market capitalization of the Company during the three months ended December 31, 2015, which was an indicator of impairment, the Company performed an additional impairment test as at December 31, 2015. In doing so it was determined that the carrying amount of the Metroland Media Group of CGUs and Star Media Group of CGUs exceeded their recoverable amounts. As a result the Company recorded a charge of $130.6 million in respect of goodwill in the Metroland Media Group of CGUs, $70.8 million in respect of goodwill and $8.0 million in respect of intangible assets in the Star Media Group of CGUs. In its assessment of the recoverable amounts of the group of CGUs, the Company considered both the VIU and FVLCS approaches and concluded that due to increased measurement uncertainties involved with the VIU approach, FVLCS was a more reliable and appropriate methodology as at December 31, 2015 and accordingly, the Company calculated the recoverable amount using a forward multiple of forecasted adjusted forward EBITDA. As the fair value, (as determined using Level 3 of the fair value of the hierarchy – please refer to Note 2 (g) for further discussion) of the Metroland Media Group of CGUs and Star Media Group of CGUs at December 31, 2015 were equal to their carrying value after recording the above noted impairments, any change in the forward multiple or forecasted adjusted forward EBITDA would impact the recoverable amount. A 5% decrease in the forward multiple and a 5% decrease in forecasted adjusted EBITDA would decrease the recoverable amount by approximately $11.1 million and $8.8 million respectively.

In carrying out this testing in the three months ended December 31, 2015, the Company also recorded a further impairment charge of $4.0 million related to its joint venture investment in Workopolis resulting from a further downward revision in longer term forecasted revenues reflecting the prevailing business environment.

These impairments had no effect on the Company's operations or cash flows. There were no other impairments or reversals of impairments recorded as a result of the testing.

The after-tax discount and perpetual growth rates used by the Company for the purpose of its annual impairment testing for each of the groups of CGUs in the following periods were:

	2016		2015	
	Discount	**Growth**	Discount	Growth
Metroland Media Group	**11.7%**	**0.0%**	11.7%	0.0%
Star Media Group	**12.1% – 14.9%**	**0.0%**	12.0% – 14.8%	0.0% – 0.9%
Digital Ventures	**13.3%**	**3.0%**	13.2%	3.0%

The discount rates for the Star Media Group include a range reflective of both the traditional newspaper operations and the Toronto Star Touch. These after-tax rates correspond to pre-tax rates in an estimated range of 14% – 19% for 2016 and 14% – 19% for 2015. The forward multiples used for performing the December 31, 2015 impairment test were based on market data of recent transactions as well as analyst reports covering the Company.

13. OTHER ASSETS

	December 31, 2016	December 31, 2015
Portfolio investments	**$10,344**	$7,439
ESPP receivable	**18**	115
Other	**2,052**	1,868
	$12,414	$9,422

14. INCOME TAXES

Income tax expense is made up of the following:

	Year ended December 31	
	2016	2015
Current income tax expense (recovery):		
Current year	**($7,400)**	($2,200)
Recognition of previously unrecognized tax benefits	**(1,500)**	
Adjustment for prior years	**500**	(100)
	(8,400)	(2,300)
Deferred income tax expense (recovery):		
Origination and reversal of temporary differences	**2,200**	(28,000)
Recognition of previously unrecognized tax benefits		(400)
Reduction in carrying amount of deferred income tax assets		28,200
Adjustment for prior years	**2,300**	200
	4,500	
Income tax recovery in the consolidated statement of loss	**(3,900)**	(2,300)
Current income tax expense (recovery) in OCI	**100**	(600)
Deferred income tax expense (recovery) in OCI	**1,100**	(1,600)
Reduction in carrying amount of deferred income tax assets in OCI		6,000
Income tax expense in OCI	**1,200**	3,800
Total income tax expense (recovery)	**($2,700)**	$1,500

Income taxes of $0.1 million were paid and refunds of $6.8 million were received during the year from continuing operations (2015 – $7.1 million paid and refunds of $0.4 million received).

Reconciliation of effective tax rate

The combined Canadian federal and provincial statutory rate was 26.5% in 2016 (2015 – 26.5%).

	Year ended December 31	
	2016	2015
Loss before taxes from continuing operations	**($79,936)**	($402,137)
Provision for income taxes based on Canadian statutory rate of 26.5% (2015 – 26.5%)	**($21,200)**	($106,600)
Increase (decrease) in taxes resulting from:		
Loss of joint ventures and associated businesses not recognized	**10,800**	10,300
Non-deductible impairment charges		62,100
Recognition of previously unrecognized tax benefits	**(1,500)**	(400)
Movement in deferred income tax assets not recognized	**5,000**	28,500
Non-taxable portion of capital losses (gains)	**(1,400)**	800
Non-deductible expenses and other permanent differences	**1,200**	1,800
Adjustment for prior years	**2,800**	100
Effect of lower provincial tax rates	**400**	1,100
Income tax recovery in the consolidated statement of loss	**($3,900)**	($2,300)
Effective income tax rate	**4.9%**	0.6%

In 2014, the Company made a gift of the complete Toronto Star photo archive containing more than one million vintage photographs from approximately 1900 to 2000 to the Toronto Public Library. An application was submitted to the Canadian Cultural Property Export Review Board to treat this gift as a donation of Canadian cultural property and to determine its value. The Company reported an estimated income tax recovery of $6.0 million in respect of this donation.

During 2016, the Canadian Cultural Property Export Review Board completed its review of the application and concluded on both the value of the donation and the Canadian cultural property designation. The review board concluded on a lower value for the donation than originally estimated by independent valuations. The adjustment for prior years includes an adjustment of $3.0 million to the estimated income tax recovery in respect of this donation.

In 2016, the Company utilized a previously unrecognized tax benefit related to its equity investment in Shop.ca to reduce current tax expense.

