2018 ANNUAL REPORT

FINANCIAL HIGHLIGHTS	**2018**	2017
OPERATING RESULTS ($000)		
Operating revenue	**$543,391**	$615,685
Segmented operating revenue (1)	**615,031**	691,600
Segmented Adjusted EBITDA (1)	**60,765**	74,209
Operating earnings (1)	**7,649**	7,161
Operating profit (loss)	**(9,876)**	(18,484)
Net loss	**(31,570)**	(29,288)
Cash provided by operating activities	**14,444**	15,404
Segmented Adjusted EBITDA - Percentage of segmented operating revenue (1)	**9.9%**	10.7%
PER CLASS A AND CLASS B SHARES		
Net loss	**($0.39)**	($0.36)
Dividends	**$0.10**	$0.10
Price range (high/low)	**$1.92/$0.57**	$2.10/$1.20
FINANCIAL POSITION ($000)		
Cash and cash equivalents and restricted cash	**$75,402**	$80,433
Equity	**$229,447**	$245,830

The Annual Meeting of shareholders will be held Wednesday, May 8, 2019, 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)

16 685
17 616
18 543

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

(14) 16
17 7
18 8

NET INCOME (LOSS) PER SHARE

(0.93) 16
(0.36) 17
(0.39) 18

SEGMENTED ADJUSTED EBITDA ($MILLIONS) (1)

16 60
17 74
18 61

(1) These are non-IFRS measures. These along with other Non-IFRS measures appear in the President's message. Refer to page 39 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

2018 was a watershed year at Torstar as the company formally began a transformation initiative designed to lead it to a more prosperous future.

Unveiled by Torstar President and Chief Executive Officer John Boynton, the plan called for both digital registration and then digital subscription at our Daily News Brands and Community Brands news products. This transformation process will continue throughout 2019 as we further hone and refine our efforts. A premium digital subscription service was also created as new content acquisitions in business and national politics were completed. As part of the transformation process, our Chief Executive Officer strove to create a new culture to facilitate success along with a massive training program. As part of this program, new departments with new skills were created.

The company also made two significant editorial appointments in 2018. First, Irene Gentle was appointed as the first woman Editor of the Toronto Star. Second, one of the world's acknowledged leaders in editorial transformation, Fredric Karen from Sweden, was appointed Senior Vice President Editorial for Torstar. His responsibilities extend across the entire company.

Throughout the year, Torstar joined others in attempting to persuade the federal government to provide some relief to the struggling news media industry based on the premise that a strong democracy requires an equally vigilant and strong free press. Ottawa responded with three initiatives: 1) a refundable tax credit for media companies producing original Canadian content; 2) a non-refundable tax credit for Canadians who subscribe to Canadian media websites; and 3) charitable treatment for efforts to help and sustain public service journalism. Details of these three initiatives have yet to be revealed, but these initiatives are to be welcomed.

Despite continuing economic pressures, our daily and community publications remained committed to making editorial excellence a priority. We understand that to succeed in a new digital subscription environment, we must offer subscribers top-quality editorial content. During the year, Torstar won 60 first-place international, national and provincial awards for our journalism excellence. It is imperative that this tradition continues.

As the transformation unfolded, the company continued its restructuring, which resulted again in significant cost-reduction measures. As a result, layoffs and buyouts were implemented across all divisions. One of the great ongoing strengths of Torstar has been the dedication and loyalty of its workforce. We want to pay a special tribute to those who left the company, understanding that their contribution will never be forgotten.

Finally, Torstar benefits greatly from a committed and very experienced Board of Directors. On behalf of the company, I want to thank the Directors for their dedication, commitment and wisdom as we work through the transformation.

TO OUR SHAREHOLDERS

John Boynton
President and Chief Executive Officer

2018 was a year of great change at Torstar as we completed the first full year of our multi-year transformation, with every part of the company participating fully in this important initiative to transform Torstar to meet the needs of consumers and clients in an increasingly digital, mobile and data world.

We spent a good part of 2017 planning the transformation and restructuring of our organization for the coming changes. In 2018 we began to execute the plan, focusing on processes, infrastructure and other non-customer-facing initiatives. In the second half of the year we began to introduce initiatives to both consumers and advertisers.

At the core of this transformation, which we will continue to pursue aggressively throughout 2019 and beyond, is our mission to profitably grow by delivering and engaging each paying customer with trusted news, information and content that is most relevant to their personal passions, needs and desire for positive change in our communities and businesses.

Several key trends inform our path forward. First, print media is challenged and will continue to decline; second, consumers of all ages are getting more and more of their news and information from mobile devices; third, the advertising business is evolving to a more results-driven, precision, always-on, full-funnel activity; fourth, the digital world has exponentially expanded; and fifth, data is now the competitive engine behind digital.

To achieve our goal of becoming a growth company again, Torstar, like all media organizations, must meet the demand from customers for quality content and journalism of value. We are now seeing that customers are prepared to support quality journalism in Canada and in many places across the world. At the same time, we are moving quickly to compete better in providing advertisers with the advanced data analytics they now require to make smart advertising decisions. In this age of data, advertisers need much more information about consumers than ever before to help them make informed buying decisions.

During 2018, we completed a great deal of detailed organizational restructuring; created new departments, attracting new skills vital to our future growth; invested heavily on new data infrastructure, digital platforms, technology and tools; integrated a new Executive Leadership Team across the company; implemented a major inter-departmental training program; and fully developed a set of cultural values designed to embrace and succeed in the transformation initiative.

2018 was also the year to begin to execute a long series of initiatives aimed directly at customers and clients. In March we launched a major national expansion with a rebranding as StarMetro of our Metro urban commuter newspapers and a more robust digital offering on thestar.com in Vancouver, Calgary, Edmonton, Toronto and Halifax. In October, 2018, we acquired iPolitics, a leading Ottawa-based digital subscription political news outlet that has strengthened our digital content offerings in politics. We bolstered our business offerings through a strategic partnership with The Wall Street Journal and expanded business news content with Bloomberg. In addition, we increased content and coverage in Community Brands print and digital editions and expanded the role of The Kit, our fashion and beauty product across many of our digital news products.

We introduced user registrations on thestar.com in July, 2018. We also expanded this single sign-on capability across all our Community Brands news sites in the fall. In late September we launched paid digital subscriptions on thestar.com, ending the year with almost 10,000 digital-only subscribers. In the fourth quarter of 2018 we launched a beta trial for subscription offerings in three initial markets within our Community Brands segment. All these initiatives are important steps in our transformation journey.

From a financial perspective, Torstar also took an important step forward in receiving approval from the members of our eight registered defined benefit pension plans to proceed with the merger of the Torstar plans with the Colleges of Applied Arts & Technology Pension Plan (the CAAT Plan) effective October 1, 2018. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur before the second half of 2019.

2018 was also the year that governments and customers were awakening to the rapid market changes and forces affecting news companies. There was a growing awareness that some large multinational digital companies have quietly become dominant and this has created an uneven playing field.

This situation is challenging for some Canadian media companies and to the economic and social health of our democracy. These multinational competitors do not employ journalists in Canada to report on news; rather they distribute for free news articles that have been generated mainly by large Canadian news companies. It is the content generated by these Canadian news organizations that is helping to generate the traffic and high consumer engagement that these large multinational competitors now enjoy.

In its fall economic statement, the federal government outlined measures to give a tax incentive to digital news subscribers and a refundable tax credit to qualifying news outlets that "produce a wide variety of news and information of interest to Canadians." The measures will also allow non-profit media organizations to give charitable receipts to donors. We welcome these measures.

However, the Canadian media industry still faces challenges due not only to the availability of news content distributed free by global technology companies, but also because of the shift by advertisers to digital media dominated by multinational companies. These multinational competitors may have sales tax and other tax advantages over Canadian companies and they also hold vast pools of first-party user data about Canadians.

Australia and countries in Europe are acting to address the issues that domestic news organizations are facing as a result of these large multinational competitors. After a lengthy review, the Australian Competition and

Consumer Commission has recommended sweeping changes to regulations and oversight of multinational tech giants, tax deductions for news publishers and a complete review of the difference in rules Australian publishers and broadcasters face compared to multinational competitors. After a two-year review, the European Union has struck a deal on new copyright rules under which multinational tech giants will be forced to negotiate licensing agreements with rights holders, such as news media companies, to publish their content. The Canadian government has yet to initiative similar reviews. We urge the federal government to review these measures and act quickly to adopt appropriate measures in Canada. Canadian news organizations deserve to be paid for the content they produce and to be able to compete on a level playing field.

OPERATING RESULTS

Torstar's overall results in 2018 were affected by the continued pressures on print advertising.

We ended the year with $68.2 million of cash and cash equivalents and $7.2 million of restricted cash; Torstar has no bank indebtedness. Cash provided by operating activities was $14.4 million in 2018 reflecting $21.4 million of cash generated by operating activities partially offset by an $8.8-million increase in working capital. This is important as we have already invested money in 2018 on the transformation as noted above and we have another year to invest so this cash balance helps.

Our segmented adjusted EBITDA was $60.8 million in 2018, a decrease of $13.4 million from the prior year and included the benefit of $23.9 million of digital media tax credits. Segmented revenue was $615.0 million in 2018, down $76.6 million, or 11%, from $691.6 million in 2017.

The Digital Ventures segment, which was created in 2015, was a significant contributor in 2018 with segmented adjusted EBITDA of $24.4 million, a decrease of $2.5 million compared to 2017, $1.2 million of which was the result of the sale of Workopolis in early April. The operating loss included $38.9 million of non-cash amortization and depreciation related to our investment in Vertical Scope. We have a significant investment in an attractive digital business in VerticalScope, which has pursued a strategy of organic and acquisition related growth. VerticalScope operates more than 1,500 user forums and premium content sites, including automotive, power sports, outdoors, home and health. It has the largest multi-platform automotive resource audience in the United States with more than 35 million unique visitors a month across desktop, mobile and tablet platforms as measured by ComScore in December, 2018.

Our Community Brands operating segment is a diversified community media business that is considered one of North America's top performers. Community Brands has more than 80 community newspapers, numerous digital operations, a large flyer distribution network as well as magazines and consumer shows. Segmented adjusted EBITDA in 2018 was $23.5 million, down $8.0 million from prior year and included the benefit of a $0.5 million digital media tax credit. Segmented revenue was $258.2 million compared to $305.3 million in 2017. Digital revenue showed solid growth in 2018 in local digital advertising within the Community Brands segment. The important flyer distribution category remained a solid contributor in 2018, representing 37% of the Community Brands revenue base. Digital revenues were up 3% in 2018 on a same-store basis. This was due primarily to continued strong growth in local revenue at the Community Brands news sites.

Our Daily Brands segment, which includes the Toronto Star, The Hamilton Spectator, Waterloo Region Record, St. Catharines Standard, Niagara Falls Review, Welland Tribune, Peterborough Examiner, our StarMetro papers across Canada, Sing Tao Daily, The Kit and some of our digital properties, reported adjusted EBITDA of $25.3 million, down $1.1 million relative to 2017, and included the benefit of a $23.4 million digital media tax credit. Revenues were down $24.1 million, or 8%, primarily the result of lower print advertising revenues. Subscriber revenues, which represent 41% of the Daily Brands' total revenue in 2018, grew 4% relative to 2017. Digital revenues grew 5% in 2018 and reflected growth at the regional daily websites as well as growth in other digital revenue streams at the Toronto Star. The Toronto Star, our flagship publication, remains Canada's largest individual weekday print title.

Torstar also has minority investments in associated businesses, including an approximate 16% equity investment in Blue Ant Media Inc., an independent media company. In addition, Torstar has a minority investment in Black Press Ltd., a company that publishes more than 150 titles in print and online in Canada and the U.S.

One thing that is not changing in our transformation is our commitment to quality journalism and to provide accurate and timely news and information that helps customers make informed decisions about their daily lives and the communities in which they live.

In 2018, that commitment was acknowledged with Torstar winning a total of 60 first-place international, national and provincial awards for journalism excellence, including six National Newspaper Awards, one of the highest honours in Canadian journalism, in areas ranging from business reporting to explanatory work, sports reporting, local reporting and photography. These awards are well-deserved tributes to the winners for their outstanding work and confirm Torstar's reputation of producing quality journalism in all our publications.

OUR GREATEST STRENGTH

We have many strengths in all our operations across Canada, but no strength is greater than the talented and committed employees at all levels of our company.

Guiding these employees is a very talented executive leadership team including Lorenzo DeMarchi, our Executive Vice-President and Chief Financial Officer; Marie Beyette, Senior Vice-President, General Counsel and Corporate Secretary; Jennifer Barber, Senior Vice-President, Finance and CFO Community and Daily News Brands; Ian Oliver, Executive Vice-President of Torstar and President of Community Brands and Operations; Neil Oliver, Executive Vice-President and President of Daily News Brands; Fredric Karen, Senior Vice-President, Editorial; Pary Bell, Senior Vice-President of Commercial Products and Sales Operations; Angus Frame, Senior Vice-President, Digital Product Management and Digital Product Development; Pam Laycock, Senior Vice-President, Transformation and Strategy; Anna Marie Menezes, Vice-President, Customer Revenue and Lifecycle Management; Trish Hewitt, Senior Vice-President, Human Resources; Geoff Wright, Vice-President, Content Strategy; and John Souleles, Chief Data Officer. We also benefit from the leadership of Rob Laidlaw, the founder and CEO at VerticalScope.

I was also very fortunate to have the support and wise counsel of John Honderich, our Chair, and all the members of the Board of Directors during the year.

Finally, I would like to say thank you to our more than 3,000 employees across the company for their passion and dedication. Their determination to succeed is a huge advantage as we continue to move forward with our multi-year transformation.

At Torstar, we are excited about our future in the years ahead.

TORSTAR

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For the year ended December 31, 2018

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, 2018 (the "2018 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 2018 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. The Company has three reportable operating segments: Community Brands (or "Communities"), Daily Brands (or "Dailies") and Digital Ventures.

This MD&A is dated February 26, 2019 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", "assume", "predict", "intend", "would", "could", "if", "may" and similar expressions. This MD&A includes, among others, forward-looking statements regarding estimates and expectations relating to the expected net proceeds from the Workopolis transaction in Sections 1 and 2 of this MD&A, expectations regarding our transformation efforts, including our efforts to obtain digital subscription revenue, add value to our audiences and collect and use data, and maintain a strong financial foundation to enable sustainable growth over the long term in Sections 1, 2 and 5 of this MD&A, expectations related to the merger of our defined benefit pension plans with the Colleges of Applied Arts & Technology ("CAAT") jointly sponsored defined benefit pension plan (including the expected benefits of the transaction, the anticipated obtaining and timing of regulatory consent, expected funding and expenses for registered defined benefit obligations and contributions to the CAAT Plan) in Sections 2, 5, and 8 of this MD&A, estimates and expectations relating to contingent liabilities and impairment of assets in Sections 3, 4 and 13 of this MD&A, expected savings including savings from restructuring initiatives and other cost reductions in Sections 3, 4 and 5 of this MD&A, Torstar's outlook for 2019 including anticipated revenue trends, anticipated growth and results at VerticalScope, anticipated effects of adopting the new IFRS 16 standard on lease accounting and its impact on adjusted EBITDA and cash flow, anticipated capital expenditures, the anticipated timing and amount of digital media tax credits, and the proposed new refundable tax credit to support labour costs for qualifying news organizations in Section 5 of this MD&A, expectations regarding cash flows and forecasted cash requirements and potential measures to increase liquidity, 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 (and potential reimbursement), solvency liabilities and other expectations related to employee future benefit obligations and the impact of interim solvency relief measures 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 (including the anticipated effects of adopting the new IFRS 16 standard) 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 changing 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 charge for news content used by search, social media and other technology companies;
-the Company's ability to attract and retain advertisers and customers;
-the Company's ability to build and 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;
-cybersecurity, data protection and risks of security breaches;
-the Company's ability to execute appropriate strategic growth initiatives including acquisitions;
-changes in employee future benefit obligations;
-unexpected costs or liabilities related to acquisitions and dispositions;
-investments in other businesses;
-reliance on printing operations;
-labour disruptions;
-newsprint costs;
-distribution costs;
-privacy, anti-spam, communications, competition, e-commerce, data use and environmental laws, health and safety regulations and other laws and regulations applicable generally to the Company's businesses, and any related regulatory proceedings;
-litigation;
-foreign exchange fluctuations and foreign operations;
-dependence on and competition for key personnel;
-availability of insurance;
-intellectual property rights and other content risks;
-income tax and other taxes;
-credit risk;
-availability of capital and restrictions imposed by credit facilities;
-dividend policy;
-controls over financial reporting, 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 conditions and competition; rates of return and discount rates relating to pension expense and pension plan obligations; discount rates and trends in healthcare costs relating to post employment benefits; expected future revenues; expected future liabilities; expected future cash flows and discount rates relating to valuation of intangible assets; successful development and launch of strategic initiatives and new products; and expected benefits from the transaction with CAAT. 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). The Company has three reportable operating segments: Community Brands ("Communities"), Daily Brands ("Dailies") and Digital Ventures.