Deferred income tax assets and liabilities

Net deferred income tax assets

Deferred 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 deferred income tax assets and liabilities as at December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2015	Recognized in net income or loss from continuing operations	Recognized in OCI from continuing operations	Recognized in net income or loss from discontinued operations	December 31, 2016
Provisions for returns and doubtful accounts	**$1,124**	**($274)**			**$850**
Property, plant and equipment	**(4,639)**	**(737)**			**(5,376)**
Intangible assets	**(6,259)**	**2,791**			**(3,468)**
Financial instruments	**900**	**(100)**	**($700)**		**100**
Provision for employee benefit obligations	**(1,761)**	**(200)**			**(1,961)**
Share-based payment transactions	**666**	**(47)**			**619**
Tax losses carried forward	**2,776**	**503**			**3,279**
Provisions	**8,779**	**(2,217)**		**($900)**	**5,662**
Goodwill	**1,098**	**(103)**			**995**
Excess tax basis over carrying value of investments	**7,776**	**(1,492)**	**(400)**		**5,884**
Other	**2,458**	**(2,624)**			**(166)**
Net deferred income tax assets	**$12,918**	**($4,500)**	**($1,100)**	**($900)**	**$6,418**
As reported in the consolidated statement of financial position					
Deferred income tax assets	**$15,233**				**$11,322**
Deferred income tax liabilities	**(2,315)**				**(4,904)**
Net deferred income tax assets	**$12,918**				**$6,418**

	December 31, 2014	Recognized in net income or loss from continuing operations	Recognized in OCI from continuing operations	Reclassified to Assets held for sale	December 31, 2015
Provisions for returns and doubtful accounts	$1,520	($396)			$1,124
Property, plant and equipment	(7,163)	2,524			(4,639)
Intangible assets	(7,409)	1,150			(6,259)
Financial instruments		200	$700		900
Provision for employee benefit obligations	19,950	(16,611)	(5,100)		(1,761)
Share-based payment transactions	1,769	(1,103)			666
Tax losses carried forward	6,770	(3,994)			2,776
Provisions	7,657	222		900	8,779
Goodwill	(16,266)	17,364			1,098
Excess tax basis over carrying value of investments	7,845	(69)			7,776
Other	1,745	713			2,458
Net deferred income tax assets	$16,418		($4,400)	$900	$12,918
As reported in the consolidated statement of financial position					
Deferred income tax assets	$28,126				$15,233
Deferred income tax liabilities	(11,708)				(2,315)
Net deferred income tax assets	$16,418				$12,918

As at December 31, 2016, the Company has unrecognized deferred income tax assets in respect of deductible temporary differences and tax losses of $160.0 million (2015 – $138.7 million).

The Company has tax losses available to be carried forward and has recognized a deferred income tax asset in respect of these losses to the extent that it is probable that they will be utilized before they expire.

At December 31, 2016, the Company had Canadian non-capital losses available for carry forward in continuing operations of approximately $28.5 million (2015 – $10.5 million) that will expire between 2028 and 2036 for which it has recognized a deferred income tax asset of $3.3 million (2015 – $2.8 million). The Company also had capital losses of $2.9 million (2015 – $2.9 million) that can be carried forward indefinitely and applied against future capital gains, for which no deferred income tax asset has been recognized.

Investments in subsidiaries, associates and joint ventures

As at December 31, 2016, the excess of the tax basis over the carrying value of investments in subsidiaries, associates and joint ventures for which a deferred income tax asset has not been recognized was $580.9 million (2015 – $516.3 million).

15. FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

	December 31, 2016	December 31, 2015
Financial assets:		
Loans and receivables, measured at amortized cost:		
Cash and cash equivalents	**$75,374**	$35,141
Restricted cash (current)	**11,847**	37,935
Trade accounts receivable	**112,730**	140,930
Other receivables	**3,757**	4,067
Receivables	**116,487**	144,997
Available-for-sale, measured at fair value:		
Portfolio investments[1]	**10,344**	7,439
Derivatives designated as effective hedges, measured at fair value:		
Foreign currency forward contracts	**(472)**	(6,543)
Other financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**(101,133)**	(122,296)
Provisions (current)	**(28,473)**	(29,021)
Provisions (non-current)	**(11,104)**	(13,228)

[1] These amounts are included in Other assets in the consolidated statement of financial position.

The fair value of financial assets and liabilities by level of hierarchy was as follows:

	At December 31, 2016			At December 31, 2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value:						
Portfolio investments			**$10,344**			$7,439
Derivative financial instruments:						
- Foreign currency collar arrangements		**($472)**				
- Foreign currency forward contracts					($6,543)	

Changes in the fair value of Level 3 financial instruments were as follows:

	Year ended December 31	
	2016	2015
Balance, beginning of year	**$7,439**	$7,372
Additions (note 26)	**368**	2,021
Distributions received	**(373)**	
Net losses included in net income (note 23)		(2,300)
Exchange differences and OCI	**2,910**	346
Balance, end of year	**$10,344**	$7,439

Interest and financing costs

	Year ended December 31	
	2016	2015
Interest earned on short-term investments	**$427**	$1,925
Interest accretion costs	**(355)**	(802)
Interest – other	**(81)**	(63)
Net financial expense related to employee benefit plans	**(3,071)**	(3,106)
	($3,080)	($2,046)

Interest paid during the year ended December 31, 2016 was $0.1 million (2015 – $0.1 million). Interest received during the year ended December 31, 2016 was $0.5 million (2015 – $1.9 million).

Risk management

The Company is exposed to various risks related to its financial assets and liabilities, which include liquidity risk, credit risk and market risk. These risk exposures are managed on an ongoing basis.

(i) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due or at a reasonable cost. The Company manages liquidity risk by maintaining sufficient balances in cash and cash equivalents. As at December 31, 2016, the Company had $75.4 million in cash and cash equivalents (December 31, 2015 – $35.1 million).

The maturity profile of the Company's financial liabilities, based on contractual undiscounted payments, is as follows:

	2017	2018	2019	2020	2021	2022+	Total
Foreign currency collar arrangements	$472						$472
Accounts payable and accrued liabilities[1]	98,925						98,925
Licenses	2,208	$1,375					3,583
Provisions	28,473	5,650	1,688	$1,179	$793	$2,384	40,167
	$130,078	$7,025	$1,688	$1,179	$793	$2,384	$143,147

[1] This amount excludes the $2.2 million of Licenses payable in 2017.

(ii) *Credit risk*

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

The Company is exposed to credit related losses in the event of non-performance by counterparties to derivative instruments. Given their high credit ratings, the Company does not anticipate any counterparties failing to meet their obligations. The Company has a policy, approved by the Board of Directors, of only contracting with major financial institutions as counterparties.

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

The following table sets out the ageing of the trade receivables:

	December 31, 2016	December 31, 2015
Gross accounts receivable:		
Current	**$55,624**	$63,101
Up to three months past due date	**52,247**	72,811
Three to twelve months past due date	**10,151**	10,105
Impaired	**65**	207
	118,087	146,224
Allowances for doubtful accounts	**(5,357)**	(5,294)
	$112,730	$140,930

The continuity of the allowance for doubtful accounts is as follows:

	Year ended December 31	
	2016	2015
Balance, beginning of year	**($5,294)**	($6,186)
Utilized	**958**	2,685
Income statement movements	**(1,021)**	(1,793)
Balance, end of year	**($5,357)**	($5,294)

(iii) *Market risk*

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

a. Foreign currency risk

The Company's primary exposure to foreign currency risk is through its investment in VerticalScope, which is denominated in the U.S. dollar. In order to offset the foreign exchange risk on its consolidated statement of financial position from its net investment in VerticalScope, the Company had entered into rolling forward foreign exchange contracts as of the date of the investment. The forward foreign exchange contracts were designated as a hedge of the net investment in VerticalScope. Gains or losses on the translation of the effective portion of the designated hedge amount were transferred to OCI to offset any gains or losses on translation of the net investment. Any changes to the U.S. dollar/Cdn. dollar exchange rate would be offset by the gains or losses on translation of the net investment to the extent of hedge effectiveness.

As at December 31, 2015, the forward contracts outstanding established a rate of exchange of Cdn. dollar per U.S. dollar of $1.34 for U.S. $137.0 million in 2016.

During the year ended December 31, 2016, the Company extinguished the U.S. dollar rolling forward contracts and simultaneously entered into three collar arrangements totalling $137.0 million with a range of Cdn. $1.46 to Cdn. $1.19 for U.S. $1.00 maturing in 2017. The collar options have been designated as a hedge of the net investment in VerticalScope. Any fluctuations in fair value arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar outside this collar range will be recorded in OCI to the extent of hedge effectiveness while any fluctuations within the collar range will be recorded in net income or loss.

The hedges were highly effective during the years ended December 31, 2016 and December 31, 2015. The ineffective portion of the hedges resulted in a gain of $0.6 million for the year ended December 31, 2016 (2015 – loss of $1.7 million) and has been included in foreign exchange in the consolidated statement of income or loss.

The net fair value of the collar options outstanding at December 31, 2016 was $0.5 million unfavourable (December 31, 2015 – the net fair value of the forward contracts outstanding was $6.5 million unfavourable). Forward foreign exchange contracts settled during the year ended December 31, 2016 were $0.3 million favourable (2015 – $4.4 million unfavourable).

In February 2017, the Company rolled over the three collar arrangements totalling $137.0 million and simultaneously entered into a new $137.0 million zero cost collar arrangement with a range of Cdn. $1.20 to Cdn. $1.40 for U.S. $1.00 maturing in 2018.

b. Interest rate risk

The Company is currently exposed to interest rate risk on its cash equivalents. An assumed decrease of 1% in the Company's short-term investment rates during the year ended December 31, 2016 would have decreased net income by $0.4 million (2015 – $1.0 million), with an equal but opposite effect for an assumed increase of 1% in short-term investment rates.

16. CAPITAL MANAGEMENT

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

The Company defines capital as total equity. At December 31, 2016, capital under management was $326.2 million (December 31, 2015 – $419.7 million). There have been no changes to the Company's approach to capital management during the year.

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

The Company is currently meeting all its financial commitments. The Company is not subject to any external capital requirements.

17. PROVISIONS

	Restructuring	Other	Total
Balance at December 31, 2014	$30,818	$8,539	$39,357
Provisions made during the year	28,328	137	28,465
Reversals of provisions during the year	(1,054)	(137)	(1,191)
Discontinued operations		5,800	5,800
Adjustment to contingent consideration		(5)	(5)
Provisions paid during the year	(25,504)	(5,371)	(30,875)
Interest accretion	698		698
Balance at December 31, 2015	**$33,286**	**$8,963**	**$42,249**
Provisions made during the year	**48,477**		**48,477**
Reversals of provisions during the year	**(3,989)**		**(3,989)**
Discontinued operations		**(1,400)**	**(1,400)**
Adjustment to contingent consideration		**(10)**	**(10)**
Provisions paid during the year	**(40,900)**	**(5,106)**	**(46,006)**
Interest accretion	**256**		**256**
Balance at December 31, 2016	**$37,130**	**$2,447**	**$39,577**
Current	**$26,026**	**$2,447**	**$28,473**
Non-current	**$11,104**		**$11,104**
Balance at December 31, 2015			
Current	$20,058	$8,963	$29,021
Non-current	$13,228		$13,228
Balance at December 31, 2014			
Current	$14,051	$8,532	$22,583
Non-current	$16,767	$7	$16,774

Restructuring

During the year ended December 31, 2016, the Company recorded restructuring charges of $45.8 million. The restructuring charges included $44.5 million related to ongoing efforts to reduce costs (including a provision of $20.0 million in respect of the outsourcing of printing of the Toronto Star to Transcontinental Printing) as well as additional charges of $0.5 million in respect of inventory related to MMG's decision to phase out product sales and $0.8 million write-off of receivables. Restructuring charges of $13.5 million were recorded in the MMG Segment; $31.7 million in the SMG Segment and $0.6 million at Corporate.

In 2015, the Company recorded restructuring and other charges of $30.2 million, which included restructuring charges of $30.2 million and other charges of less than $0.1 million. The restructuring charges included $27.3 million related to ongoing efforts to reduce costs as well as additional charges of $2.6 million in respect of inventory related to MMG's decision to phase out product sales and $0.3 million write-off of receivables. Restructuring charges of $19.7 million were recorded in the MMG Segment and $10.5 million in the SMG Segment.