The Daily Brands include the daily Toronto Star newspaper and thestar.com, The Hamilton Spectator, the Waterloo Region Record, the St. Catharines Standard, the Niagara Falls Review, the Welland Tribune and the Peterborough Examiner daily newspapers, as well as each of their respective websites. The Dailies also include Free Daily News Group Inc. (“Metro” or "StarMetro"), which publishes the English-language StarMetro free daily newspapers in several of Canada’s largest cities, and through a joint venture arrangement, Torstar's interest in the Chinese-language Sing Tao Daily and its related publications in Toronto, Vancouver and Calgary. The Dailies also include wheels.ca, and other specialty publications and magazines and distribution services.

The Communities include more than 80 weekly community newspapers, digital properties (including homefinder.ca, save.ca, travelalerts.ca, and regional online sites, such as durhamregion.com) and flyer distribution operations. The Communities also include a number of specialty publications, directories and consumer shows.

Digital Ventures includes our 56% interest in VerticalScope Holdings Inc. ("VerticalScope") and includes eyeReturn Marketing Inc. (“eyeReturn”). Digital Ventures also includes our joint venture interest in the company that operated Workopolis. On April 12, 2018, workopolis.com and related assets were sold to Recruit Holdings Co., Ltd. In connection with the sale and subsequent wind up of the remaining Workopolis business, we estimate that net proceeds will be in the range of $4.0 million, $3.8 million of which has been received to date.

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 220 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, 2018 included a 19% equity investment in Black Press Ltd. (“Black Press”), a 16% equity investment in Blue Ant Media Inc. (“Blue Ant”), a 33% equity investment in Canadian Press Enterprises Inc. (“Canadian Press”) and an approximate 22% interest in Nest Wealth Asset Management Inc. ("Nest Wealth").

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, the Yukon, Saskatchewan, Manitoba, Washington, California, Hawaii and Alaska.

Blue Ant is a privately held, international content producer, distributor and channel operator founded in 2011. Blue Ant creates content for multiple genres including factual, factual entertainment, short-form digital series and kids programming. Their distribution business offers a catalogue of 3,200+ hours of content, including the largest 4K natural history offering on the market, and their international channel business offers a portfolio of media brands.

Canadian Press operates The Canadian Press news agency.

Nest Wealth is an online investment portfolio manager in the financial technology sector.

Competitive Landscape and Strategic Initiatives

Over the past 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 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.

We have a significant investment in VerticalScope which benefits from these trends and which has pursued a strategy of organic and acquisition related growth. Throughout 2018, our core operations have focused efforts on the execution of a

multi-year transformation of our traditional news brands. At the core of this transformation our mission is to profitably grow by delivering and engaging each paying customer with trusted news, information and content that is most relevant to their personal passions, needs and desire for positive change in our communities and businesses. In 2017, we spent the first six months of this transformation initiative planning and restructuring our organization for the coming changes and in 2018 we began executing our plan. During the first six months of the year we focused on processes, infrastructure and other non-customer-facing initiatives while the last half of the year was more focused on customer-facing initiatives.

Our progress in 2018 along our multi-year transformation plan included:

- A major national expansion of digital offerings on thestar.com combined with a reinvention of our Metro urban commuter newspapers in Vancouver, Calgary, Edmonton, Toronto and Halifax centred on more robust digital local offerings on thestar.com and nationally leveraging the Star brand and its history and unique position of local and investigative reporting.
- Introduction of user registration on thestar.com and across our news sites within the Community Brands segment as a first step in adding value to our audiences through the enhanced collection and use of data.
- Strengthened our digital content offerings in politics through the acquisition of iPolitics and in business through a strategic partnership with Wall Street Journal.
- Expanded the role of The Kit (fashion and beauty), Homefinder (real estate content and home/condo search) and Wheels.ca and AutoCatch.ca (for auto enthusiasts and buyers) incorporating them into our digital news sites nationally.
- Launched digital subscription offerings on thestar.com late in the third quarter.
- Launched a paid print and digital subscription pilot in three test markets within our Community Brands segment in the fourth quarter of 2018.
- Strengthened our talent base and implemented foundational technologies in the areas of data infrastructure, advanced analytics capabilities and customer life cycle management capabilities.

2. Highlights

Highlights for 2018 compared to 2017

(in $000's, except per share amounts)	2018	2017	Favourable (Unfavourable)
Net loss from continuing operations	($38,045)	($30,638)	($7,407)
Per Share	*($0.47)*	*($0.38)*	*($0.09)*
Net loss attributable to equity shareholders	(31,524)	(29,171)	(2,353)
Per Share (Basic)	*($0.39)*	*($0.36)*	*($0.03)*
Adjusted earnings (loss) per share[2]	*($0.11)*	*$0.01*	*($0.12)*
Operating loss[1,2]	(36,231)	(25,134)	(11,097)
Adjusted EBITDA[1,2]	60,765	74,209	(13,444)
Revenues[1,2]	615,031	691,600	(76,569)

[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:

- Ended 2018 with $68.2 million of cash and cash equivalents and $7.2 million of restricted cash; Torstar has no bank indebtedness. Cash provided by operating activities was $14.4 million in 2018 reflecting $21.4 million of cash generated by operating activities partially offset by an $8.8 million increase in working capital.

- We launched a major national expansion with a reinvention of our Metro urban commuter newspapers and more robust digital local offerings on thestar.com in Vancouver, Calgary, Edmonton, Toronto, Halifax and nationally, leveraging the Star brand and its history and unique position of local and investigative reporting.

- Earlier in the year, we introduced single sign-on (user registration) on thestar.com and in the fourth quarter, we launched this across all our news sites within the Community Brands segment to add value to our audiences through the enhanced collection and use of data.

- Late in the third quarter we launched paid digital subscription offerings on thestar.com and finished the year with almost 10,000 digital only subscribers.

- In the fourth quarter of 2018, we began testing subscription offerings in three select pilot markets within our Community Brands segment.

- On October 1, 2018, we acquired the assets of iPolitics, a digital subscription based political news outlet based in Ottawa that provides extensive digital online coverage of federal and provincial politics. The purchase of iPolitics complements the political coverage by the Toronto Star's Ottawa and Queen's Park bureaus and contributes selected content as part of our basic digital subscription offering on thestar.com.

- On September 27, 2018, we received approval from the members of our eight registered defined benefit pension plans (the "Torstar Plans") to proceed with the merger of the Torstar Plans with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan") effective October 1, 2018, with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur prior to the second half of 2019.

- In 2018 we sold our portfolio investment in Kanetix Ltd. for cash proceeds of $5.7 million and recorded a gain before tax of $2.7 million in other comprehensive income. On April 12, 2018, Workopolis.com and Workopolis' related assets were sold to Recruit Holdings Co., Ltd. Following the sale and subsequent wind up of the remaining Workopolis business, we estimate that net proceeds will be in the range of $4.0 million, $3.8 million of which has been received to date.

- Our net loss from continuing operations was $38.0 million ($0.47 per share) in 2018 compared to $30.6 million ($0.38 per share) in 2017. Our net loss in 2018 included $66.7 million of non-cash amortization and depreciation, $38.9 million of which related to our investment in VerticalScope, and $8.0 million of non-cash impairment charges. Our net loss in 2017 included $66.9 million of non-cash amortization and depreciation and $11.1 million of non-cash impairment charges.

- Adjusted loss per share was $0.11 in 2018 compared to adjusted earnings per share of $0.01 in 2017. Adjusted loss per share included an $0.82 per share effect of amortization and depreciation.

- Our segmented adjusted EBITDA was $60.8 million in 2018, down $13.4 million relative to the prior year and included the benefit of $23.9 million of digital media tax credits (2017 - $13.4 million). Excluding the benefit of these tax credits, adjusted EBITDA was $36.9 million in 2018, down $23.9 million relative to 2017.

- Segmented revenue was $615.0 million in 2018, down $76.6 million (11%) from $691.6 million in 2017.

The following chart provides a continuity of earnings (loss) per share from the year ended December 31, 2017 to the year ended December 31, 2018:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share **
Earnings (Loss) per share from continuing operations attributable to equity shareholders in 2017	**($0.38)**	**$0.01**
Changes		
• Adjusted EBITDA *	(0.17)	(0.17)
Operating earnings (loss) *	(0.55)	(0.16)
• Restructuring and other charges*	(0.02)	
• Impairment of assets*	0.04	
Operating profit (loss) *	(0.53)	(0.16)
• Interest and financing costs	0.01	0.01
• Non-cash foreign exchange	(0.02)	
• Income (loss) from associated businesses (excluding VerticalScope)	0.05	0.05
• Other income	(0.04)	
• Other	0.06	(0.01)
Loss per share attributable to equity shareholders in 2018 from continuing operations	**($0.47)**	**($0.11)**
Earnings per share from discontinued operations attributable to equity shareholders in 2018	**$0.08**	
Loss per share attributable to equity shareholders in 2018	**($0.39)**	**($0.11)**

*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 2018 and 2017

Unless otherwise noted, the following is a discussion of our 2018 operating results relative to 2017. 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, 2018 and December 31, 2017 and provide a reconciliation to the consolidated statement of income.

2018							
(in $000's)	Communities	Dailies	Digital Ventures	Corporate	Total Segmented *	Adjustments and Eliminations[1]	Per Consolidated Statement of Loss
Operating revenue	$258,237	$289,931	$66,863		$615,031	($71,640)	$543,391
Salaries and benefits	(123,200)	(91,647)	(21,229)	($6,807)	(242,883)	23,587	(219,296)
Other operating costs	(111,521)	(172,936)	(21,234)	(5,692)	(311,383)	21,886	(289,497)
Adjusted EBITDA**	23,516	25,348	24,400	(12,499)	60,765	(26,167)	34,598
Amortization & depreciation	(11,846)	(12,812)	(42,073)	(2)	(66,733)	39,784	(26,949)
Share based compensation	(391)	(63)	(1,614)	259	(1,809)	1,809	
Operating earnings (loss)**	11,279	12,473	(19,287)	(12,242)	(7,777)	15,426	7,649
Restructuring and other charges	(9,610)	(8,068)	(2,662)	(114)	(20,454)	2,929	(17,525)
Impairment of assets		(8,000)			(8,000)	8,000	
Operating profit (loss)**	$1,669	($3,595)	($21,949)	($12,356)	($36,231)	$26,355	($9,876)
Loss from continuing operations							($38,045)
Income from discontinued operations							$6,475
Net loss							($31,570)

2017							
(in $000's)	Communities	Dailies	Digital Ventures	Corporate	Total Segmented *	Adjustments and Eliminations[1]	Per Consolidated Statement of Loss
Operating revenue	$305,303	$314,000	$72,297		$691,600	($75,915)	$615,685
Salaries and benefits	(140,098)	(100,229)	(22,062)	($6,699)	(269,088)	23,182	(245,906)
Other operating costs	(133,693)	(187,389)	(23,290)	(3,931)	(348,303)	22,672	(325,631)
Adjusted EBITDA**	31,512	26,382	26,945	(10,630)	74,209	(30,061)	44,148
Amortization & depreciation	(13,352)	(21,491)	(32,025)		(66,868)	29,881	(36,987)
Share based compensation	(595)	(199)	(1,414)	(284)	(2,492)	2,492	
Operating earnings (loss)**	17,565	4,692	(6,494)	(10,914)	4,849	2,312	7,161
Restructuring and other charges	(10,060)	(7,609)	(981)	(200)	(18,850)	1,338	(17,512)
Impairment of assets			(11,133)		(11,133)	3,000	(8,133)
Operating profit (loss)**	$7,505	($2,917)	($18,608)	($11,114)	($25,134)	$6,650	($18,484)
Loss from continuing operations							($30,638)
Income from discontinued operations							$1,350
Net loss							($29,288)

[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

In November 2017, we completed a transaction with Postmedia Network Inc. ("Postmedia"), in which we purchased and sold a number of daily and community newspapers. As part of the transaction, we acquired eight weekly community publications, seven paid daily newspapers and two free daily newspapers from Postmedia. In addition, we sold 22 weekly community newspapers in eastern and southern Ontario and the Metro Winnipeg and Metro Ottawa free daily publications to Postmedia. Readers and advertisers of certain publications we acquired and subsequently closed are now being serviced by one or more of our other Community properties while we continue to operate four daily newspapers acquired from Postmedia now included in our Daily Brands segment. Refer to Section 16 of this MD&A for further discussion. As a result of publications sold and acquired, revenues in the Community Brands segment were estimated to be $22.4 million lower in 2018, while revenues in the Daily Brands segment were $8.2 million higher in 2018. Revenues in 2018 were also impacted by the sale of Workopolis in April 2018 and wagjag.com in October 2017. When we refer to "same store basis" in this section of this MD&A, the comparisons have been adjusted to exclude these properties.

Segmented revenue was down $76.6 million or 11% in 2018 and included revenue growth of $5.1 million (11%) from VerticalScope (12% revenue growth in U.S. dollars). On a same store basis, segmented revenue was down $45.8 million (7%) in 2018.

Revenue excluding our proportionate share of revenue from joint ventures and our 56% interest in VerticalScope ("operating revenue") was down $72.3 million or 12%.

On a same store basis, subscriber revenues were down 1%, print advertising revenues were down 18% and flyer distribution revenues' were down 5% respectively from prior year.

On a same store basis, digital revenue across all segments increased 2% in 2018, reflecting continued solid growth in local digital advertising within the community websites and growth in other digital revenue streams at the Star as well as growth at VerticalScope. Digital revenues were 20% of total segment revenues in 2018 compared to 19% in 2017.

The following charts provide a breakdown of total segmented operating revenue for 2018 and 2017 (in $000's):

	Communities		Dailies		Digital ventures		Total Segmented	
Year ended December 31, 2018	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	**$99,375**	**38%**	**$110,811**	**38%**			**$210,186**	**34%**
Digital advertising	**26,306**	**10%**	**26,796**	**9%**	**$66,863**	**100%**	**119,965**	**20%**
Flyer distribution	**95,531**	**37%**	**21,573**	**7%**			**117,104**	**19%**
Print and digital subscriber	**460**		**120,138**	**41%**			**120,598**	**20%**
Other	**36,565**	**15%**	**10,613**	**5%**			**47,178**	**7%**
Total	**$258,237**	**100%**	**$289,931**	**100%**	**$66,863**	**100%**	**$615,031**	**100%**

	Communities		Dailies		Digital ventures		Total Segmented	
Year ended December 31, 2017	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	$125,519	41%	$138,863	44%			$264,382	38%
Digital advertising	30,747	10%	25,495	8%	$72,297	100%	128,539	19%
Flyer distribution	110,883	36%	23,275	7%			134,158	19%
Print and digital subscriber	715		115,818	37%			116,533	17%
Other	37,439	13%	10,549	4%			47,988	7%
Total	$305,303	100%	$314,000	100%	$72,297	100%	$691,600	100%

Salaries and benefits

Our segmented salaries and benefits costs were down $26.2 million or 10% in 2018 and included the benefit of $23.9 million of digital media tax credits (2017 - $13.4 million) as this represents recoveries of previously incurred salary and benefits costs. Excluding the impact of these tax credits, segmented salaries and benefit costs in 2018 were down $15.7 million or 6% reflecting $6.5 million of lower costs associated with the Postmedia transaction as well as the benefit of savings from restructuring initiatives. These reductions were partially offset by the impact of higher minimum wage in Ontario, additional staffing related to our transformation activities as well as increased salary and benefit costs associated with acquisition related growth at VerticalScope.

Other operating costs

Segmented other operating costs primarily consist of circulation/flyer distribution costs, newsprint costs and other production costs which represented 41%, 11% and 14% respectively of segmented other operating costs in 2018. Segmented other operating costs were down $36.9 million or 11% in 2018 largely as a result of $13.9 million of lower costs associated with the sale of publications in 2017 as well as lower print volumes and the impact of other cost reductions, in part associated with an increased focus on print subscriber profitability, partially offset by additional costs related to our transformation activities.

Adjusted EBITDA

Our segmented adjusted EBITDA was $60.8 million in 2018, down $13.4 million relative to the prior year and included the benefit of a $23.9 million digital media tax credit (2017 - $13.4 million). Excluding the benefit of these tax credits, adjusted EBITDA was $36.9 million in 2018, down $23.9 million relative to 2017.

Segmented adjusted EBITDA in the Daily Brands segment was $25.3 million, down $1.1 million relative to 2017 and included the benefit of $23.4 million of digital media tax credits (2017 - $13.4 million). These tax credits relate to claims made in respect of prior year operations. Segmented adjusted EBITDA in the Community Brands segment was $23.5 million in 2018, down $8.0 million relative to 2017 and included the benefit of a $0.5 million digital media tax credit. Segmented adjusted EBITDA in the Digital Ventures segment was $24.4 million in 2018, a decrease of $2.5 million compared to 2017, $1.2 million of which was the result of the sale of Workopolis in early April 2018. Corporate costs, including external professional fees, were also $1.9 million higher in 2018 compared to 2017.

Adjusted EBITDA in 2018 included an incremental $6.2 million in segmented adjusted EBITDA resulting from synergies associated with the Postmedia transaction, as well as $18.5 million of savings related to restructuring initiatives offset by $14.6 million of costs related to our transformation activities and higher professional fees.

Our transformation efforts in 2018 have been concentrated on the launch of digital subscriptions on thestar.com and the launch of subscriptions in certain markets in our Community Brands segment, a major national digital expansion, an exclusive deal with the Wall Street Journal, the roll out of user registrations to add value to our audiences through the enhanced collection and use of data, an increased investment in investigative journalism, hyper-local and local content, development of our data infrastructure, advanced analytics capability, customer life cycle management capabilities and a new technology stack for client and customer facing executions.

Amortization and depreciation

Total segmented amortization and depreciation decreased by $0.2 million in 2018 to $66.7 million as a result of higher amortization related to acquisitions made at VerticalScope in 2018 offset by lower amortization associated with our Daily and Community Brands segments.

Operating earnings (loss)

Segmented operating loss was $7.8 million in 2018, compared to segmented operating earnings of $4.8 million in 2017. Operating loss in 2018 included $38.9 million of amortization expense associated with our investment in VerticalScope (2017 - $28.1 million) and the benefit of $23.9 million of digital media tax credits (2017 - $13.4 million).

Restructuring and other charges

Total segmented restructuring and other charges were $20.5 million in 2018, and are expected to result in annualized net savings of $19.9 million. This has resulted in the reduction of approximately 450 positions with $8.7 million of the savings realized in 2018. Total segmented restructuring and other charges of $18.9 million were recorded in 2017, $16.5 million of which related to ongoing efforts to reduce costs while $2.4 million related to restructuring associated with publications we acquired from Postmedia in November 2017.

Over the last few years we have undertaken several restructuring initiatives in order to reduce our ongoing operating costs. At December 31, 2018, our liability for payments in respect of these restructuring initiatives was $18.0 million (2017 - $23.6 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)	**2016**	**2017**	**2018**	**Total**
Realized net savings in:				
2016	$19,900			$19,900
2017	16,600	$12,100		28,700
2018		9,900	$8,700	18,600
Expected net savings in:				
2019			11,100	11,100
2020			100	100
Annualized net savings	$36,500	$22,000	$19,900	$78,400

Impairment of assets

During 2018, we incurred non-cash charges related to impairment of our investments in joint ventures totalling $8.0 million. During 2017, we incurred charges related to asset impairment of intangible assets and investments in joint ventures totalling $11.1 million. These charges have no impact on cash flows.

During the fourth quarter of 2018, we concluded that there were indicators of impairment for our joint venture investment in Sing Tao Daily resulting from lower forecasted revenues that reflect challenges in the print advertising market. In carrying out the impairment test, we determined that the carrying amount of the joint venture investment in Sing Tao Daily exceeded its value in use ("VIU") and accordingly, we recorded an impairment charge of $8.0 million.

In connection with our impairment test on December 31, 2017, we determined that the carrying amount of goodwill in the Digital Ventures Cash Generating Unit ("CGU") exceeded its VIU and accordingly, we recorded an impairment charge of $8.1 million in respect of goodwill in the Digital Ventures CGU. Please refer to the discussion of Critical Accounting Policies and Estimates in Section 9 of this MD&A for further discussion. Also, during the first quarter of 2017, we determined that the carrying amount of our joint venture investment in Workopolis exceeded the VIU and we recorded an impairment

charge of $3.0 million in respect of this investment as a result of a further downward revision in longer term forecasted revenues reflecting further increased competition in the online recruitment and job search markets.

Operating loss

In 2018, our segmented operating loss was $36.2 million compared to $25.1 million in 2017. Our 2018 segmented operating loss included $66.7 million of non-cash amortization and depreciation, $38.9 million of which related to our investment in VerticalScope, and $8.0 million of non-cash impairment charges. Our 2017 segmented operating loss included $66.9 million of non-cash amortization and depreciation and $11.1 million of non-cash impairment charges.

Our operating loss excluding our proportionate share of operating profit (loss) from VerticalScope and joint ventures decreased $8.6 million in 2018 compared to 2017.

Loss from joint ventures

Loss from joint ventures was $5.4 million in 2018 and $1.8 million in 2017. These losses primarily reflect non-cash impairment charges of $8.0 million recorded in 2018 related to our joint venture investment in Sing Tao and $3.0 million recorded in 2017 related to our joint venture investment in Workopolis, as discussed above. Excluding the impact of the impairment charges, income from joint ventures was $2.6 million in 2018 and $1.2 million in 2017 respectively. The loss from joint ventures in 2018 also included a $3.7 million gain on the sale of Workopolis.com and related assets that were sold on April 12, 2018 as well as $1.8 million of restructuring charges related to the closure of the remaining Workopolis business following the sale.

Loss from associated businesses

Loss from associated businesses was $20.4 million in 2018 compared to a loss of $6.8 million in 2017. The loss from associated businesses was heavily influenced by VerticalScope's amortization and depreciation policy related to U.S. $47.8 million of acquisitions completed in 2018 (2017 - U.S. $37.9 million).

The 2018 loss included income of $2.3 million from Black Press offset by a loss of $0.6 million from Nest Wealth, a loss of $1.3 million from Blue Ant and a loss of $20.7 million from VerticalScope. The 2018 loss from VerticalScope included $38.9 million of amortization and depreciation expense and $2.3 million of acquisitions related expense resulting from adjustments to contingent considerations and interest accretion costs. The 2017 loss included income of $1.4 million from Blue Ant and income of $0.7 million from Nest Wealth offset by a loss of $5.7 million from Black Press and a loss of $3.2 million from VerticalScope. The 2017 loss from VerticalScope included $28.1 million of amortization and depreciation expense and $5.0 million gain related to one of their acquisitions in 2017.

Our share of Black Press' net income was $2.3 million in 2018 (loss of $5.7 million in 2017), representing Black Press' results through November 30, 2018. 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 loss was $1.3 million in 2018 (income of $1.4 million in 2017) representing Blue Ant's results through November 30, 2018 which included dilution gains of $0.4 million ($2.9 million in 2017). Our equity interest in Blue Ant was 16% at the end of 2018 comparable with our equity interest at the end of 2017. Blue Ant has an August fiscal year end and therefore does not have coterminous quarter-ends with us.

We did not record any income or loss during 2018 or 2017 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 ($5.9 million as of December 31, 2018) have been offset by net income, OCI or additional investments are made. For the year ended December 31, 2018, we would have reported a net loss of $0.1 million and other comprehensive loss of $0.5 million from Canadian Press (2017 – income of $1.1 million and other comprehensive loss of $1.8 million).

Investment in VerticalScope

We own a 56% interest in VerticalScope. During 2018, VerticalScope generated U.S. $19.7 million of cash from operations and made acquisitions totalling U.S. $47.8 million. VerticalScope's debt, net of cash, increased U.S. $31.3 million from U.S. $87.1 million at December 31, 2017 to U.S. $118.4 million at December 31, 2018. In 2017, VerticalScope entered into a new five-year, US $200 million senior credit facility.

In connection with the investment in VerticalScope, during 2018 we recorded $38.9 million of amortization and depreciation expense (2017 - $28.1 million).

Other income

Other income was $0.3 million in 2018 compared to $3.9 million in 2017. Other income in 2018 primarily related to a gain on the sale of a real estate property. Other income in 2017 included a gain of $3.2 million related to the sale of publications to Postmedia and a gain of $0.5 million on the sale of WagJag and related assets.

On November 27, 2017 we entered into an asset purchase agreement with Postmedia relating to the purchase and sale of a number of community and daily newspapers. As part of the transaction, we acquired eight weekly community publications, seven daily community newspapers and two free daily newspapers from Postmedia. As consideration for the purchase, we sold 22 weekly community newspapers in eastern and southern Ontario and the Metro Winnipeg and Metro Ottawa free daily publications to Postmedia. The transaction was a non-monetary transaction as there was no cash exchanged. The estimated fair value of both the net assets acquired from Postmedia and the net assets we sold was $3.5 million. We recognized a gain on sale of $3.2 million which represented the difference between the consideration received, being the net assets acquired at fair value, and the carrying value of the net liabilities transferred and cost of disposal.

Income and other taxes

We recorded an income tax recovery of $0.1 million in 2018 and an income tax expense of $5.7 million in 2017. We have not recognized the benefit of net deferred income tax assets on the consolidated statement of financial position.

Net loss from continuing operations

Our net loss from continuing operations was $38.0 million ($0.47 per share) in 2018, compared to a loss of $30.6 million ($0.38 per share) in 2017. Our loss in 2018 included $66.7 million of amortization and depreciation expense, $38.9 million of which related to our investment in VerticalScope, and $8.0 million of non-cash impairment charges. Our 2017 net loss included $66.9 million of non-cash amortization and depreciation and $11.1 million of non-cash impairment charges.

Income from discontinued operations

In connection with the sale of Harlequin in 2014, 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 income of $6.5 million in 2018 and $1.4 million in 2017 relate to revised estimates of indemnity provisions related to legal costs, taxes and other costs. Income in 2018 also included an income tax recovery of $6.2 million, primarily related to an adjustment to the income tax expense related to the sale of Harlequin.

Net loss attributable to equity shareholders

Our net loss attributable to equity shareholders was $31.5 million ($0.39 per share) in 2018 compared to net loss attributable to equity shareholders of $29.2 million ($0.36 per share) in 2017.

Segment Operating Results – Community Brands

Revenues

Revenues in the Community Brands segment were down $47.1 million or 15% in 2018 with an estimated $22.4 million of the decrease in revenue resulting from publications purchased and sold in 2017. Local print advertising revenues, which represent the largest portion of the Community Brands' advertising revenues, were down 21% in 2018 (11% on a same store basis). National print advertising revenues, which represent only approximately 4% of the Community Brands' overall revenue, were down 22% in 2018 (14% on a same store basis). Flyer distribution revenues which represented approximately 37% of the Community Brands' total revenue in 2018 were down 14% in 2018 and were largely impacted by the sale of publications in 2017 as well as the closure of certain retail clients in mid-2017. On a same store basis and adjusting for the loss of certain retail clients, flyer distribution revenues were down 2% in 2018.

On a same store basis, digital revenues in the Community Brands segment were up 3% in 2018. This was the result of continued strong growth in local digital revenue at the community news sites, offset by declines in properties in other digital verticals.

Salaries and benefits costs

The Community Brands' salaries and benefits costs were down $16.9 million or 12% in 2018 and included the benefit of $9.1 million of cost savings from restructuring initiatives as well as $8.0 million of lower costs associated with the sale of publications to Postmedia and a $0.5 million digital media tax credit, partially offset by additional costs resulting from an increase in the minimum wage in Ontario as well as additional staffing related to our transformation activities.

Other operating costs
The Community Brands' other operating costs were down $22.2 million or 17% in 2018, resulting from $18.7 million of lower costs associated with the sale of publications in 2017 as well as volume related reductions in circulation and flyer distribution costs, lower newsprint consumption, and other cost reductions partially offset by additional costs related to our transformation activities.

Adjusted EBITDA
The Community Brands' adjusted EBITDA was $23.5 million, down $8.0 million relative to the prior year primarily reflecting the impact of lower revenues as well as additional costs related to our transformation activities. The declines were partially offset by $9.1 million of savings related to restructuring initiatives as well as $4.3 million of synergies associated with the transaction with Postmedia.

Operating profit (loss)
The Community Brands' operating profit was $1.7 million in 2018, compared to operating profit of $7.5 million in 2017 largely reflecting lower adjusted EBITDA partially offset by lower amortization and depreciation and lower restructuring and other charges.

Segment Operating Results – Daily Brands

Revenues
Revenues from the Daily Brands were down $24.1 million or 8% in 2018 and included an incremental $8.2 million in revenue associated with daily publications purchased and sold in late 2017.

Encouragingly, subscriber revenues which represented 41% of the Daily Brands' total revenue in 2018 grew 4% relative to 2017. On a same store basis, subscriber revenues were down only 1% in 2018. Flyer distribution revenues, which represented 7% of the Daily Brands' total revenue in 2018, were down 7% in 2018 (also down 7% on a same store basis).

The decrease in revenue in 2018 was primarily the result of lower print advertising revenues. Local print advertising revenues, which represented approximately 23% of the Daily Brands' total revenues in 2018, were down 12% relative to the respective period in 2017 (13% on a same store basis). National print advertising revenues, which now represent only 10% of the Daily Brands' overall revenue, continued to be more challenged and were down 40% in 2018 (41% on a same store basis).

Digital revenues from the Daily Brands segment were up 5% in 2018 (down 3% on a same store basis) and reflected growth at the regional daily websites as well as growth in other digital revenue streams at the Star.

Salaries and benefits costs
The Daily Brands' salaries and benefits costs were down $8.6 million or 9% in 2018 and included the benefit of $23.4 million of digital media tax credits (2017 - $13.4 million) as these represent recoveries of previously incurred salary and benefits costs. These tax credits related to claims made in respect of 2012 through 2015. Excluding the impact of the tax credits, segmented salaries and benefit costs in 2018 for the Daily Brands increased $1.4 million or 1% reflecting $1.6 million of incremental costs associated with the new dailies as well as additional staffing related to our transformation partially offset by the benefit of savings from restructuring initiatives and lower staffing costs associated with the discontinuation of Toronto Star Touch in 2017.

Other operating costs
The Daily Brands' other operating costs were down $14.5 million or 8% in 2018 reflecting lower volume related circulation and distribution costs, lower newsprint consumption and other cost reductions, partially offset by $4.8 million of incremental costs associated with the Postmedia transaction as well as additional costs related to our transformation activities.

Adjusted EBITDA
The Daily Brands adjusted EBITDA was $25.3 million in 2018, down $1.1 million from 2017 and included the benefit of $23.4 million of digital media tax credits (2017 - $13.4 million). Excluding the benefit of the 2017 and 2018 digital media tax credits, adjusted EBITDA from the Daily Brands was down $11.1 million as a result of lower revenues and additional costs related to our transformation activities which were partially offset by an incremental $1.9 million of adjusted EBITDA resulting from synergies associated with the transaction with Postmedia as well as $9.4 million of savings related to restructuring initiatives.

Operating profit (loss)
The Daily Brands' operating loss was $3.6 million in 2018, and included $8.1 million of restructuring and other charges, $8.0 million of impairment charges and $12.8 million of non-cash depreciation and amortization expense. The Daily Brands' operating loss in 2018 reflected lower adjusted EBITDA and higher impairment charges relative to 2017.

Segment Operating Results – Digital Ventures

Revenues
Digital Ventures revenues were down $5.4 million or 7% in 2018 largely reflecting the absence of revenue from Workopolis following the sale in April 2018. Adjusting for the sale of Workopolis, Digital Ventures revenues were up $2.6 million or 4% in 2018 as a result of revenue growth of $5.1 million at VerticalScope, partially offset by lower revenues at eyeReturn. Our proportionate share of VerticalScope's revenue in 2018 was $50.0 million, which represented growth of 11% (12% in U.S. dollars) reflecting growth from acquisitions. Organic growth at VerticalScope has been negatively affected by reductions in search related traffic volumes.

Salaries and benefits costs
Digital Ventures' salaries and benefits costs were down $0.9 million or 4% in 2018 reflecting the absence of salary and benefit costs following the Workopolis sale partially offset by increased salary and benefit costs associated with acquisition related growth at VerticalScope.

Other operating costs
Digital Ventures' other operating costs were down $2.1 million or 9% in 2018 reflecting the absence of costs following the Workopolis sale partially offset by increased costs at VerticalScope related to investment in their technology platform and acquisition related growth in the business.

Adjusted EBITDA
Digital Ventures' adjusted EBITDA decreased by $2.5 million to $24.4 million in 2018, $1.2 million of which related to the Workopolis sale in early April 2018 and lower adjusted EBITDA at eyeReturn and VerticalScope. Our proportionate share of VerticalScope's adjusted EBITDA was $23.9 million in 2018 representing a decrease of 4% over 2017 (3% in U.S. dollars). Adjusted EBITDA at VerticalScope as a percentage of revenue was 48% in 2018.

Operating loss
Digital Ventures' operating loss was $21.9 million in 2018, compared to an operating loss of $18.6 million in 2017 primarily resulting from a $10.1 million increase in amortization and depreciation expense primarily associated with acquisition activity at VerticalScope.

4. Fourth Quarter Operating Results

A discussion of our fourth quarter operating results

Overall Performance

Unless otherwise noted, the following is a discussion of our fourth quarter 2018 operating results relative to the fourth quarter of 2017. 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, 2018 and December 31, 2017 and provide a reconciliation to the consolidated statement of income.