The non-current restructuring provisions are expected to be paid out through 2029.

Other

In connection with the sale of Harlequin, the Company indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters. The Company assessed the fees that it may incur as well as the probability of occurrence of any losses in respect of these matters, estimated the exposure under these indemnities and recorded a contingent liability in respect of these matters. The Company reviews the estimates at each reporting period and any required adjustments are included in the determination of Income (loss) from discontinued operations.

Other provisions also include provisions for contingent consideration, which is an estimate of the fair value of contingent consideration for acquisitions, which are primarily based on revenue and earnings levels estimated to be realized by the acquired businesses for specified periods following the acquisition.

The Company is also involved in various legal actions, which arise in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, any additional 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.

On October 21, 2016, the Company accepted service of a proposed class action proceeding that has been commenced in the Ontario Superior Court of Justice against the Company, certain of its subsidiaries and employees, and other third parties relating to the sale and display of certain advertisements on the wheels.ca and autocatch.com digital properties. The representative plaintiffs are two used car dealers. They are seeking damages based on alleged breach of contract, negligence, and misleading marketing practices. The action has not yet been certified as a class action. While there can be no assurance as to the outcome of any litigation, based on information currently available to us, the Company believes the claims are without merit and intends to defend itself vigorously.

18. OTHER LIABILITIES

	December 31, 2016	December 31, 2015
Employees' shares subscribed (note 21(b))	**$765**	$1,294
RSU Plan (note 21(c))	**754**	778
DSU Plan (note 21(e))	**1,651**	1,828
Other employment benefits	**1,401**	1,504
Licenses	**1,308**	3,419
Other	**1,737**	1,049
	$7,616	$9,872

19. EMPLOYEE BENEFITS

The Company maintains a number of defined benefit plans which provide pension benefits to its employees in the Province of Ontario. The Ontario registered pension plans are regulated by the Financial Services Commission of Ontario. Pension benefits are calculated based on a combination of years of service and compensation levels. The contributions for the most significant plans are based on career average earnings with a base year upgrade. Pensionable earnings for years of service prior to the base year are calculated using the base year earnings. The current base year for Canadian plans is 2005. None of the plans include mandatory indexing provisions. The assets of the funded plans are held by third party trustees. Funding for the plans is comprised of employer and employee contributions. The determination of the minimum level of Company contributions is calculated using actuarial valuations that are prepared by independent actuaries based on the provisions in each plan and legislative regulations. The obligations for unfunded plans are paid when the obligation falls due. All defined benefit pension plans are closed to new members.

The Company also maintains defined contribution plans in Canada. Employee contributions are matched by the Company according to plan formulae and the contributions are held and managed by third party providers. The Company has no further payment obligations once the matching contributions have been paid.

Other post employment benefits plans provide for various health and life insurance benefits to employees in the newspaper operations hired prior to August 23, 2000. The annual costs are calculated by independent actuaries and are based on historical and projected usage patterns and costs.

Governance of the above plans is the Company's responsibility. The Pension Committee of the Company's Board of Directors provides oversight of the registered pension plans and defined contribution plans in Canada.

Information concerning the Company's post employment benefit plans is as follows:

Net defined benefit plan obligations

Changes to the net defined benefit obligation (asset) were as follows:

	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded [1]		
At December 31, 2014	$11,687	$16,783	$47,602	$76,072
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	17,452	537	364	18,353
Interest and financing costs	683	604	1,819	3,106
	18,135	1,141	2,183	21,459
Amounts recognized in OCI	(445)	3,393	469	3,417
Contributions to plans	(17,951)	(79)	(2,379)	(20,409)
At December 31, 2015	**11,426**	**21,238**	**47,875**	**80,539**
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	**14,401**	**612**	**187**	**15,200**
Restructuring and other charges	**835**		**(600)**	**235**
Interest and financing costs	**599**	**676**	**1,796**	**3,071**
	15,835	**1,288**	**1,383**	**18,506**
Amounts recognized in OCI	**3,351**	**(1,782)**	**165**	**1,734**
Contributions to plans	**(17,951)**	**(10,086)**	**(2,408)**	**(30,445)**
At December 31, 2016	**$12,661**	**$10,658**	**$47,015**	**$70,334**

[1] As at December 31, 2016, the unfunded pension plan includes an executive retirement plan liability of $10.7 million (December 31, 2015 – $21.2 million) which is supported by an outstanding letter of credit of $10.5 million as at December 31, 2016 (December 31, 2015 – $15.1 million).

A summary of the components of the net defined benefit obligation as at December 31, 2016 and 2015 is as follows:

2016	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	**$913,578**	**$10,658**	**$47,015**	**$971,251**
Fair value of plan assets	**(900,917)**			**(900,917)**
Net defined benefit obligation	**$12,661**	**$10,658**	**$47,015**	**$70,334**
Recorded in:				
Assets	**$7,073**			**$7,073**
Liabilities	**$19,734**	**$10,658**	**$47,015**	**$77,407**

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	$920,659	$21,238	$47,875	$989,772
Fair value of plan assets	(909,233)			(909,233)
Net defined benefit obligation	$11,426	$21,238	$47,875	$80,539
Recorded in:				
Assets	$6,922			$6,922
Liabilities	$18,348	$21,238	$47,875	$87,461

The following charts provide a summary of changes in the defined benefit obligation and the fair value of plan assets during 2016 and 2015:

2016	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	**$920,659**	**$21,238**	**$47,875**	**$989,772**
Current service cost	**12,896**	**612**	**187**	**13,695**
Interest cost	**35,247**	**676**	**1,796**	**37,719**
Benefits paid	**(68,940)**	**(10,086)**	**(2,408)**	**(81,434)**
Remeasurement losses (gains)	**9,919**	**(1,782)**	**165**	**8,302**
Participant contributions	**2,962**			**2,962**
Special termination benefits	**1,022**			**1,022**
Curtailment	**(187)**		**(600)**	**(787)**
Balance, end of year	**$913,578**	**$10,658**	**$47,015**	**$971,251**
Plans' assets:				
Fair value, beginning of year	**$909,233**			**$909,233**
Interest income included in net interest expense	**34,648**			**34,648**
Remeasurement gains	**6,568**			**6,568**
Benefits paid	**(68,940)**	**(10,086)**	**(2,408)**	**(81,434)**
Employer contributions	**17,951**	**10,086**	**2,408**	**30,445**
Participant contributions	**2,962**			**2,962**
Administration costs	**(1,505)**			**(1,505)**
Fair value, end of year	**$900,917**			**$900,917**
Funded status – deficit	**$12,661**	**$10,658**	**$47,015**	**$70,334**

2015	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	$930,398	$16,783	$47,602	$994,783
Current service cost	14,805	537	364	15,706
Interest cost	35,840	604	1,819	38,263
Benefits paid	(63,024)	(79)	(2,379)	(65,482)
Remeasurement losses (gains)	(2,082)	3,393	469	1,780
Participant contributions	3,542			3,542
Past service cost	1,180			1,180
Balance, end of year	$920,659	$21,238	$47,875	$989,772
Plans' assets:				
Fair value, beginning of year	$918,711			$918,711
Interest income included in net interest expense	35,157			35,157
Remeasurement losses	(1,637)			(1,637)
Benefits paid	(63,024)	(79)	(2,379)	(65,482)
Employer contributions	17,951	79	2,379	20,409
Participant contributions	3,542			3,542
Administration costs	(1,467)			(1,467)
Fair value, end of year	$909,233			$909,233
Funded status – deficit	$11,426	$21,238	$47,875	$80,539

Net benefit expense for defined benefit plans recognized in the 2016 and 2015 consolidated statement of income or loss is as follows:

2016	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	**$12,896**	**$612**	**$187**	**$13,695**
Net interest expense	**599**	**676**	**1,796**	**3,071**
Special termination benefits	**1,022**			**1,022**
Curtailment	**(187)**		**(600)**	**(787)**
Administration costs	**1,505**			**1,505**
Net benefit expense	**$15,835**	**$1,288**	**$1,383**	**$18,506**

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	$14,805	$537	$364	$15,706
Net interest expense	683	604	1,819	3,106
Past service cost	1,180			1,180
Administration costs	1,467			1,467
Net benefit expense	$18,135	$1,141	$2,183	$21,459

Amounts recognized in the 2016 and 2015 consolidated statements of comprehensive income or loss (before tax):

2016	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	**($12,049)**	**$97**	**($533)**	**($12,485)**
Demographic assumptions		**2,018**		**2,018**
Experience adjustment	**2,130**	**(333)**	**368**	**2,165**
Total actuarial gains (losses)	**(9,919)**	**1,782**	**(165)**	**(8,302)**
Return on plan assets excluding amounts included in net interest expense	**6,568**			**6,568**
Amounts recognized in OCI	**($3,351)**	**$1,782**	**($165)**	**($1,734)**

2015	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	$2,560	($1,401)	($211)	$948
Demographic assumptions		(1,842)		(1,842)
Experience adjustment	(478)	(150)	(258)	(886)
Total actuarial gains (losses)	2,082	(3,393)	(469)	(1,780)
Return on plan assets excluding amounts included in net interest expense	(1,637)			(1,637)
Amounts recognized in OCI	$445	($3,393)	($469)	($3,417)

The significant assumptions used by the Company in 2016 and 2015 are noted below. Assumptions regarding future mortality are based on actuarial advice in accordance with published mortality statistics and experience. For the Canadian plans in 2016 and 2015, the Company used the 2014 Private Sector Canadian Pensioners' Mortality Table projected generationally using scale B with a multiplier applied at December 31, 2016 and December 31, 2015 (for the larger plans, the multiplier ranged from 94% to 103%).

	Pension plans		Other post employment benefit plans	
	2016	2015	**2016**	2015
To determine benefit obligation at end of year:				
Discount rate	**3.2% to 3.8%**	3.1% to 3.9%	**3.8%**	3.9%
Rate of future compensation increase	**2.5%**	2.0% to 2.5%		
To determine benefit expense:				
Discount rate	**3.1% to 3.9%**	3.5% to 3.9%	**3.9%**	3.9%
Rate of future compensation increase	**2.0% to 2.5%**	2.25% to 2.75%		
Health care cost trend rates at end of year:				
Initial rate			**4.8%**	4.6%
Ultimate rate			**5.0%**	5.0%
Year ultimate rate reached			**2017**	2017
Longevity for pensioners currently at age 65:				
Male	**21.8 years**	21.7 years		
Female	**24.2 years**	24.2 years		

The effect of a one percent increase or decrease in significant financial assumptions used for the Company's pension and other post employment benefit plans would result in an increase (decrease) in the accrued benefit obligation:

	December 31, 2016		December 31, 2015	
	1% increase	**1% decrease**	1% increase	1% decrease
Pension plans:				
Discount rate	**($113,605)**	**$129,897**	($116,645)	$133,583
Rate of compensation increase	**8,651**	**(8,503)**	8,642	(8,494)
Other post employment benefit plans:				
Discount rate	**(4,880)**	**5,945**	(5,121)	6,266
Per capita cost of health care	**1,336**	**(1,166)**	1,264	(1,102)

For the significant pension plans, the impact of a change in longevity rates if members were one year younger than their actual age would increase the net benefit obligation by 2.4% (December 31, 2015 – 2.2%).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant, which in practice is unlikely to occur as changes in some of the assumptions may be correlated. The calculation of the sensitivities uses the same methods that were applied when calculating the net accrued benefit obligation in the statement of financial position.

Pension plan assets for the Canadian plans, measured as at December 31, 2016 and 2015 are as follows:

	2016	2015
Investments quoted in active markets:		
Cash and cash equivalents	**$147,457**	$144,532
Equity investments		
Canada	**111,353**	90,726
United States	**67,839**	66,602
Outside North America	**81,659**	83,497
Unquoted investments:		
Fixed income		
Government of Canada	**44,616**	56,989
Provinces and municipalities of Canada	**338,239**	331,900
Canadian Corporations	**33,309**	41,486
Pooled funds		
Equity – North America	**2,067**	2,726
Fixed Income – Canadian Corporations	**74,378**	90,775
	$900,917	$909,233

Through its defined benefit plans, the Company is exposed to a number of risks the most significant of which include changes in long-term discount rates used to calculate plan liabilities, the rate of return on plan assets, and changes in demographics, mortality and plan experience. These factors impact the potential for inadequate plan funding, unfunded obligations and increases in contributions.