Fourth Quarter 2018							
(in $000's)	Communities	Dailies	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Per Consolidated Statement of Income
Operating revenue	$69,094	$76,273	$18,428		$163,795	($18,935)	$144,860
Salaries and benefits	(28,984)	(21,257)	(5,171)	($1,701)	(57,113)	6,219	(50,894)
Other operating costs	(27,284)	(42,975)	(5,613)	(1,035)	(76,907)	5,523	(71,384)
Adjusted EBITDA**	12,826	12,041	7,644	(2,736)	29,775	(7,193)	22,582
Amortization & depreciation	(2,929)	(3,413)	(9,316)	(2)	(15,660)	8,747	(6,913)
Share based compensation	(147)	(49)	(647)	645	(198)	198	
Operating earnings (loss)**	9,750	8,579	(2,319)	(2,093)	13,917	1,752	15,669
Restructuring and other charges	(3,883)	(2,166)	(338)		(6,387)	511	(5,876)
Impairment of assets		(8,000)			(8,000)	8,000	
Operating profit (loss)**	$5,867	($1,587)	($2,657)	($2,093)	($470)	$10,263	$9,793
Loss from continuing operations							($3,257)
Income from discontinued operations							$175
Net loss							($3,082)

Fourth Quarter 2017							
(in $000's)	Communities	Dailies	Digital Ventures	Corporate	Total Segmented*	Adjustments & Eliminations[1]	Per Consolidated Statement of Income
Operating revenue	$83,464	$85,782	$20,279		$189,525	($20,186)	$169,339
Salaries and benefits	(35,401)	(13,902)	(5,662)	($2,143)	(57,108)	5,744	(51,364)
Other operating costs	(33,509)	(47,767)	(6,884)	(1,272)	(89,432)	6,040	(83,392)
Adjusted EBITDA**	14,554	24,113	7,733	(3,415)	42,985	(8,402)	34,583
Amortization & depreciation	(3,187)	(3,188)	(9,089)		(15,464)	8,530	(6,934)
Share based compensation	(133)	17	(319)	(472)	(907)	907	
Operating earnings (loss)**	11,234	20,942	(1,675)	(3,887)	26,614	1,035	27,649
Restructuring and other charges	(3,562)	(2,350)	(123)		(6,035)	123	(5,912)
Impairment of assets			(8,133)		(8,133)		(8,133)
Operating profit (loss)**	$7,672	$18,592	($9,931)	($3,887)	$12,446	$1,158	$13,604
Income from continuing operations							$7,847
Income from discontinued operations							$850
Net income							$8,697

[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

In November 2017, we completed a transaction with Postmedia, in which we purchased and sold a number of daily and community newspapers. As part of the transaction, we acquired eight weekly community publications, seven paid daily newspapers and two free daily newspapers from Postmedia. In addition, we sold 22 weekly community newspapers in eastern and southern Ontario and the Metro Winnipeg and Metro Ottawa free daily publications to Postmedia. Readers

and advertisers of certain publications we acquired and subsequently closed are now being serviced by one or more of our other Community properties while we continue to operate four daily newspapers acquired from Postmedia now included in our Daily Brands segment. Refer to Section 16 of this MD&A for further discussion. As a result of the sale of a number of our weekly community newspapers and our purchase of additional daily newspaper publications in November 2017, revenues in the Community Brands segment were $4.3 million lower in the fourth quarter of 2018, while revenues in the Daily Brands segment increased by $1.5 million in the fourth quarter of 2018. Revenues in the fourth quarter of 2018 were also impacted by the sale of Workopolis in April 2018 and wagjag.com in October 2017.

In addition, as a result of a variation in the quarterly publishing calendar in 2018 relative to last year, our first quarter 2018 revenue benefited from additional publishing days in both the Daily Brands and Community Brands Segment. This variance in the publishing calendar reversed in the fourth quarter of 2018 when there were fewer publishing days relative to the fourth quarter of 2017. The impact of these shifts in the calendar in the fourth quarter of 2018 was net lower revenue of $3.6 million (Community Brands - $2.5 million, Daily Brands - $1.1 million). The impact on adjusted EBITDA as a result of these shifts was minimal.

When we refer to "same store basis" in this section of this MD&A, the comparisons have been adjusted to exclude the purchased and sold properties as well as the differences related to timing of the publishing calendar.

Segmented revenue was down $25.7 million or 14% in the fourth quarter of 2018 and included revenue growth of $1.6 million or 13% from VerticalScope (9% in U.S. dollars).

Operating revenue (excluding our proportionate share of revenues from our joint ventures and our 56% interest in VerticalScope) was down $24.5 million or 14% in the fourth quarter of 2018.

On a same store basis in the fourth quarter of 2018, subscriber revenues increased 1%, print advertising revenues were down 19% and flyer distribution revenues were down 5% respectively from the fourth quarter of 2017.

On a same store basis, digital revenue across all segments increased 2% in the fourth quarter of 2018, reflecting continued solid growth in local digital advertising within the community news sites and growth in other digital revenue streams at the Star as well as growth at VerticalScope partially offset by declines in other digital properties. Digital revenues were 21% of total segment revenues in the fourth quarter of 2018 compared to 19% in the fourth quarter of 2017.

The following charts provide a breakdown of total segmented operating revenue (in $000s):

	Communities		Dailies		Digital ventures		Total Segmented	
Fourth Quarter 2018	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	**$25,214**	**36%**	**$28,716**	**38%**			**$53,930**	**33%**
Digital advertising	**7,395**	**11%**	**7,907**	**10%**	**$18,428**	**100%**	**33,730**	**21%**
Flyer distribution	**27,200**	**39%**	**6,478**	**8%**			**33,678**	**21%**
Print and digital subscriber	**116**		**30,306**	**40%**			**30,422**	**19%**
Other	**9,169**	**14%**	**2,866**	**4%**			**12,035**	**6%**
Total	**$69,094**	**100%**	**$76,273**	**100%**	**$18,428**	**100%**	**$163,795**	**100%**

	Communities		Dailies		Digital ventures		Total Segmented	
Fourth Quarter 2017	**$**	%	**$**	%	**$**	%	**$**	%
Print advertising	$32,992	40%	$37,702	44%			$70,694	37%
Digital advertising	8,217	10%	7,601	9%	$20,279	100%	36,097	19%
Flyer distribution	31,673	38%	7,715	9%			39,388	21%
Print and digital subscriber	165		29,704	35%			29,869	16%
Other	10,417	12%	3,060	3%			13,477	7%
Total	$83,464	100%	$85,782	100%	$20,279	100%	$189,525	100%

Salaries and benefits

Our segmented salaries and benefits costs in the fourth quarter of 2018 were comparable to the fourth quarter of 2017 and included the benefit of $7.8 million of digital media tax credits compared to $13.4 million in 2017. These tax credits represent recoveries of previously incurred salary and benefits costs related to claims made in respect of prior year operations. Excluding the impact of these tax credits, segmented salaries and benefit costs in the fourth quarter of 2018 were down $5.6 million or 8% in the quarter reflecting $1.1 million of lower costs associated with the Postmedia transaction as well as the benefit of savings from restructuring initiatives. These reductions were partially offset by the impact of higher minimum wage in Ontario and additional staffing related to our transformation activities.

Other operating costs

Segmented other operating costs primarily consist of circulation and flyer distribution costs, newsprint costs and other production costs which represented 43%, 12% and 15% respectively of segmented other operating costs in the fourth quarter of 2018. Segmented other operating costs were down $12.5 million or 14% in the fourth quarter of 2018 largely as a result $2.4 million of lower costs associated with the sale of publications to Postmedia as well as lower print volumes and the impact of other cost reductions, in part associated with an increased focus on print subscriber profitability, partially offset by additional costs related to our transformation activities.

Adjusted EBITDA

Our segmented adjusted EBITDA was $29.8 million in the fourth quarter of 2018, a decline of $13.2 million from the fourth quarter of 2017 and included the benefit of $7.8 million of digital media tax credits (fourth quarter of 2017 - $13.4 million). Excluding the impact of the digital media tax credits, adjusted EBITDA in the fourth quarter of 2018 was down $7.6 million relative to the fourth quarter of 2017.

Segmented adjusted EBITDA in the Daily Brands segment was $12.0 million in the fourth quarter of 2018 and included the benefit of $7.3 million of digital media tax credits (fourth quarter of 2017 - $13.4 million). Excluding the impact of the digital media tax credits, adjusted EBITDA in the Daily Brands segment in the fourth quarter of 2018 was down $6.0 million relative to the fourth quarter of 2017. Segmented adjusted EBITDA in the Community Brands segment was $12.8 million, down $1.8 million relative to the comparable period in 2017 and included the benefit of $0.5 million of digital media tax credits. Segmented adjusted EBITDA in the Digital Ventures segment was $7.6 million, a decrease of $0.1 million relative to the fourth quarter of 2017.

The fourth quarter of 2018 included an incremental $0.8 million in segmented adjusted EBITDA resulting from synergies associated with the Postmedia transaction, as well as $3.8 million of savings related to restructuring initiatives offset by $3.7 million of costs related to our transformation activities.

Operating earnings

Segmented operating earnings were $13.9 million in the fourth quarter of 2018, down $12.7 million from operating earnings of $26.6 million in the fourth quarter of 2017 largely due to lower adjusted EBITDA partially offset by lower share based compensation expense.

Restructuring and other charges

Total segmented restructuring and other charges were $6.4 million in the fourth quarter of 2018 and $6.0 million in the comparable period in 2017. Restructuring initiatives undertaken in the fourth quarter of 2018 are expected to result in annualized net savings of $6.9 million and have resulted in the reduction of approximately 200 positions with $0.1 million of the savings associated with these restructuring initiatives realized in the fourth quarter of 2018.

Impairment of assets

During the fourth quarter of 2018, we incurred non-cash impairment charges of $8.0 million in respect of investments in joint ventures (2017 - $8.1 million in respect of goodwill in the Digital Ventures segment). 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 2018 our segmented operating loss was $0.5 million compared to operating profit of $12.4 million in the fourth quarter of 2017. Excluding the impact of the digital media tax credits, operating loss in the fourth quarter of 2018 was $8.3 million compared to operating loss of $1.0 million in the fourth quarter of 2017.

Our operating profit, excluding our proportionate share of operating profit from our joint ventures and our investment in VerticalScope, decreased $3.8 million in the fourth quarter of 2018 to $9.8 million.

Income (loss) from joint ventures

Loss from joint ventures was $7.9 million in the fourth quarter of 2018 compared to an income of $0.6 million in the fourth quarter of 2017. The loss in the fourth quarter of 2018 included a non-cash impairment charge of $8.0 million related to our joint venture investment in Sing Tao.

Loss from associated businesses

Loss from associated businesses was $5.0 million in the fourth quarter of 2018 compared to a loss of $2.0 million in the fourth quarter of 2017. The loss in the fourth quarter of 2018 included income of $1.1 million from Black Press, a loss of $0.8 million from Blue Ant and a loss of $5.1 million from VerticalScope. The loss from VerticalScope in the fourth quarter of 2018 included $8.6 million of amortization expense and $2.3 million of acquisitions related expense resulting from adjustments to contingent considerations and interest accretion costs. The loss in the fourth quarter of 2017 included a loss of $2.9 million from Black Press and a loss of $0.3 million from Blue Ant, partially offset by income of $1.5 million from VerticalScope. Income from VerticalScope in the fourth quarter of 2017 included a $5.0 million gain related to one of their acquisitions as well as $8.1 million of amortization expense.

Other income

Other income was $nil in the fourth quarter of 2018 and $3.9 million in the fourth quarter of 2017. Other income in the fourth quarter of 2017 included a gain of $3.2 million related to the sale of publications to Postmedia as well as a gain of $0.5 million on the sale of WagJag and related assets.

Income and other taxes

We recorded income tax expense of $nil in the fourth quarter of 2018 and income tax expense of $6.9 million in the fourth quarter of 2017. We have not recognized the benefit of net deferred income tax assets on the consolidated statement of financial position.

Net income (loss) from continuing operations

Our net loss from continuing operations was $3.3 million ($0.04 per share) in the fourth quarter of 2018. This compares to net income of $7.8 million ($0.10 per share) in the fourth quarter of 2017.

The following chart provides a continuity of earnings per share from the fourth quarter of 2017 to the fourth quarter of 2018:

	Earnings (Loss) Per Share	Adjusted Earnings (Loss) Per Share **
Earnings per share from continuing operations attributable to equity shareholders in 2017	**$0.10**	**$0.32**
Changes		
• Adjusted EBITDA *	(0.16)	(0.16)
Operating earnings (loss)*	(0.06)	0.16
• Restructuring and other charges*	(0.01)	
Operating profit (loss) *	(0.07)	0.16
• Interest and financing costs	0.02	0.02
• Income (loss) from associated businesses (excluding VerticalScope)	0.04	0.04
• Other income	(0.05)	
• Other	0.02	(0.07)
Earnings (loss) per share attributable to equity shareholders in 2018	**($0.04)**	**$0.15**

*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 from discontinued operations

Income from discontinued operations of $0.2 million in the fourth quarter of 2018 and $0.9 million in the fourth quarter of 2017 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, legal and other costs.

Segment Operating Results – Community Brands

Revenues

Revenues from the Community Brands segment were down $14.4 million or 17% in the fourth quarter of 2018, with an estimated $4.3 million of the decrease in revenue resulting from publications purchased and sold in 2017. Local print advertising revenues, which represent the largest portion of the Community Brands' advertising revenues, were down 20% in the fourth quarter of 2018 (10% on a same store basis). National print advertising revenues, which represent only 4% of the Community Brands' overall revenue, were down 39% in the fourth quarter of 2018 (31% on a same store basis). Flyer distribution revenues which represented approximately 39% of the Community Brands' total revenue in the fourth quarter of 2018 were down 14% and were largely impacted by the sale of publications to Postmedia in 2017. On a same store basis, flyer distribution revenues were down 4% in the fourth quarter of 2018.

On a same store basis, digital revenues in the Community Brands segment were up 5% in the fourth quarter of 2018. This was the result of continued very strong growth in local digital revenue at the community sites, offset by declines in properties in other digital verticals.

Salaries and benefits costs

The Community Brands' salaries and benefits costs were down $6.4 million or 18% in the fourth quarter of 2018 and included the benefit of $2.1 million in cost savings from restructuring as well as $1.5 million of lower costs associated with the sale of publications to Postmedia and a $0.5 million digital media tax credit partially offset by additional costs resulting from an increase in the minimum wage in Ontario as well as additional staffing related to our transformation activities.

Other operating costs

The Community Brands' other operating costs were down $6.2 million or 19% in the fourth quarter of 2018, resulting from $3.3 million of lower costs associated with the sale of publications to Postmedia as well as volume related reductions in circulation and flyer distribution costs, lower newsprint consumption, and other cost reductions partially offset by additional costs related to our transformation activities.

Adjusted EBITDA

The Community Brands' adjusted EBITDA was down $1.8 million in the fourth quarter of 2018 from the comparable period in 2017 reflecting the impact of lower revenues as well as additional costs related to our transformation activities. The declines were partially offset by $2.1 million of savings related to restructuring initiatives, a $0.5 million digital media tax credit as well as $0.6 million of synergies associated with the transaction with Postmedia.

Operating profit

The Community Brands' operating profit was $5.9 million in the fourth quarter of 2018, a decrease of $1.8 million from $7.7 million in the fourth quarter of 2017 primarily reflecting lower adjusted EBITDA.

Segment Operating Results – Daily Brands

Revenues

Daily Brands segment revenues were down $9.5 million or 11% in the fourth quarter of 2018 and included an incremental $1.5 million in revenue associated with daily publications purchased and sold in late 2017.

Encouragingly, subscriber revenues which now represented approximately 40% of the Daily Brands' total revenue in the fourth quarter of 2018 grew 2% relative to the comparable period in 2017. On a same store basis, subscriber revenues in the fourth quarter of 2018 were up 1% compared to the fourth quarter of 2017. Flyer distribution revenues, which represented 8% of the Daily Brands' total revenue in the fourth quarter of 2018, were down 16% in the quarter (down 12% on a same store basis).

The decrease in revenue in the fourth quarter of 2018 was primarily the result of lower print advertising revenues. Local print advertising revenues, which represented approximately 22% of the Daily Brands' total revenues in the fourth quarter of 2018, were down 19% relative to the respective period in 2017 (19% on a same store basis). National print advertising revenues, which now represent only 11% of the Daily Brands' overall revenue, continued to be more challenged and were down 38% in the fourth quarter of 2018 (37% on a same store basis).

Digital revenues from the Daily Brands segment were up 4% in the fourth quarter of 2018 (down 4% on a same store basis). Results in the fourth quarter of 2018 reflected growth at the regional daily websites as well as growth in other digital revenue streams at the Star.

Salaries and benefits costs
The Daily Brands' salaries and benefits costs increased $7.4 million (53%) in the fourth quarter of 2018 and included the benefit of $7.3 million of digital media tax credits (2017 - $13.4 million). Excluding the impact of these tax credits, segmented salaries and benefit costs increased $1.3 million or 5% in the fourth quarter reflecting $0.4 million of incremental costs associated with the new dailies and additional staffing related to our transformation, partially offset by the benefit of savings from restructuring initiatives.

Other operating costs
The Daily Brands' other operating costs were down $4.8 million or 10% in the fourth quarter of 2018 reflecting lower volume related circulation and distribution costs, lower newsprint consumption and other cost reductions, partially offset by $0.9 million of incremental costs associated with the Postmedia transaction as well as additional costs related to our transformation activities.

Adjusted EBITDA
The Daily Brands' adjusted EBITDA was $12.0 million in the fourth quarter of 2018, down $12.1 million from the fourth quarter of 2017. Excluding the impact of the 2017 and 2018 digital media tax credits, adjusted EBITDA from the Daily Brands was down $6.0 million due to lower revenues and additional costs related to our transformation activities which were partially offset by an incremental $0.2 million of adjusted EBITDA resulting from synergies associated with the transaction with Postmedia as well as $1.6 million of savings related to restructuring initiatives.

Operating profit
The Daily Brands' operating loss was $1.6 million in the fourth quarter of 2018 compared to operating profit of $18.6 million in the fourth quarter of 2017 primarily reflecting lower adjusted EBITDA and higher impairment charges related to our joint venture investment in Sing Tao Daily.