The Company periodically reviews its targeted investment portfolio mix. At December 31, 2016, the target allocation mix was 29% equity securities and 71% fixed income securities for the Canadian plans (December 31, 2015 – 36% equity securities and 64% fixed income securities).

The Company's 2016 actual funding for its Canadian registered pension plans was approximately $18 million (2015 – $18 million). The Company has prepared actuarial reports as of December 31, 2013 for its significant plans. Estimated funding in 2017 is expected to be approximately $18 million. The next required actuarial reports will be as of December 31, 2016.

The weighted average duration of the defined benefit obligation is 12.9 years (2015 – 12.9 years). As at December 31, 2016, the expected maturity profile of the undiscounted pension plan and other post employment benefits is $49 million in the next year, $470 million in 2 to 10 years and $1,090 million in over 10 years (December 31, 2015 – $49 million in the next year, $471 million in 2 to 10 years and $1,148 million in over 10 years for continuing operations).

Defined contribution plans

The total amount expensed for defined contribution plans in 2016 was $1.8 million (2015 – $1.9 million).

20. SHARE CAPITAL

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

(i) Class A (voting) and Class B (non-voting) shares, no par value

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 the Company has failed to pay the full quarterly preferential dividend (7.5 cents per annum) on the Class B non-voting shares in each of eight consecutive quarters.

(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 or periodical publisher.

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

	Year ended December 31			
	2016		2015	
	Shares	**Amount**	Shares	Amount
Class A shares (voting)				
Balance, beginning of period	**9,839,355**	**$2,673**	9,851,964	$2,676
Converted to Class B	**(13,140)**	**(3)**	(12,609)	(3)
Balance, end of period	**9,826,215**	**$2,670**	9,839,355	$2,673
Class B shares (non-voting)				
Balance, beginning of period	**70,707,063**	**$399,827**	70,355,301	$397,901
Converted from Class A	**13,140**	**3**	12,609	3
Dividend reinvestment plan	**93,201**	**168**	151,466	682
Issued under ESPP	**76,868**	**144**	119,650	763
Share option plan			67,187	473
Other	**1,050**	**2**	850	5
Balance, end of period	**70,891,322**	**$400,144**	70,707,063	$399,827
Total Class A and Class B shares	**80,717,537**	**$402,814**	80,546,418	$402,500

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

(c) Earnings (loss) per share

Basic earnings (loss) per share amounts have been determined by dividing net income or loss attributable to equity shareholders by the weighted average number of Class A and Class B shares outstanding during the period.

The treasury stock method is used for the calculation of the dilutive effect of share 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 share options and the ESPP does not result in an adjustment to income or loss.

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

	Year ended December 31	
(thousands of shares)	**2016**	2015
Weighted average number of shares outstanding, basic and diluted	**80,653**	80,400

Outstanding share options totalling 5,686,932 (December 31, 2015 – 5,543,589), which are anti-dilutive, have been excluded from the above calculation of dilutive securities.

(d) Dividends

The following dividends were declared and distributed by the Company per Class A (voting) share and Class B (non-voting) share, and in total:

	Year ended December 31	
	2016	2015
First quarter ended March 31: 6.5 cents (2015 – 13.125 cents)	**$5,236**	$10,536
Second quarter ended June 30: 6.5 cents (2015 – 13.125 cents)	**5,243**	10,555
Third quarter ended September 30: 2.5 cents (2015 – 13.125 cents)	**2,018**	10,558
Fourth quarter ended December 31: 2.5 cents (2015 – 13.125 cents)	**2,017**	10,565
Total dividends	**$14,514**	$42,214

21. SHARE-BASED COMPENSATION PLANS

(a) Share option plan

The maximum number of shares that may be issued under the share option plan is 15,000,000 and the number of shares reserved for issuance to insiders (together with shares issuable to insiders under all other share compensation arrangements) cannot exceed 10% of the outstanding Class A and Class B 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. As of December 31, 2016, options to purchase 11,669,284 shares have been granted, net of options cancelled (December 31, 2015 – 11,555,941).

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

	2016		2015	
	Share options	**Weighted average exercise price**	Share options	Weighted average exercise price
Units outstanding, beginning of year	**5,543,589**	**$8.66**	4,752,118	$9.89
Granted	**1,389,039**	**$2.78**	1,406,876	$6.52
Exercised			(67,187)	($5.87)
Forfeited or expired	**(1,245,696)**	**($9.31)**	(548,218)	($13.72)
Units outstanding, end of year	**5,686,932**	**$7.08**	5,543,589	$8.66

The weighted average share price when the options were exercised during 2015 was $7.07.

As at December 31, 2016, outstanding share options were as follows:

Range of exercise price	**Share options outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Share options exerciseable**	**Weighted average exercise price**
$2.78 – $8.37	5,044,310	6.67 years	$6.00	2,459,886	$7.35
$12.21 – $22.14	642,622	2.35 years	$15.54	642,622	$15.54
$2.78 – $22.14	5,686,932	6.18 years	$7.08	3,102,508	$9.05

The fair value of the share options on the date of grant and the key assumptions used are as follows:

	2016	2015
Fair Value	**$0.30 – $0.35**	$0.81 – $0.93
Risk-free interest rate	**0.6% – 1.1%**	1.3% – 1.5%
Expected dividend yield	**9.4%**	8.1%
Expected share price volatility	**34.2% – 38.9%**	36.1% – 44.1%
Expected weighted average time until exercise (years)	**6**	6

In January 2017, 776,447 share options were granted at an exercise price of $1.91 per share.

(b) ESPP

As at December 31, outstanding employee subscriptions were as follows:

	2016		2015	
Maturing in	**2017**	**2018**	2016	2017
Subscription price at entry date	**$6.28**	**$1.84**	$7.65	$6.28
Number of shares	**62,046**	**203,975**	91,581	94,515

The fair value of the subscriptions on the subscription date and the key assumptions used are as follows:

	2016	2015
Fair Value	**$0.23**	$0.62
Risk-free interest rate	**0.6%**	0.6%
Expected dividend yield	**14.3%**	8.4%
Expected share price volatility	**47.2%**	34.9%
Expected time until exercise (years)	**2**	2

(c) RSU plan

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

	2016	2015
Units outstanding, beginning of year	**872,160**	827,936
Vested and paid	**(294,936)**	(191,181)
Granted	**446,762**	256,858
Forfeited	**(124,075)**	(52,389)
Dividend equivalents	**75,823**	30,936
Units outstanding, end of year	**975,734**	872,160

In 2014, the Company amended the RSU plan to accrue dividend equivalents on all grants beginning with the 2015 fiscal year, payable in additional units in an amount equal to dividends paid on Class B non-voting shares of the Company. The dividend equivalents are expensed over the vesting period of the grant.

As at December 31, 2016, 679,576 units have been accrued at a value of $1.3 million of which 284,468 units have been accrued in Accounts payable and accrued liabilities at a value of $0.5 million while 395,108 units have been accrued in Other liabilities at a value of $0.8 million (December 31, 2015 – 574,918 units were accrued at a value

of $1.6 million of which 294,936 units were accrued in Accounts payable and accrued liabilities at a value of $0.8 million and 279,982 units were accrued in Other liabilities at a value of $0.8 million).

The Company has entered into a derivative instrument in order to lock in the expense for 345,300 RSUs. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the RSUs that have been accrued. As the RSUs are accrued over the three-year period until the RSUs vest, there will not be an exact offset each period.

In January 2017, 498,514 RSUs were granted and 284,468 RSUs have vested and were paid.

(d) In 2016, the Company has recognized share-based compensation expense totalling $1.4 million (2015 – $1.7 million).

(e) DSU plan

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

	2016	2015
Units outstanding, beginning of year	**657,483**	554,876
Granted	**160,072**	57,260
Directors' mandatory retainer	**10,833**	7,202
Directors' voluntary election	**21,913**	13,290
Dividends	**96,595**	69,836
Redemption	**(82,749)**	(44,981)
Units outstanding, end of year	**864,147**	657,483

As at December 31, 2016, the 864,147 units outstanding were valued at $1.7 million (December 31, 2015 – 657,483 units valued at $1.8 million).

The Company has entered into a derivative instrument in order to offset its exposure to 490,000 units. Changes in the fair value of this instrument are recorded as compensation expense and offset the impact of changes in the value of the outstanding DSUs.

22. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following is a continuity for the components of Accumulated other comprehensive income:

	Foreign CTA [1]	**Available-for-sale securities [2]**	**Net investment hedge [3]**	**Total**
As at December 31, 2014	$21			$21
OCI	10,761	346	(8,007)	3,100
As at December 31, 2015	**10,782**	**346**	**(8,007)**	**3,121**
OCI	**(5,432)**	**$2,510**	**4,977**	**2,055**
As at December 31, 2016	**$5,350**	**$2,856**	**($3,030)**	**$5,176**

[1]Net of deferred income tax asset/liability of $nil (2015 – $nil).
[2]Net of deferred income tax liability of $400 (2015 – $nil).
[3]Net of current income tax recovery of $500 (2015 – deferred income tax asset of $700 and current income tax recovery of $600).

23. OTHER INCOME (EXPENSE)

	Year ended December 31	
	2016	2015
Gain on sale of assets	**$24,338**	
Investment write-down and loss		($2,300)
Gain on sale of associated business		155
Adjustment to contingent consideration	**10**	5
Other		303
	$24,348	($1,837)

2016

In February 2016, the Company sold a real estate property in Mississauga for net cash proceeds of $5.5 million and recorded a gain of $1.3 million.

In July 2016, the Company sold a real estate property in Guelph for net cash proceeds of $1.9 million and recorded a gain of $1.3 million.

In September 2016, the Company sold the Vaughan printing facility and surrounding lands for net cash proceeds of $53.6 million and recorded a gain of $21.8 million.

2015

The Company recorded a write-down of $2.3 million in respect of one of its portfolio investments.

24. DISCONTINUED OPERATIONS

On August 1, 2014, the Company sold all of the shares of Harlequin (which previously represented the Company's Book Publishing Segment) to a division of HarperCollins Publishers L.L.C., a subsidiary of News Corp. (the "Purchaser"). In connection with the sale, the Company indemnified the Purchaser for costs and fees related to certain matters including certain tax and pre-existing litigation matters for which the Company estimated the exposure under these indemnities and recorded a contingent liability in respect of these matters. During the year ended December 31, 2016, the Company reviewed its estimates and recorded a reduction in its provisions of $1.4 million (2015 – recorded an additional charge of $5.8 million) as presented below:

(i) Statement of Income

	Year ended December 31	
	2016	2015
Gain (loss) on sale of Harlequin (note 17)	**$1,400**	(5,800)
Income before taxes from discontinued operations	**1,400**	(5,800)
Income and other taxes	**(200)**	800
Net income (loss) from discontinued operations	**$1,200**	($5,000)
Attributable to:		
Equity shareholders	**$1,200**	($5,000)
Net income (loss) from discontinued operations attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic and Diluted	**$0.01**	($0.06)

(ii) Statement of Comprehensive Income (Loss)

	Year ended December 31	
	2016	2015
Net income (loss) from discontinued operations	**$1,200**	($5,000)
Comprehensive income (loss) from discontinued operations, net of tax	**$1,200**	($5,000)
Attributable to:		
Equity shareholders	**$1,200**	($5,000)

25. OTHER NON-CASH ITEMS PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Year ended December 31	
	2016	2015
Share-based compensation plans	**$740**	($1,645)
Foreign exchange	**(298)**	1,022
Restructuring provisions	**(2,380)**	(4,237)
Investment write-down and loss		2,300
Gain on sale of investments		(155)
Interest accretion	**355**	802
Other	**(1,343)**	(336)
	($2,926)	($2,249)

26. ACQUISITIONS AND PORTFOLIO INVESTMENTS

2016 Acquisitions

During the year ended December 31, 2016, the Company made additional investments of $0.4 million in its portfolio investments as indicated below:

Year ended December 31, 2016	MMG Segment	SMG Segment	Corporate	Total
Contingent consideration on prior acquisitions		$5		$5
Portfolio investments		18	$350	368
Total cash used in acquisitions and portfolio investments		$23	$350	$373

2015 Acquisitions

During the year ended December 31, 2015, the Company completed an acquisition in its MMG Segment for less than $0.1 million. The Company also made portfolio investments for cash of $2.0 million.