Segment Operating Results – Digital Ventures

Revenues
Digital Ventures' revenues decreased $1.9 million or 9% in the fourth quarter of 2018, largely reflecting the absence of revenue from Workopolis following the sale in April 2018. Adjusting for the sale of Workopolis, Digital Ventures revenues were up $0.4 million or 2% in the fourth quarter of 2018 as a result of revenue growth of $1.6 million at VerticalScope, partially offset by lower revenues at eyeReturn. Our proportionate share of VerticalScope's revenue in the fourth quarter of 2018 was $14.0 million which represented growth of 13% (9% in U.S. dollars) relative to the fourth quarter of 2017 and which largely resulted from acquisition related growth.

Salaries and benefits costs
Digital Ventures' salaries and benefits costs were down $0.5 million or 9% in the fourth quarter of 2018 compared to the fourth quarter of 2017 largely reflecting the absence of salary and benefit costs following the Workopolis sale.

Other operating costs
Digital Ventures' other operating costs were down $1.3 million or 19% in the fourth quarter of 2018 from the comparable period in 2017 reflecting the absence of costs at Workopolis following the sale in April 2018 and lower costs at eyeReturn, partially offset by increased costs at VerticalScope related to investment in their technology platform and acquisition related growth in the business.

Adjusted EBITDA
Digital Ventures' adjusted EBITDA was $7.6 million in the fourth quarter of 2018, down $0.1 million from $7.7 million in the fourth quarter of 2017, reflecting higher adjusted EBITDA at VerticalScope partially offset by lower adjusted EBITDA at eyeReturn and the absence of $0.3 million of EBITDA related to the Workopolis sale in early April 2018. Our proportionate share of adjusted EBITDA at VerticalScope was $7.2 million in the fourth quarter of 2018 which represented 52% of VerticalScope's revenue.

Operating profit (loss)
Digital Ventures' operating loss was $2.7 million in the fourth quarter of 2018, compared to an operating loss of $9.9 million in the fourth quarter of 2017 primarily the result of an impairment charge of $8.1 million in the fourth quarter of 2017 that did not recur in 2018.

5. Outlook

The outlook for our business in 2019

In 2018, the Community Brands and the Daily Brands segments continued to face a challenging print advertising market resulting from ongoing shifts in spending by advertisers. While these trends have continued early into 2019, it is difficult to predict if these trends will improve or worsen in the balance of the year. On a same store basis, flyer distribution revenues declined 5% in 2018 and we expect this trend will be slightly worse in 2019. On a same store basis, subscriber revenues declined 1% in 2018, and we expect this trend will deteriorate modestly in 2019 as we continue to increase focus on subscriber profitability. Overall digital advertising revenue growth at the Community Brands and Daily Brands is expected to strengthen in 2019, benefiting from growth in local digital advertising at the community news sites and in digital revenue growth at the Star partially offset by expected continued declines in other digital verticals. In addition, we expect revenue will begin to benefit from a growing digital subscription stream in 2019 as we increase focus on attracting new digital subscribers.

Within the Digital Ventures segment, VerticalScope revenue is expected to show moderate growth on a full year basis with expected softness in the first half of the year more than offset with anticipated growth in the back half of 2019. Results in the year will reflect the impact of prior period acquisitions, an expected gradual stabilization of organic growth challenges and an increased level of investment in their technology platform as well as the benefits of cost savings initiatives and platform consolidation already completed.

We expect the cost base in 2019 to benefit from $11 million of restructuring savings related to restructuring initiatives undertaken to date and we also expect to continue to execute additional cost savings in the balance of the year.

Beginning on January 1, 2019, we will adopt the new IFRS 16 standard on lease accounting. The adoption of the lease standard will have a positive impact on adjusted EBITDA in respect of rent expense, which will be offset by increased depreciation expense and interest expense. On a comparative basis, we estimate that the impact on the adjusted EBITDA for 2018 for the removal of the rent expense to be approximately $5.4 million (Dailies Segment approximately $1.6 million, Communities segment approximately $3.2 million and Digital Ventures segment approximately $0.6 million), split evenly over the four quarters. This change will have no impact on cash flow.

From a cash flow perspective, we anticipate that capital expenditures for 2019 will be in the range of $16 - $17 million, including approximately $8 million of capital spending related to technology platforms in connection with our transformation activities. In addition, at December 31, 2018 we had net receivables related to digital media tax credits totaling $20.4 million which have been approved by the Ontario Media Development Corporation ("OMDC"). The amount and timing of any cash realized from these receivables is dependent upon the final review and approval by the Canada Revenue Agency which is expected to be completed in 2019.

On September 27, 2018, we received approval from the members of the Torstar Plans to proceed with the merger of the Torstar Plans with the CAAT Plan effective October 1, 2018, with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur prior to the second half of 2019.

Following the consent of the Superintendent of Financial Services (Ontario), the liabilities for all past benefits under the Torstar Plans will be transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan will assume responsibility for all pension benefit payments to members of the Torstar Plans going forward. No additional cash funding related to the transferred liabilities is expected to be required from Torstar in connection with the merger. Effective October 1, 2018, members of the Torstar Plans began accruing benefits under the new DBplus provisions of the CAAT Plan.

Beginning in January 1, 2019, most Torstar employees including those previously enrolled in defined contribution type benefit plans began accruing benefits under the CAAT Plan. Pension expense and contributions related to the CAAT plan are based on a fixed percentage of earnings with the expense expected to be approximately $4 million lower in 2019 than our combined 2018 expense for our registered defined benefit plans and defined contribution type plans. In 2019, we expect contributions to the CAAT plan to be equivalent to the related expense.

In the 2018 Fall Economic Update, the Federal Government announced a new refundable tax credit to support labour costs for qualifying news organizations starting in 2019. It is possible that we may benefit from this program, however, there can be no certainty that the refundable tax credit will be enacted as proposed, or that we will be a qualifying news organization under the program.

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 in the foreseeable future. In the future we may need to take additional measures to increase our liquidity and capital resources. We currently expect that we would do so through the sale of investments or assets, reducing capital expenditures, obtaining additional debt or equity financing or reducing distributions to shareholders.

In 2018, we generated $14.4 million of cash from operating activities, used $9.8 million of cash in investing activities and used $7.8 million of cash in financing activities.

In the fourth quarter of 2018, we generated $29.2 million of cash from operating activities, used $7.4 million of cash in investing activities and used $2.0 million in financing activities.

At December 31, 2018, we had $68.2 million of cash and cash equivalents as well as $7.2 million of restricted cash. Restricted cash included $5.8 million held as collateral for outstanding standby letters of credit supporting an unfunded executive retirement plan liability. At December 31, 2017 we had $71.4 million of cash and cash equivalents as well as $9.1 million of restricted cash which included $7.7 million held as collateral for outstanding standby letters of credit supporting an unfunded executive retirement plan liability.

Operating Activities

In 2018, we generated $14.4 million of cash from operating activities. This included $11.0 million of funding towards our employee future benefit plans of which $6.6 million was contributed to registered defined benefit pension plans and $4.4 million was applied to unfunded pension and other post-employment benefit plans. In addition, non-cash working capital increased $8.8 million and restricted cash decreased $1.9 million in 2018. During 2017, we generated $15.4 million of cash from operating activities which included funding of $16.8 million of contributions to our employee future benefit plans, a $10.2 million increase in non-cash working capital and a $2.8 million decrease in restricted cash.

In the fourth quarter of 2018, we generated $29.2 million of cash from operating activities which included $0.6 million of funding towards our employee future benefit plans and a $6.3 million decrease in non-cash working capital. During the fourth quarter of 2017 we generated cash of $23.6 million of cash from operating activities. This included $1.2 million of contributions to our employee future benefit plans and an $8.1 million increase in non-cash working capital.

Investing Activities

During 2018, we used $9.8 million of cash in investing activities for $14.4 million of 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), $2.2 million for acquisitions and portfolio investments and received $6.5 million of proceeds from the sale of assets.

During 2017, we used $11.5 million of cash from investing activities primarily for additions to property, plant and equipment and intangible assets.

During the fourth quarter of 2018, we used $7.4 million of cash from investing activities primarily for $6.4 million in additions to property, plant and equipment and intangible assets and $1.1 million for acquisitions and portfolio investments. During the fourth quarter of 2017, we used $1.7 million of cash in investing activities.

Financing Activities
We used cash of $7.8 million and $7.9 million in financing activities in 2018 and 2017 respectively, which was primarily used for the payment of dividends.

We used cash of $2.0 million and $1.9 million in financing activities in the fourth quarters of 2018 and 2017 respectively, which was primarily used in the payment of dividends.

Dividends per share were 2.5 cents in each quarter of 2018 and 2017.

Contractual Obligations and Other
As at December 31, 2018, 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	2019	2020 – 2021	2022 – 2023
Office leases	$39,863	$13,240	$18,581	$8,042
Services	33,920	17,654	14,290	1,976
Total	$73,783	$30,894	$32,871	$10,018
Receivable from office sub-leases	($3,292)	($1,966)	($1,326)	

During the year ended December 31, 2018, we received $18.4 million related to the digital media tax credit claim in respect of the period ended December 31, 2012 which was approved by the OMDC in the fourth quarter of 2017. In the fourth quarter of 2018, we recorded an additional recovery of $4.4 million in salaries and benefits expense in the Dailies segment, which was the difference between the $13.4 million we accrued for this claim in the fourth quarter of 2017 and the amount we received, and also recorded $0.6 million of interest income related to this claim.

In 2018, we also received certification from the OMDC for two digital media tax credit claims in respect of the periods ended December 31, 2010 and April 23, 2015. These claims, which are subject to an audit by the Canada Revenue Agency, primarily relate to the recovery of previously recognized compensation expense. We have recorded a recovery of $19.5 million in salaries and benefits expense ($19.0 million in the Dailies segment and $0.5 million in the Communities segment) and $0.9 million of interest income related to these two claims.

In addition, we have filed two additional digital media tax credit claims, the review of which by the OMDC has not yet been completed and as a result, there is uncertainty regarding timing and amounts (if any) that may ultimately be received. We are not eligible to make any further claims under this program for periods subsequent to April 23, 2015.

Outstanding Share and Share Option Information
As at February 22, 2019, we had 9,808,215 Class A voting shares and 71,304,128 Class B non-voting shares outstanding. As at December 31, 2018 we had 9,808,215 Class A voting shares and 71,304,053 Class B non-voting shares outstanding. More information on our share capital is provided in Note 20 of the 2018 Consolidated Financial Statements.

As at February 22, 2019, we had 8,572,983 (December 31, 2018 - 8,661,064) 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 2018 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, we continue to enter into zero cost collar arrangements to hedge the original net investment of U.S $137.0 million. In February 2018, at the expiry of a previous collar arrangement we simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement maturing in August 2018, with a range of Cdn $1.15 to Cdn $1.31 for U.S. $1.00. In July 2018, we settled the outstanding collar arrangement and simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement maturing in July 2019, with a range of Cdn $1.19 to Cdn $1.39 for U.S. $1.00.

The collar arrangements were designated as a hedge of the net investment in VerticalScope. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness. When the rate of exchange is within the collar range, while there are no cash payments, the change in fair value reflect the cost of hedging and are recorded in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity within AOCI. Any gains or losses related to the ineffective portion of the hedge are recorded in net income.

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 obligations as at December 31:

($000's)	2018	2017
Registered pension plans	($42,620)	($47,548)
Unregistered/unfunded pension plans	(7,308)	(8,947)
Post employment benefit plan	(44,641)	(48,221)
	($94,569)	($104,716)

At December 31, 2018, our net deficit related to our registered defined benefit pension plans was $42.6 million, representing a favourable movement of $4.9 million from a net deficit of $47.5 million at December 31, 2017.

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

($000's)	2018	2017
Registered pension plans	($9,023)	($12,237)
Unregistered/unfunded pension plans	(375)	(305)
Post employment benefits plan	(221)	(199)
	($9,619)	($12,741)

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 2018 and 2017 were:

	2018	2017
To determine the net benefit obligation at the end of the year:		
Discount rate	**3.5% to 3.9%**	3.1% to 3.4%
Rate of future compensation increase	**2.5%**	2.5%
To determine benefit expense:		
Discount rate	**3.1% to 3.4%**	3.2% to 3.8%
Rate of future compensation increase	**2.5%**	2.5%
	2019	
To determine the pension benefit expense for the following year:		
Discount rate	**3.5% to 3.9%**	
Rate of future compensation increase	**2.5%**	

The discount rates of 3.5% to 3.9% were the yields at December 31, 2018 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, 2018 of $99.0 million. A discount rate that was one percent lower would have increased the value of the net pension plan obligation at December 31, 2018 by $112.2 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, 2018 would be approximately $4.6 million lower. If the estimated discount rate were one percent lower, the obligation at December 31, 2018 would be approximately $5.6 million higher. For health care costs, the estimated trend was for a 5.0% increase for the 2018 expense. For 2019, 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, 2018 would be approximately $1.4 million higher. If the estimated increase in health care costs were one percent lower, the obligation at December 31, 2018 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 gains of $12.3 million were recognized through OCI in 2018 and actuarial losses of $35.8 million were recognized through OCI in 2017.

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, 2017. Based on these valuations, as well as the impact of recently introduced solvency relief measures, we currently anticipate that 2019 minimum required funding in respect of registered defined benefit pension plans will be approximately $2 million. However, we anticipate that this minimum required funding will be reimbursed to Torstar in connection with the merger with the CAAT Plans discussed below.

Based on the December 31, 2017 solvency report, we had an estimated solvency deficit of $103 million at December 31, 2017. 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 $140 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 increased by 0.21% in 2018 from December 31, 2017. Given the change in the discount rate, combined with asset returns from December 31, 2017 through to December 31, 2018, we estimate that the solvency deficit for these plans at December 31, 2018 was approximately $123 million.

On September 27, 2018, the Company received approval from the members of its eight registered defined benefit pension plans to proceed with the merger of the Torstar Plans with the CAAT Plan effective October 1, 2018, with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur prior to the second half of 2019.

Following the consent of the Superintendent of Financial Services (Ontario), the liabilities for all past benefits under the Torstar Plans will be transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan will assume responsibility for all pension benefit payments to members of the Torstar Plans going forward. Effective October 1, 2018, members of the Torstar Plans began accruing benefits under the new DBplus provisions of the CAAT Plan and the Company expensed $1.0 million for contributions made to the CAAT Plan in the fourth quarter of 2018. Effective January 1, 2019, most employees that participated in our defined contribution type plans also began participating in the CAAT Plan. Most employees hired after January 1, 2019 will also participate in the CAAT Plan. Pension expense and contributions related to the CAAT Plan are based on a fixed percentage of earnings.

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 2018 Consolidated Financial Statements are outlined in Note 2 of the 2018 Consolidated Financial Statements for the year ended December 31, 2018, including the nature and impact of the adoption of IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments,* effective January 1, 2018. We have not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Accounting Estimates and Judgements

The preparation of our 2018 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, tax credits 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 several 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 2018 Consolidated Financial Statements.

Impairment of non-financial assets

At each reporting date, we are required to assess our investments, intangible assets, and property plant and equipment 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. 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 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 cost to sell ("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. 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 2018 Consolidated Financial Statements for further details about the methods and assumptions used in estimating the recoverable amount.

As at December 31, 2018 the carrying value of investments, intangible assets and property, plant & equipment represented 34%, 8%, and 12% 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, 2017 the carrying value of investments, intangible assets and property, plant and equipment represented 35%, 8% and 11% respectively of total assets. These values, for the applicable segments, are outlined in the notes to the 2018 Consolidated Financial Statements. In the year ended December 31, 2018, we recorded impairment charges (on a segmented basis), related to investments totaling $8.0 million. In the year ended December 31, 2017, we recorded impairment charges (on a segmented basis), related to goodwill and investments totaling $11.1 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 2018.

Income and other tax credits

We have recorded the benefit of digital media tax credits based on estimates, using accounting principles that recognize the benefit 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 and the timing of realization of such amounts can materially affect the determination of net income or cash flows. Refer to Note 15 of the 2018 Consolidated Financial Statements for further details on the digital media tax credits.

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 and Blue Ant 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 2018 and 2017 for Black Press and 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: Community Brands, Daily Brands and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. 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.

Each of the Communities, Dailies and Digital Ventures segments include CGUs which have been grouped together for purposes of impairment testing. Within the Communities segment, we have identified a number of CGUs including the community newspapers and their flyer distribution and printing operations as well as a number of separate digital CGUs. Within the Dailies segment, we have identified the Toronto Star and the StarMetro publications as well as a number of other smaller digital platforms as one CGU and the regional dailies as a separate CGU which includes the Hamilton Spectator, Waterloo Region Record, St. Catharines Standard, Welland Tribune, Niagara Falls Review, Peterborough Examiner and their respective flyer distribution operations. Within the Digital Ventures segment, we have identified eyeReturn 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(s) in our 2018 Consolidated Financial Statements. The following new standards or amendments to accounting standards, which will be effective subsequent to 2018, are expected to have an impact on the interim or annual consolidated financial statements or related disclosures:

In January 2016, the IASB issued IFRS 16 *Leases* 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 the right-of-use assets and related financial 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 finalizing our analysis and we anticipate that the application of IFRS 16 will result an increase in both assets and liabilities of approximately $16 million on transition. The adoption of the lease standard will have a positive impact on adjusted EBITDA in respect of rent expense which will be offset by increased amortization and depreciation expense of approximately $5 million and interest accretion expense of approximately $1.5 million for the full year. On a comparative basis, we estimate that the impact on the adjusted EBITDA for 2018 for the removal of the rent expense to be approximately $5.4 million (Dailies Segment approximately $1.6 million, Communities segment approximately $3.2 million and Digital Ventures segment approximately $0.6 million), split evenly over the four quarters.

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, 2018, 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, 2018, 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, 2018.

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, 2018, 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 2018, 2017 and 2016

(in $000's - except per share amounts)	2018	2017	2016
Revenue	$543,391	$615,685	$685,099
Segmented Revenue *	$615,031	$691,600	$761,697
Net loss from continuing operations	($38,045)	($30,638)	($76,036)
Per Class A voting and Class B non-voting share - Basic and Diluted	($0.47)	($0.38)	($0.94)
Net income (loss)	(31,570)	(29,288)	(74,836)
Net income (loss) attributable to equity shareholders	(31,524)	(29,171)	(74,750)
Per Class A voting and Class B non-voting share Basic and Diluted	($0.39)	($0.36)	($0.93)
Average number of shares outstanding during the year (in 000's) Basic and Diluted	80,990	80,785	80,653
Cash dividends per Class A voting and Class B non-voting share	$0.10	$0.10	$0.18
Total assets	$426,792	$481,227	$564,491

*Includes proportionately consolidated share of joint venture operations and VerticalScope. This is a non-IFRS or additional IFRS measure, 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 sale of Workopolis in the second quarter of 2018, the publications purchased and sold from the transaction with Postmedia in the fourth quarter of 2017, the discontinuation of Toronto Star Touch in the third quarter of 2017, and the sale of WagJag in the fourth quarter of 2017, digital revenues increased 2% in 2018, 0% in 2017 and 18% in 2016.

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.

Total assets have declined over the three-year period reflecting total impairment charges of $8.0 million in 2018, $11.1 million in 2017 and $7.5 million in 2016. In addition, on a segmented basis, we recorded amortization and depreciation expenses totaling $66.7 million in 2018, $66.9 million in 2017 and $122.0 million in 2016.

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, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenue	$144,860	$126,388	$143,171	$128,972	$169,339	$145,913	$161,757	$138,676
Net Income (loss) from continuing operations	($3,257)	($18,777)	$4,849	($20,860)	$7,847	($6,589)	($7,499)	($24,397)
Per Class A voting and Class B non-voting share -								
Basic and Diluted	($0.04)	($0.23)	$0.06	($0.18)	$0.10	($0.08)	($0.09)	($0.30)
Net Income (loss) attributable to equity shareholders	($3,117)	($18,753)	$4,848	($14,502)	$8,652	($6,557)	($6,988)	($24,278)
Per Class A voting and Class B non-voting share								
Basic and Diluted	($0.04)	($0.23)	$0.06	($0.18)	$0.11	($0.08)	($0.09)	($0.30)

The summary of quarterly results illustrates the cyclical nature of revenues and operating profit in Daily Brands, Community Brands 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 $4.4 million, $7.6 million, $2.1 million and $6.4 million in the first, second, third and fourth quarter of 2018 and $4.9 million, $6.2 million, $1.7 million and $6.0 million in the first, second, third and fourth quarters of 2017 respectively. Additionally, losses on impairment of assets (reported on a segmented basis) of $8.0 million were recorded in the fourth quarters of 2018 and $3.0 million and $8.1 million were recorded in the first and fourth quarters of 2017 respectively.

In addition, the first quarter of 2018 included an income tax recovery of $6.3 million from discontinued operations in respect of the sale of Harlequin. The fourth quarter of 2018 included pre-tax recoveries from discontinued operations of $0.3 million while the second and fourth quarters of 2017 included pre-tax recoveries from discontinued operations of $0.6 million and $1.0 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 loss, 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 2018 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
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 2018	Fourth Quarter 2017	Fourth Quarter 2018	Fourth Quarter 2017
Operating profit (loss)	($470)	$12,446	$9,793	$13,604
Add: Restructuring and other charges	6,387	6,035	5,876	5,912
Add: Impairment of assets	8,000	8,133		8,133
Operating earnings (loss)	$13,917	$26,614	$15,669	$27,649
Add: Share based compensation	198	907		
Add: Amortization and depreciation	15,660	15,464	6,913	6,934
Adjusted EBITDA	$29,775	$42,985	$22,582	$34,583

	Segmented		Per Consolidated Statement of Income	
	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Operating profit (loss)	($36,231)	($25,134)	($9,876)	($18,484)
Add: Restructuring and other charges	20,454	18,850	17,525	17,512
Add: Impairment of assets	8,000	11,133		8,133
Operating earnings (loss)	($7,777)	$4,849	$7,649	$7,161
Add: Share based compensation	1,809	2,492		
Add: Amortization and depreciation	66,733	66,868	26,949	36,987
Adjusted EBITDA	$60,765	$74,209	$34,598	$44,148

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	
	2018	2017	2018	2017
Adjusted earnings (loss) per share	$0.15	$0.32	($0.11)	$0.01
• Restructuring and other charges	(0.08)	(0.07)	(0.25)	(0.23)
• Impairment of assets	(0.10)	(0.10)	(0.10)	(0.14)
• Non-cash foreign exchange	(0.01)	(0.01)	(0.02)	0.01
• Other income		0.05		0.05
• Other		(0.09)	0.01	(0.08)
Earnings (loss) per share from continuing operations	($0.04)	$0.10	($0.47)	($0.38)

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 2018, 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, the distribution of inserts and flyers and the generation of subscription revenue. Advertising revenue includes in-paper advertising, digital advertising and specialty publications.

Competition and Digital Shift

We operate in a highly competitive environment. Our publications, platforms and sites, including those of VerticalScope, face intense competition for users, readers, subscribers and advertisers.

There has been a continuing structural shift within the media industry from print to digital formats and, as a result, digital media generates significant competition for advertising and subscription revenue and readership. This shift has and will continue to negatively impact our print advertising revenue and, to a lesser extent, our print subscription revenue. Digital competition is not limited to platforms that provide news and news aggregation. Our digital competitors include but are not limited to providers of search engine marketing, display advertising, digital flyers, digital classifieds, digital directories, social media, mobile advertising, loyalty programs, ecommerce and digital retailers and video advertising. 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.

Our existing and potential future digital competitors range from start-up operations with low cost structures to large global players who may not be subject to the same regulatory requirements and restrictions as Canadian companies. The shift to digital media has resulted in a significant increase in competition from global competitors, including large U.S. and international news and other content providers, as well as global technology giants and digital platform providers such as Google, Facebook, Apple and Amazon. These competitors are increasingly larger, and may have sales tax and other tax advantages over Canadian companies, and access to greater operational, financial and other resources. They may have interests in multiple forms of media, hold vast pools of user data, provide greater audience reach, and offer more sophisticated targeting capabilities, and they may be more successful in attracting advertising and subscription revenue.

Global technology giants have taken a dominant share of the digital advertising market, including advertising revenue and advertising revenue growth. We anticipate that this trend will continue. 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. As programmatic advertising becomes more prevalent, advertisers are increasingly showing a preference for lower priced advertising solutions, which in turn puts downward pressure on the price of all advertising services. The extent and nature of competition has intensified over the past several years as a result of the rapid and continued development of digital and other 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 or effectively 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 and revenue sources, including digital subscription offerings, mobile platforms, video and other evolving content delivery platforms. There is a risk that we will be unable to successfully attract or retain subscribers, 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, and evolution of, digital advertising. To date, 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 early stages of development or implementation and may not contribute to 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 and impact our ability to generate revenue through these platforms. In addition, distribution of our content and advertising on third party delivery platforms may hamper our ability to form a direct relationship with consumers, limit our opportunity to effectively monetize our own digital products, and negatively impact our control over the distribution of our content.

Consumers are increasingly relying on mobile devices to consume news and other content. Our success on mobile platforms depends upon the ability to provide a combination of content, advertising and digital subscriptions 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, some of whom are the same global technology giants with whom we compete for advertising revenue. Through their mobile devices and operating systems, these third parties have the unique ability to obtain control and significant geolocation and other data that is becoming increasingly essential to effectively service the growing number of advertisers who wish to target their ads by user location and behavior. This could negatively affect our ability to offer effective advertising solutions as compared to our competitors and our ability to generate advertising revenue. 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 platforms or content on mobile devices. For example, they may choose to feature or pre-load their own content, platforms or services on the mobile devices and operating systems

they design, which could deter or impede consumers from downloading, accessing or using our content, platforms and services. If our solutions were unable to work or attract consumers or we were otherwise unable to effectively provide content or advertising on these mobile devices, our ability to generate revenue could be significantly harmed.

Demand for newer forms of advertising, such as video, branded content and other custom advertising, is rising. However, the margin on revenues from some of these newer forms of advertising is typically lower than the margin generated from print advertising and traditional digital display advertising. As a greater percentage of our advertising revenue comes from these lower margin advertisements, we may experience further downward pressure on our advertising revenue margins.

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.

Our ability to grow and retain advertising and subscription revenue in this evolving competitive environment depends on a number of factors both within and outside of our control, including, among others:

- Our ability to deliver quality journalism and other content that engages our customers;
- The performance, popularity, usefulness, and reliability of our products and services, and the platforms on which they are offered;
- Our ability to successfully adapt our products and services to continually evolving mediums, delivery and distribution methods and business models;
- Our ability to adapt to rapid industry changes and an increasing number of digital media options, and respond quickly and effectively to new and emerging technologies and changes in consumer behavior;
- The perceived value of our products and services;
- The availability of competitive products and services from U.S. and international news organizations that offer low priced digital products in Canada;
- The availability of free news content, including from global technology giants and subsidized public broadcasters;
- Our ability to charge for news content used by search, social media and other technology companies;
- Our ability to effectively develop, promote and monetize existing and new products and services; and
- Our ability to distinguish our products and services from those of our competitors.

Content, Audience and Readership

Advertisers often base their decisions about where to advertise in print on readership and circulation data. Print readership levels, in addition to generating 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 are devoting less time to reading print newspapers than they once did and as a result print newspaper readership has been declining. This will continue to put negative pressure on print subscription revenues and print advertising revenues. While digital readership is an important factor in the ability of a newspaper to generate digital subscription and advertising revenue, it has had a negative impact on print subscription volumes and revenues and also on print readership. Our digital advertising and digital subscription revenue has not replaced, and may not replace in full, print advertising and print subscription revenue lost as a result of the digital shift.

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 forum discussions, the newsworthiness of current events, public perceptions regarding the credibility of media organizations and journalism in general, among other intangible factors, may also contribute to the fluctuation in readership levels, and accordingly, limit our ability to generate advertising and subscription revenue.

Digital readership, traffic levels and the ability to target consumers are key drivers of how digital advertisers base their decisions about where to advertise digitally. In order to be successful in digital advertising, we need to generate traffic on our digital platforms and gather and leverage data that is valuable to advertisers. With the increase in alternative digital content providers and digital platforms (including customized news feeds, news aggregation websites, and social media and mobile based content delivery 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 or subscription revenues. In addition, certain new and evolving content delivery platforms may present more limited opportunities for advertising.

We are becoming more reliant on subscription revenues. We recently implemented a pay model for online readership for thestar.com, and certain of our other news sites (such as thespec.com and therecord.com) also offer paid digital subscriptions. We also recently launched a paid print and digital subscription pilot in a number of test markets within our Community Brands segment. Our ability to build and maintain customers for digital content depends on many factors, including consumer habits, the timely development and evolution of adequate and adaptable digital infrastructure, delivery platforms, perceived product value, available alternatives, delivery of high quality journalism and content, market acceptance of registration and subscription models and other factors. In addition, the reputation of our digital platforms is an important factor in growing and maintaining traffic and generating advertising and subscription revenue. The continuing availability of free high quality news content from competitors (including subsidized public broadcasters who provide consumers with content competitive to ours in multiple mediums including digital, television and radio), could undermine our ability to attract and retain paying customers for, and to generate subscription revenues from, digital content. Advertisers' and customers' 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 and subscription revenue. In addition, while a pay model may increase subscription revenues, we also face the risk of reduced page views and print and online readership levels, which could have a negative impact on advertising revenues.

Our traffic levels (including those of VerticalScope) are dependent on internet search engines and our ability to influence search engine rankings as we depend in part on various internet search engines and social media properties (some of which are controlled by the same global technology giants with whom we compete for advertising revenue) to direct traffic to our platforms and properties. Our ability to influence the search engine rankings of these platforms and properties through search engine optimization efforts is limited. Changes by internet search engines and social media properties in their algorithms, including changes affecting how content is displayed or prioritized within those engines and platforms, have caused and could in the future cause us to immediately and without warning receive less user traffic and affect our ability to generate advertising and subscription revenue.

Economic Conditions and Customer Prospects

Revenue from our publications, digital platforms and distribution operations is dependent on the prospects of our advertising clients and the buying decisions of 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, our customers 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 and shifts in their industries. 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 Daily Brands and Community Brands 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, increased labour costs (including from increases in the minimum wage), 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. Our ability to preserve and leverage the value of our various brands and VerticalScope's brands is also important to our success. In particular, the Toronto Star's and thestar.com's reputation for high-quality journalism

and content makes these brands a key asset and their continued success depends in part on our ongoing ability to preserve and leverage the value of these brands. Our brands could be damaged by events or trends both within and outside of our control that erode consumer trust. The perceived reliability of our journalism might suffer as a result of negative publicity, or a general erosion of the public's confidence in the credibility of mainstream media organizations. 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, or a general reduction among consumers in trust in journalism or in the demand for reliable content sources could have an adverse impact on our business, operations or financial condition.

Dependence on Third-Party Suppliers and Service Providers

We rely increasingly on third-party suppliers and service providers for certain key services including distribution, printing (including printing of the Toronto Star), call center services, digital subscription and registration functions, certain information technology functions, including cloud computing and data storage, use and access, digital publishing and circulation platforms, 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, by the suppliers or service providers being unable or unwilling to provide services as anticipated, by a lack of competition between existing or potential suppliers or service providers in the marketplace (for example, due to there being limited suppliers or service providers for a particular service), 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

We place considerable reliance upon technology and information systems ("IT"), including systems built internally as well as those of third party service providers, throughout our operations, including for digital platforms, content delivery, circulation, subscription, payment processing, email, back-office support, software provision and other functions. The continuing, uninterrupted and secure performance of our systems is critical to our businesses. These systems often come from multiple third party vendors and must be interconnected and integrated in order to effectively support our operations. Certain systems may not have been designed with such connection in mind, and performing the required integrations may take more effort, time and money than originally anticipated. In addition, there is a risk that certain systems may not be able to connect effectively, securely, in a way that is error-free, or at all. This could challenge our systems' ability to support our businesses' goals, and affect our ability to operate and transform our businesses in our preferred manner and at our desired pace. We have a steering committee in place which oversees technology and information systems security. We provide periodic reports to the Audit Committee. We continually re-assess our IT security threat landscape and its impact on our risk exposure. Despite our IT performance targets and security measures and those of our third-party service providers, our systems and those of our service providers may be susceptible to interruption, downtime, poor performance, breach, vulnerabilities, damage or failure, including from obsolescence, 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, phishing, social engineering or other similar events or issues. This could compromise our systems, disrupt our activities and result in lost revenue. In addition, the information we collect, use and store could be inappropriately accessed, corrupted, publicly disclosed or exposed, lost or stolen, and the performance and continuing uninterrupted service of our systems could be compromised. See also the risks and uncertainties described below related to "Cybersecurity and Data Protection".

Cybersecurity and Data Protection

Our businesses collect, use and store increasing amounts of data, much of which is confidential, including intellectual property, employee information, personal information and business information (such as internal information and information from clients, customers, users of our digital platforms or services, suppliers and business partners). 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 the risk of these kinds of attacks continues to increase. Attackers may use a blend of technology and social engineering techniques (including phishing intended to prompt employees and users to disclose information or unintentionally provide access to systems or data, denial of service attacks, and other techniques), to disrupt service or extract data. We seek to mitigate emerging and existing cyber risks through our continuous monitoring program, implementation of advanced technology based defense systems and technological, physical and administrative controls which include entity wide security policies and procedures. 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 our systems

and those of our service providers, or the data that we and our service providers collect, use and store, 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 inappropriate disclosure of personal or confidential information, which could harm our reputation, require us to expend resources to remedy such an event or defend against further attacks, subject us to litigation, investigations, 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. See also the risks and uncertainties described above relating to "Reliance on Technology and Information Systems"

Strategic Initiatives, Acquisitions and Dispositions

Our growth (including growth at VerticalScope) is dependent on the ability to identify, develop and execute appropriate strategic initiatives. Strategic initiatives may involve organic growth, growth through acquisition or investment, and strategic partnerships and content arrangements, as well as our efforts to transform our traditional news brands and to generate new digital revenue streams. 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 partnerships, and, for certain initiatives, the risks associated with acquisitions, investments or expansions. Strategic initiatives may not successfully generate revenues or improve operating profit. 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 particular strategic initiative will be successful.

Acquisitions and investments involve numerous additional 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 acquisition or divestiture will be available to us or that it will be available at an appropriate price. In addition, acquisitions and divestitures are subject to regulatory risks. Please see "Government Regulations" below for further discussion.

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. 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 provided, 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.