In addition, the Company made payments of less than $0.1 million for contingent consideration in respect of prior year acquisitions (Carroll Publishing in the MMG Segment and Inside Queen's Park in the SMG Segment).

Total cash used for acquisition and portfolio investments was $2.1 million.

The acquisition made was in respect of London Baby Expo (a consumer show for baby products) on March 1, 2015. This acquisition contributed approximately $0.1 million of revenue and less than $0.1 million of operating profit in the MMG Segment in 2015. If the acquisition had occurred on January 1, 2015, the Company's consolidated revenues and operating loss would have remained unchanged at $786.6 million and $354.1 million respectively.

The portfolio investments have been classified as AFS financial assets and included $1.8 million for an 8.1% interest in CanadaStays.com and approximately $0.2 million for a 0.5% interest in Kensington Venture Fund.

The fair value of assets acquired and liabilities assumed from the acquisition and portfolio investments completed are as follows:

Year ended December 31, 2015	MMG Segment	SMG Segment	Corporate	Total
Assets				
Goodwill	$40			$40
Working Capital	(4)			(4)
Total purchase price and cash consideration paid	36			36
Contingent consideration on prior acquisitions	27	$22		49
	63	22		85
Portfolio investments			$2,021	2,021
Total cash used in acquisitions and portfolio investments	$63	$22	$2,021	$2,106

27. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed sub-lease payments to a third party of approximately U.S. $1 million per year, ending December 31, 2018. The sub-lease is collateralized by a U.S. $0.7 million irrevocable letter of credit provided on behalf of the sub-lessee.

Along with the other shareholders of Kanetix Ltd. ("Kanetix"), the Company has pledged its shares in Kanetix in support of the Kanetix credit facility.

In addition, the Company has the following significant contractual obligations:

Nature of the Obligation	Total	2017	2018 – 2019	2020 – 2021	2022+
Office leases	$45,243	$14,462	$24,179	$6,555	$47
Services	62,806	22,319	33,032	7,455	
Total	$108,049	$36,781	$57,211	$14,010	$47
Receivable from office sub-leases	($7,619)	($3,013)	($3,602)	($1,004)	

28. RELATED PARTY TRANSACTIONS

The aggregate amounts of remuneration for the Company's key management (including directors), recognized in the consolidated statement of income or loss and OCI, are set out below:

	Year ended December 31	
	2016	2015
Salaries and benefits	**$5,163**	$5,476
Post-employment benefits	**1,837**	3,480
Share based payments	**65**	(765)
Other benefits	**$1,535**	
Total	**$8,600**	$8,191

The following summarizes the total value of sales to, purchases from and amounts owed to and by the Company's joint ventures and associates.

	Sales to	Purchases from	Amounts owed by	Amounts owed to
Joint Ventures				
2016	**$317**	**$158**	**$195**	$41
2015	319	13	216	
Associates				
2016	**186**	**8,233**	**0**	**1,121**
2015		8,680	52	1,347

Sales to and purchases of goods and services from related parties were made at market prices. The Company received in 2016 $0.2 million (2015 – $nil) of rent from a joint venture. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

BOARD OF DIRECTORS

John A. Honderich

Chair, Torstar Corporation
Former Publisher, Toronto Star

Director since 2004

Campbell R. Harvey

Professor of Finance
Duke University

Director since 1992

Martin E. Thall

President and Chief Executive Officer
Thall Group of Companies

Director since 2002

Elaine B. Berger

Corporate Director

Director since 2006

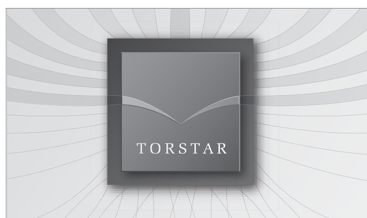
Daniel A. Jauernig

President and Chief Operating Officer
Element Fleet Management Corp.

Director since 2009

Alnasir Samji
Managing Principal
Alderidge Consulting

Director since 2009



David P. Holland

President and Chief Executive Officer
Torstar Corporation

Director since 2009

Paul R. Weiss

Corporate Director

Director since 2009

Linda Hughes

Chancellor Emerita, University of Alberta
Former Publisher, Edmonton Journal

Director since 2010

Dorothy Strachan

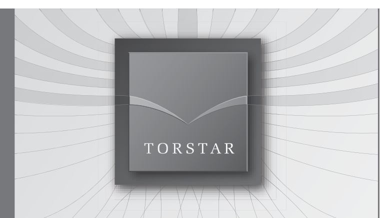
Partner
Strachan-Tomlinson Inc.

Director since 2013

Daryl Aitken

Owner
Fabric Spark

Director since 2015



NOTES

CORPORATE OFFICE

One Yonge Street
Toronto, Ontario
Canada
M5E 1E6
Telephone: (416) 869-4010
Fax: (416) 869-4183
e-mail: **torstar@torstar.ca**
Website: **www.torstar.com**

OFFICERS OF TORSTAR

JOHN A. HONDERICH
Chair

DAVID P. HOLLAND
President and Chief
Executive Officer

LORENZO DEMARCHI
Executive Vice-President
and Chief Financial Officer

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Senior Vice-President,
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Corporate Secretary

JENNIFER BARBER
Senior Vice-President
Finance

CHRIS GOODRIDGE
Senior Vice-President
Digital Ventures

TRANSFER AGENT & REGISTRAR

CST Trust Company

P.O. Box 700
Postal Station B
Montreal, QC
H3B 3K3
AnswerLine (416) 682-3860 or
1-800-387-0825
(toll-free in North America)

www.canstockta.com
inquiries@canstockta.com

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