Employee Future Benefits

On September 27, 2018, we received approval from the members of our eight registered defined benefit pension plans (the "Torstar Plans") to proceed with the merger of the Torstar Plans with the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan") effective October 1, 2018, with Torstar and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur prior to the second half of 2019. However, there can be no assurance that the consent of the Superintendent of Financial Services (Ontario) will be obtained within the expected timeframe, or at all.

Effective October 1, 2018, employees that participated in the Torstar Plans began participating in the CAAT Plan with respect to the accrual of future benefits. Effective January 1, 2019, most employees that participated in our group retirement savings/deferred profit-sharing plans and defined contribution plans ceased participating in those plans and began participating in the CAAT Plan. Most new employees hired after January 1, 2019 will also participate in the CAAT Plan. Participating in the multiemployer CAAT Plan requires us to make periodic contributions to the CAAT Plan. As a participating employer in the CAAT Plan, we do not have the ability to reduce these contributions, and a failure to make the required contributions could subject us to penalties including interest on unpaid contributions and collection costs. A breach by Torstar of the agreement with CAAT could also subject us to the risk of CAAT terminating our participation in the CAAT Plan. In addition,

in the event of a distressed wind-up of the CAAT Plan with a deficiency, there is a risk to Torstar of residual liability in respect of its own employees and former employees.

If the consent of the Superintendent of Financial Services (Ontario) is obtained, the liabilities for all past benefits under the Torstar Plans will be transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan will assume responsibility for all related pension benefit payments to members of the Torstar Plans going forward. Although no additional cash funding related to the transferred liabilities is expected to be required from Torstar in connection with the merger, there is a risk that Torstar may be required to contribute additional funds under certain circumstances, including in the event of a breach by Torstar of certain representations and covenants pursuant to the agreement between Torstar and CAAT.

If the consent of the Superintendent of Financial Services (Ontario) is not obtained, Torstar would retain the liabilities for all past benefits under the Torstar Plans, and there is a risk that Torstar or the CAAT Plan could terminate Torstar's ongoing participation in the CAAT Plan.

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 changes in the funded status of 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.

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. These obligations and liabilities will continue following the expected merger of the Torstar Plans with the CAAT Plan.

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. This includes a significant investment in VerticalScope, where we effectively share control over certain key matters, and a number of smaller investments in other businesses.

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 and the limited number of printers in the marketplace with sufficient capacity to print our publications, 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".

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 175 staff at One Yonge Street covered by a collective agreement which expired December 31, 2018 and negotiations are expected to commence shortly.

Sing Tao has two collective agreements covering approximately 80 employees that expired in December 2018 and negotiations are expected to commence shortly. StarMetro Toronto operations have a collective agreement covering approximately 80 employees that will expire in March 2020. A first collective agreement is currently being negotiated for 13 employees at the StarMetro Vancouver operations.

At the other Daily Brands, there are thirteen collective agreements covering approximately 390 employees. One agreement covering approximately 10 employees at the St. Catharines Standard expired in December 2017 and an agreement covering one employee at the St. Catharines Standard expired March 2018 and negotiations have commenced for both agreements. Two agreements covering approximately 135 employees at the Hamilton Spectator and four agreements covering approximately 80 employees at the Waterloo Region Record expired at the end of December 2018 and negotiations are expected to commence shortly. Two agreements covering approximately 80 employees at the Hamilton Spectator will expire at the end of May 2019. One agreement covering approximately 10 employees at the Peterborough Examiner will expire in August 2019. One agreement covering approximately 70 employees at the Hamilton Spectator will expire at the end of December 2019. One agreement covering four employees at the Niagara Falls Review will expire at the end of December 2020.

The Community Brands Group has a total of ten collective agreements covering approximately 200 employees. There are two agreements covering approximately 20 employees which expired August 2018 and negotiations are expected to commence shortly. Three agreements covering approximately 40 employees will expire in November 2019 and five agreements covering approximately 140 employees will expire December 2020.

Newsprint Costs

Newsprint is the single largest raw material expense for our newspaper operations and represents approximately 11% of total operating costs for 2018. 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, limitations on the supply of raw materials, and changes in trade agreements and arrangements. We primarily source newsprint from two main suppliers. For 2019, we have fixed the cost of newsprint for a portion of the year with one of our suppliers. Newsprint prices are currently expected to be higher than what we experienced in 2018. 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.

Distribution Costs

We rely on third party service providers to deliver many of our products to customers. These service providers range in size and scale from large distribution businesses to individual independent contractors. Significant increases in our fees and costs associated with engaging these third party service providers (including increases due to wage increases, rising fuel prices, severe weather events, changes in employment laws, regulatory assessments of employment status or other matters) could materially increase our distribution expenses and/or have an adverse effect on our business, results and financial performance.

Government Regulations

<u>General</u>

Our businesses are subject to a variety of laws and regulations, policies and decisions, including laws applicable generally to business such as environmental, privacy, anti-spam, communications, competition and e-commerce laws. We may be notified from time to time of additional laws, regulations, policies or decisions which governmental organizations or others may claim are or should be applicable to certain of our businesses. We may also be subject to adverse outcomes of legal and regulatory proceedings. Adverse outcomes of legal and regulatory proceedings, as well as changes in, or the failure to comply with, legislation, regulations, policies or decisions could adversely affect our operations and/or our reputation. If we are required to alter our business practices as a result of additional or changed laws, regulations, policies or decisions, or adverse outcomes of legal and regulatory proceedings, revenue could decrease, costs could increase and/or certain of our businesses could otherwise be harmed. In addition, the costs and expenses associated with dealing with any requests, order or actions related to such legal and regulatory proceedings, laws, regulations, policies and decisions, 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, Confidential Information and Data Use and Protection

Laws relating to privacy, anti-spam, communications, data protection, e-commerce, direct marketing and digital advertising and the collection and use of consumer data have become more prevalent and increasingly restrictive in recent years both within Canada and in other parts of the world. These laws are evolving, and the way in which they are interpreted and enforced by regulators and courts in Canada and other jurisdictions is likely to continue to change in the future. For example, legislation and regulations - both within and outside of Canada - impose limits on our collection and use of certain kinds of information (including without limitation personal information gathered through online and mobile analytics, profiling data, geo-location data, data collected in the course of online behavioural advertising, and other personal data) and the distribution of certain communications. The costs of compliance and/or non-compliance with industry, legislative or regulatory initiatives to address these changes, 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 unauthorized 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 Canadian and foreign laws and in information technology and analytics technology and services. Any 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”, “Cybersecurity and Data Protection” and “Loss of Reputation”.

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, that additional expenditures will not be required to meet current or future legislation, or that we will be able to secure materials (such as recycled newsprint) that meet all applicable regulatory requirements. 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

Regulatory Proceedings

In November 2017 we completed a transaction with Postmedia, in which we purchased and sold a number of daily and community newspapers. The Competition Act (Canada) allows for a one-year period following the completion of a merger transaction during which the Commissioner of Competition may bring an application to the Competition Tribunal challenging the transaction on the basis that it prevents or lessens competition substantially in any relevant market. The Commissioner did not bring such an application. The Competition Bureau has indicated that it is investigating the transaction under the conspiracy provisions of the Competition Act. We do not believe we have contravened the Competition Act. However, the Competition Bureau’s ongoing investigation of the Postmedia transaction, including any developments that are or are perceived to be unfavourable to us, could result in reputational damage, legal costs, diversion of management’s attention and resources, fines, penalties or judgements, or otherwise adversely impact our businesses.

Litigation

We are involved in various legal actions, which arise in the ordinary course of business. These actions include the litigation as described 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. Although we maintain insurance for many of types of claims, there can be no assurance that insurance will be available or adequate 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.

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 16 to our 2018 Consolidated Financial Statements). In addition, predominantly all of VerticalScope's revenues (approximately 8% of Torstar's 2018 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.

Dependence on and Competition for 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 increasingly intense competition for qualified managers and skilled employees (including in data, technology and product development focused roles which are key to our transformation) and our failure to recruit, train and retain such employees could have an adverse effect on our business, financial condition or operating results.

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.

Intellectual Property Rights and Other Content Risks
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. Some of this content - in particular, carefully researched pieces of investigative journalism - is expensive and time-consuming to produce. However, once such content is published, we are often unable to prevent third parties from using the facts and ideas it contains to create their own stories on similar topics with comparatively little investment. In addition, unauthorized parties may attempt to copy or otherwise unlawfully obtain and use our content, services, and other intellectual property, and we cannot always effectively prevent such unauthorized uses or misappropriation of our intellectual property, or any resulting confusion that may arise among consumers or advertisers. 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 (including those of VerticalScope) may be defamatory, infringing, incorrect, negligent, unlawful or otherwise inappropriate. 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 reputation or results. See also the risks and uncertainties described above related to "Litigation".

Income Tax and Other Tax Credits
We have recorded the benefit of digital media tax credits based on estimates, using accounting principles that recognize the benefit 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 and the timing of realization of such amounts can materially affect the determination of net income or cash flows.

We have also recorded significant amounts of current and deferred income tax expense related to our investment in VerticalScope, 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.

While we believe that we have 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, tax credits, 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.

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 2018 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.

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.

Financial Reporting and Impairment

We are responsible for establishing and maintaining adequate internal controls over financial reporting, a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject

to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Economic, market, legal, regulatory, competitive, customer, contractual and other factors may affect the value of our long-lived assets, intangible assets and investments. 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

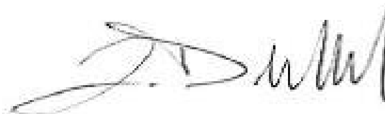
Management is responsible for preparation of the consolidated financial statements, notes hereto and other financial information contained in this annual report. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards using the best estimates 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.

John Boynton
President and Chief Executive Officer
February 26, 2019



Lorenzo DeMarchi
Executive Vice-President and Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Torstar Corporation

Opinion

We have audited the consolidated financial statements of Torstar Corporation and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2018 and 2017, and the consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Scott Kerr.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

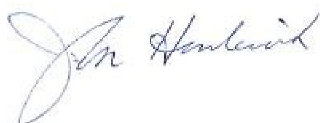
Toronto, Canada
February 26, 2019

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

	As at December 31, 2018	As at December 31, 2017
Assets		
Current:		
Cash and cash equivalents	**$68,227**	$71,377
Restricted cash (note 6)	**7,175**	9,056
Receivables (note 15)	**105,143**	112,946
Inventories (note 7)	**3,918**	4,326
Derivative financial instruments (note 15)		57
Prepaid expenses	**5,152**	4,373
Prepaid and recoverable income taxes	**332**	1,000
Total current assets	**189,947**	203,135
Investments in joint ventures (note 8)	**12,692**	23,420
Investments in associated businesses (note 9)	**131,216**	142,769
Property, plant and equipment (note 10)	**49,205**	55,259
Intangible assets (note 11)	**32,592**	40,217
Other assets (note 13)	**11,140**	12,967
Deferred income tax assets (note 14)		3,460
Total assets	**$426,792**	$481,227
Liabilities and Equity		
Current:		
Accounts payable and accrued liabilities (15)	**$61,814**	$72,962
Deferred revenue (note 4)	**13,844**	16,170
Derivative financial instruments (note 15)	**2,843**	
Provisions (note 17)	**13,247**	18,113
Income taxes payable	**515**	6,781
Total current liabilities	**92,263**	114,026
Provisions (note 17)	**5,343**	6,714
Other liabilities (note 18)	**5,170**	6,599
Employee benefits (note 19)	**94,569**	104,716
Deferred income tax liabilities (note 14)		3,342
Equity:		
Share capital (note 20)	**403,437**	403,040
Contributed surplus	**21,928**	21,322
Accumulated deficit	**(198,384)**	(176,180)
Other components of equity (note 22)	**2,657**	(2,207)
Total equity attributable to equity shareholders	**229,638**	245,975
Minority interests	**(191)**	(145)
Total equity	**229,447**	245,830
Total liabilities and equity	**$426,792**	$481,227

(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	
	2018	2017
Operating revenue (note 4)	**$543,391**	$615,685
Salaries and benefits	**(219,296)**	(245,906)
Other operating costs	**(289,497)**	(325,631)
Amortization and depreciation (notes 10 and 11)	**(26,949)**	(36,987)
Restructuring and other charges (note 17)	**(17,525)**	(17,512)
Impairment of assets (note 12)		(8,133)
Operating loss	**(9,876)**	(18,484)
Interest and financing costs (note 15)	**(1,332)**	(2,213)
Foreign exchange	**(1,414)**	493
Loss from joint ventures (note 8)	**(5,414)**	(1,845)
Loss from associated businesses (note 9)	**(20,394)**	(6,824)
Other income (note 23)	**303**	3,935
Loss before taxes from continuing operations	**(38,127)**	(24,938)
Income and other taxes recovery (expense) (note 14)	**82**	(5,700)
Net loss from continuing operations	**(38,045)**	(30,638)
Income from discontinued operations (note 24)	**6,475**	1,350
Net loss	**($31,570)**	($29,288)
Attributable to:		
Equity shareholders	**($31,524)**	($29,171)
Minority interests	**($46)**	($117)
Net income (loss) attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic and Diluted:		
From continuing operations	**($0.47)**	($0.38)
From discontinued operations	**$0.08**	$0.02
	($0.39)	($0.36)

(see accompanying notes)

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

	Year ended December 31	
	2018	2017
Net loss	**($31,570)**	($29,288)
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)	**(33)**	38
Unrealized foreign currency translation adjustment for associated businesses (no income tax effect) (note 9)	**8,046**	(7,489)
Net movement on available-for-sale financial assets		(332)
Income tax effect (note 14)		400
Unrealized loss on hedge of net investment (cost of hedging) (no income tax effect) (note 15)	**(1,498)**	
Realized loss on hedge of net investment (cost of hedging) (no income tax effect) (note 15)	**(120)**	
	6,395	(7,383)
OCI that will not be reclassified subsequently to net income (loss):		
Actuarial gain (loss) on employee benefits (note 19)	**12,287**	(35,757)
Actuarial gain on employee benefits for associated businesses (no income tax effect) (note 9)	**795**	66
Fair value change on equity instruments at FVOCI (note 22)	**3,106**	
Income tax effect (note 14)	**(300)**	
	15,888	(35,691)
Total other comprehensive income (loss), net of tax	**$22,283**	($43,074)
Comprehensive loss, net of tax	**($9,287)**	($72,362)
Attributable to:		
Equity shareholders	**($9,241)**	($72,245)
Minority interests	**($46)**	($117)

(see accompanying notes)

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

	Share capital	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss) ("AOCI")	Fair value reserve of financial assets at FVOCI	Total attributable to equity shareholders	Minority interests	Total equity
At December 31, 2016	$402,814	$20,797	($102,599)	$5,176		$326,188	($18)	$326,170
Net loss for the year			(29,171)			(29,171)	(117)	(29,288)
Other comprehensive income (loss)			(35,691)	(7,383)		(43,074)		(43,074)
Total comprehensive income (loss)			(64,862)	(7,383)		(72,245)	(117)	(72,362)
Dividends (note 20)	133		(8,079)			(7,946)		(7,946)
Issue of share capital – other (note 20)	93					93		93
Share of associate paid in capital (note 9)			(640)			(640)		(640)
Share-based compensation expense		525				525		525
Distribution							(10)	(10)
At December 31, 2017	**$403,040**	**$21,322**	**($176,180)**	**($2,207)**		**$245,975**	**($145)**	**$245,830**
Adoption of IFRS 9 (note 2)			**1,943**	**(2,867)**	**924**			
At January 1, 2018 (adjusted)	**403,040**	**21,322**	**(174,237)**	**(5,074)**	**924**	**245,975**	**(145)**	**245,830**
Net loss for the year			**(31,524)**			**(31,524)**	**(46)**	**(31,570)**
Other comprehensive income (loss)			**13,082**	**6,395**	**2,806**	**22,283**		**22,283**
Total comprehensive income (loss)			**(18,442)**	**6,395**	**2,806**	**(9,241)**	**(46)**	**(9,287)**
Dividends (note 20)	**155**		**(8,099)**			**(7,944)**		**(7,944)**
Issue of share capital – other (note 20)	**242**					**242**		**242**
Share-based compensation expense		**606**				**606**		**606**
Transfer of fair value of financial assets upon disposal (note 22)			**2,394**		**(2,394)**			
At December 31, 2018	**$403,437**	**$21,928**	**($198,384)**	**$1,321**	**$1,336**	**$229,638**	**($191)**	**$229,447**

(see accompanying notes)

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

	Year ended December 31	
	2018	2017
Cash was provided by (used in)		
Operating activities	**$14,444**	$15,404
Investing activities	**(9,838)**	(11,520)
Financing activities	**(7,756)**	(7,881)
Decrease in cash	**(3,150)**	(3,997)
Cash, beginning of year	**71,377**	75,374
Cash, end of year	**$68,227**	$71,377
Operating activities:		
Net loss from continuing operations	**($38,045)**	($30,638)
Amortization and depreciation (notes 10 and 11)	**26,949**	36,987
Deferred income taxes (note 14)	**(282)**	6,500
Loss from joint ventures (note 8)	**5,414**	1,845
Distributions from joint ventures (note 8)	**5,314**	2,187
Loss from associated businesses (note 9)	**20,394**	6,824
Dividend from associated businesses (note 9)		194
Impairment of assets (note 12)		8,133
Non-cash employee benefit expense (note 19)	**13,163**	15,393
Employee benefits funding (note 19)	**(11,023)**	(16,768)
Gain on sale of assets (note 23)	**(292)**	(3,725)
Other (note 25)	**(207)**	(4,074)
	21,385	22,858
Decrease in restricted cash (note 6)	**1,881**	2,791
Increase in non-cash working capital	**(8,822)**	(10,245)
Cash provided by operating activities	**$14,444**	$15,404
Investing activities:		
Additions to property, plant and equipment and intangible assets	**($14,411)**	($11,402)
Received from associated businesses (note 9)		63
Sale of joint ventures (note 8)		167
Acquisitions and portfolio investments (note 26)	**(2,228)**	(873)
Proceeds from sale of assets (notes 22 and 23)	**6,490**	500
Other (note 23)	**311**	25
Cash used in investing activities	**($9,838)**	($11,520)
Financing activities:		
Dividends paid	**($7,944)**	($7,946)
Other	**188**	65
Cash used in financing activities	**($7,756)**	($7,881)
Cash represented by:		
Cash	**$32,752**	$36,068
Cash equivalents – short-term deposits	**35,475**	35,309
Net cash, end of year	**$68,227**	$71,377

(see accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years ended December 31, 2018 and 2017

(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, 2018. These consolidated financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on February 26, 2019.

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 consolidated 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

Financial assets and liabilities are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit and loss ("FVTPL").

The classification of financial assets at initial recognition is based on the financial asset's contractual cash flow characteristics and the Company's business model for managing the assets. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI ("FVOCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

- Financial assets and liabilities at amortized cost (debt instruments)
- Financial assets at FVOCI, with gains or losses recycled to profit or loss on derecognition (debt instruments)
- Financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition (equity instruments)
- Financial assets and liabilities at FVTPL

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 amortized costs (debt instruments)

The Company measures financial assets at amortized cost if both the following conditions are met:

- Hold-to-Collect business model test - the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on a specified date.

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 and restricted cash. 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.

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.

Financial assets at FVOCI with no recycling (Equity Instruments)

Upon initial recognition, the Company can irrevocably elect to classify its unquoted equity instruments (portfolio investments) at FVOCI with no recycling of gains or losses to profit or loss on derecognition. The classification is determined on an instrument-by-instrument basis. Each of the portfolio investments meets the definition of definition of Equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. The portfolio investments are carried at fair value with the changes in fair value reported as unrealized gains or losses within OCI. Equity instruments classified in FVOCI are not subject to an impairment assessment.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established.

The Company elected to classify irrevocably its non-listed equity investments under this category. The cumulative fair value changes and impairment losses previously reported in AOCI and retained earnings have been reclassified on the Consolidated Statement of Changes in Equity to a new equity category.

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 FVTPL. Assets and liabilities in this category include derivative financial instruments that are not designated as hedging instruments in hedge relationships.

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

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.

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

Impairment of financial assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses ("ECLs") and recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 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 Holdings Inc. ("VerticalScope"). Changes in fair value on these instruments arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar within the collar range are recognized in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity. Fair value changes from movement in the foreign exchange rate within the collar range reflect the cost of hedging as the options have no intrinsic value. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness with the portion related to the cost of hedging accumulated in the separate component of equity. 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. The 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 varies 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 — 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	2 – 5 years
• Domain names	5 – 10 years
• Other	5 – 10 years

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) 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 IFRS 9, *Financial Instruments*, 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.

(k) 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.

(l) 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, 2018 and December 31, 2017, 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, and impairment of assets ("Normalized 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.

- Normalized 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, and impairment of assets ("Normalized 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.

(m) Revenue recognition

The Company has a number of different revenue streams all of which are derived from contracts with customers. 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 subscribers is largely generated by home delivery subscriptions; single copy sales at newsstands and vending machines; and the provision of digital subscriptions. Flyer 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 and services.

Revenue is measured based on the consideration specified in a contract and the Company recognizes revenue when it transfers control of a product or provides a service to a customer. A corresponding receivable is similarly recognized in instances where credit terms are extended as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No element of financing is deemed present as normal credit terms are 30 days or less upon delivery. The contracts with customers typically have no further separate performance obligations to which a portion of the transaction price should be allocated nor are subject to variable consideration. When payment is received in advance of the criteria being met for recognition of revenue, a contract liability is recognized in deferred revenue. With respect to incremental costs such as sales commissions incurred in obtaining a contract, the Company has elected to apply the practical expedient to expense these costs when incurred as the term of the Company’s contracts are one year or less.

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.

Subscription revenue

In respect of revenue from 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 digital 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.

(n) 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 are 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 and to the Colleges of Applied Arts & Technology Pension Plan (the "CAAT Plan") 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.

(o) 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. 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.

(p) 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.

(q) 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.

(r) 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 tax credits. 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 for impairment 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(l).

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, 2018, the carrying value of investments, intangible assets and property plant and equipment represented 34%, 8%, and 12% respectively of total assets and each reporting segment had investments and intangible assets with carrying values subject to these estimates. As at December 31, 2017, the carrying value of investments, intangible assets, and property, plant and equipment represented 35%, 8%, 11% respectively of total assets. Additionally, as a result of lower forecasted revenues that reflect the continued challenges in the print advertising market, expected future revenues and cash flows, the Company has recorded impairment charges related to investments totalling $8.0 million in the year ended December 31, 2018 ($11.1 million of impairment charges related to goodwill and investments in the year ended December 31, 2017). These charges impact net income or loss but have no effect on cash flows.

More details are provided in Note 12.

Income and other tax credits

The Company has recorded the benefit of digital media tax credits based on estimates, using accounting principles that recognize the benefit 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 and the timing of realization of such amounts can materially affect the determination of net income or cash flows. More details are provided in Note 15.

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. and Blue Ant Media 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: Community Brands ("Communities"), Daily Brands ("Dailies") and Digital Ventures. "Corporate" is the provision of corporate services and administrative support. Digital businesses outside the traditional newspaper operations are managed as one operating segment - Digital Ventures, and remains 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 Communities operating segment, the Company has identified a number of CGUs including 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 two CGUs within the Dailies operating segment, which includes all daily newspapers and their respective flyer distribution 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.

Determination of allowance for doubtful accounts

The Company applies a simplified approach in calculating ECLs for trade receivables and contract assets that have maturity of 12 months or less and do not contain a significant financing component and recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(s) Changes in accounting policies

Policies adopted in 2018:

Several new amendments and interpretations applied for the first time in 2018. The nature and impact of the adoption of the most significant of these standards is described below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15, *Revenue from Contracts with Customers*

Effective January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* 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. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. The Company adopted the standard in accordance with the modified retrospective transitional approach. There were no transitional adjustments or changes to the Company's revenue recognition policies required on adoption of this standard. The Company's contracts with customers are for a term of one year or less. The Company expenses its incremental costs of obtaining a contract when incurred in accordance with the practical expedient in IFRS 15.92 as the amortization period would have been one year or less. The Company records deferred revenues primarily from subscribers when cash payments are received or due in advance of the Company's performance. The standard requires disclosure with respect to contract assets and contract liabilities. Deferred revenue was previously included in the Consolidated Statement of Financial Position as part of current accounts

payable and accrued liabilities. Upon adoption of IFRS 15, deferred revenue has been separately disclosed in current liabilities.

IFRS 9, *Financial Instruments*

The Company adopted IFRS 9, *Financial Instruments*, effective January 1, 2018, which replaced IAS 39, *Financial Instruments*. With the exception of hedge accounting, which the Company has applied prospectively, the Company has applied IFRS 9 retrospectively.

The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 in accordance with IFRS 9. Differences arising from the adoption of IFRS 9 have been recognized directly in accumulated deficit as of January 1, 2018.

The measurement categories for financial assets under IAS 39 FVTPL, available for sale (“AFS”), held-to-maturity and amortized cost) have been replaced by the following categories under IFRS 9:

- Financial assets and liabilities at amortized cost (debt instruments)
- Financial assets at FVOCI, with gains or losses recycled to profit or loss on derecognition (debt instruments)
- Financial assets at FVOCI, with no recycling of gains or losses to profit or loss on derecognition (equity instruments)
- Financial assets and liabilities at FVTPL

Under IFRS 9, the classification of debt instruments is based on two criteria: a company’s business model for managing the assets; and whether the assets' contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding (the SPPI criterion). The assessment of a company’s business models and contractual cash flows of debt instruments is made as of the date of initial application.

Under IFRS 9, equity instruments are generally classified as FVTPL. For equity instruments that are not held for trading, a company can make an irrevocable election on initial recognition to classify the instrument as FVOCI with no recycling of gains or losses to profit or loss on derecognition. This election is available on an instrument-by-instrument basis.

Financial assets and liabilities at amortized cost

On adoption of IFRS 9, the Company’s loans and receivables will continue to be subsequently measured at amortized cost, as these assets are held in order to collect contractual cash flows and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest method less any impairment.

The accounting for the Company’s financial liabilities remains the same as it was under IAS 39. Other financial liabilities will continue to be measured at amortized cost using the effective interest rate method.

Financial assets at FVOCI with no recycling

On adoption of IFRS 9, the Company has irrevocably elected to classify its unquoted equity instruments (portfolio investments) at FVOCI with no recycling of gains or losses to profit or loss on derecognition. Each of the portfolio investments meet the definition of equity under IAS 32, *Financial Instruments: Presentation* and are not held for trading. On January 1, 2018, the carrying value of the portfolio investments was $10.9 million and was included in other assets in the Consolidated Statement of Financial Position. The portfolio investments continue to be carried at fair value with changes in fair value reported as unrealized gains or losses within OCI. Equity instruments classified as FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Company’s portfolio investments were classified as AFS financial assets.

On adoption of IFRS 9, the cumulative gain of $2.9 million related to the change in fair value of AFS financial assets previously reported in AOCI and the cumulative impairment loss (net of tax) of $2.0 million previously reported in

accumulated deficit have both been reclassified on the Consolidated Statement of Changes in Equity to a new fair value reserve of financial assets at FVOCI (note 22).

Financial assets and liabilities at FVTPL

On adoption of IFRS 9, the Company has continued to classify certain financial assets and liabilities at FVTPL. Assets and liabilities in this category include derivative financial instruments that are not designated as hedging instruments in hedge relationships. The Company had not classified any financial instruments as held-to-maturity, and therefore there is no impact on the elimination of this measurement category under IFRS 9.

Derivative instruments and hedging

The Company has applied hedge accounting prospectively. At the date of the initial application, all of the Company's existing hedging relationships were eligible to be treated as continuing hedging relationships.

The Company has continued to designate the change in the intrinsic fair value of the collar arrangements to sell U.S. dollars as hedges against the foreign currency exposure on its net investment in VerticalScope. Under IFRS 9, changes in fair value arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar within the collar range are recognized in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity rather than net income under IAS 39. Fair value changes from movement in the foreign exchange rate within the collar range reflect the cost of hedging as the options have no intrinsic value. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness with the portion related to the cost of hedging accumulated in the separate component of equity. The ineffective portion is recognized in the consolidated statement of income or loss.

As at December 31, 2017, the cumulative change in the fair value of the collar options was a gain of $0.1 million related to the cost of hedging. On adoption of IFRS 9, the cumulative gain of $0.1 million has been reclassified from accumulated deficit to a separate component of equity within AOCI (note 22).

Impairment

For Trade and other receivables, the Company has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. There are no differences between the ending impairment allowances for trade and other receivables under IAS 39 and the opening loss allowance under IFRS 9.

<u>Future changes in accounting standards:</u>

There are several new standards and amendments to accounting standards which will be effective for the Company subsequent to 2018, 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 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases* 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 right-of-use assets and liabilities for the rights and obligations created by leases. The right-of-use asset will be depreciated over the term of the lease. The lease liability will be initially measured at the present value of the lease payments payable over the term of the lease and will accrue interest. Limited recognition exemptions may apply if 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 plans to adopt the standard on its effective date of January 1, 2019 using a modified retrospective approach. The Company is in the process of finalizing its analysis and we anticipate that the application of IFRS 16 will result in an increase in both assets and liabilities of approximately $16 million on transition. The Company also estimates that the adoption of this standard will result in a decrease in other operating expenses and

a corresponding increase in amortization and depreciation expense of approximately $5 million as well as interest accretion expense of approximately $1.5 million for the full year.

3. SEGMENTED INFORMATION

The Company has three reportable operating segments: Communities, Dailies and Digital Ventures. Corporate is the provision of corporate services and administrative support. Digital businesses outside the traditional newspaper operations are managed as one operating segment - Digital Ventures, and remains a separate reportable segment. The Company's 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.

Year ended December 31, 2018	**Communities**	**Dailies**	**Digital Ventures**	**Corporate**	**Total**	**Adjustments and Eliminations[1]**	**Per Consolidated Statement of Loss**
Operating revenue	**$258,237**	**$289,931**	**$66,863**		**$615,031**	**($71,640)**	**$543,391**
Salaries and benefits	**(123,591)**	**(91,710)**	**(22,843)**	**($6,548)**	**(244,692)**	**25,396**	**(219,296)**
Other operating costs	**(111,521)**	**(172,936)**	**(21,234)**	**(5,692)**	**(311,383)**	**21,886**	**(289,497)**
Amortization and depreciation	**(11,846)**	**(12,812)**	**(42,073)**	**(2)**	**(66,733)**	**39,784**	**(26,949)**
Restructuring and other charges	**(9,610)**	**(8,068)**	**(2,662)**	**(114)**	**(20,454)**	**2,929**	**(17,525)**
Impairment of assets		**(8,000)**			**(8,000)**	**8,000**	
Reportable segment operating profit (loss)	**$1,669**	**($3,595)**	**($21,949)**	**($12,356)**	**($36,231)**	**$26,355**	**($9,876)**
Interest and financing costs							**(1,332)**
Foreign exchange							**(1,414)**
Loss from joint ventures							**(5,414)**
Loss from associated businesses							**(20,394)**
Other income							**303**
Loss before taxes from continuing operations							**($38,127)**

Year ended December 31, 2017	Communities	Dailies	Digital Ventures	Corporate	Total	Adjustments and Eliminations[1]	Per Consolidated Statement of Loss
Operating revenue	$305,303	$314,000	$72,297		$691,600	($75,915)	$615,685
Salaries and benefits	(140,693)	(100,428)	(23,476)	($6,983)	(271,580)	25,674	(245,906)
Other operating costs	(133,693)	(187,389)	(23,290)	(3,931)	(348,303)	22,672	(325,631)
Amortization and depreciation	(13,352)	(21,491)	(32,025)		(66,868)	29,881	(36,987)
Restructuring and other charges	(10,060)	(7,609)	(981)	(200)	(18,850)	1,338	(17,512)
Impairment of assets			(11,133)		(11,133)	3,000	(8,133)
Reportable segment operating profit (loss)	$7,505	($2,917)	($18,608)	($11,114)	($25,134)	$6,650	($18,484)
Interest and financing costs							(2,213)
Foreign exchange							493
Loss from joint ventures							(1,845)
Loss from associated businesses							(6,824)
Other income							3,935
Loss before taxes from continuing operations							($24,938)

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

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	
	2018	2017	**2018**	2017
Canada	**$533,805**	$612,266	**$81,797**	$95,476
United States	**9,586**	3,419		
Total	**$543,391**	$615,685	**$81,797**	$95,476

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The following charts provide a breakdown of total disaggregated operating revenue for the years ended December 31, 2018 and 2017:

Year ended December 31, 2018	**Communities**	**Dailies**	**Digital Ventures**	**Total Segmented**	**Eliminations**	**Total Consolidated**
Print advertising	**$99,375**	**$110,811**		**$210,186**	**($13,140)**	**$197,046**
Digital advertising	**26,306**	**26,796**	**$66,863**	**119,965**	**(54,286)**	**65,679**
Flyer Distribution	**95,531**	**21,573**		**117,104**		**117,104**
Print and digital subscriber	**460**	**120,138**		**120,598**	**(2,133)**	**118,465**
Other	**36,565**	**10,613**		**47,178**	**(2,081)**	**45,097**
Total	**$258,237**	**$289,931**	**$66,863**	**$615,031**	**($71,640)**	**$543,391**

Year ended December 31, 2017	Communities	Dailies	Digital Ventures	Total Segmented	Eliminations	Total Consolidated
Print advertising	$125,519	$138,863		$264,382	($14,867)	$249,515
Digital advertising	30,747	25,495	$72,297	128,539	(57,204)	71,335
Flyer Distribution	110,883	23,275		134,158		134,158
Print and digital subscriber	715	115,818		116,533	(2,378)	114,155
Other	37,439	10,549		47,988	(1,466)	46,522
Total	$305,303	$314,000	$72,297	$691,600	($75,915)	$615,685

(b) Contract balances

The following table provides information about trade accounts receivable and deferred revenue:

	December 31, 2018	December 31, 2017
Trade accounts receivable	**$77,873**	$90,183
Deferred revenue	**13,844**	16,170

The amount of $16.2 million recognized in deferred revenue at December 31, 2017 has been recognized as revenue in the year ended December 31, 2018.

5. INVESTMENTS IN SUBSIDIARIES

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

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

6. RESTRICTED CASH

At December 31, 2018, the Company had restricted cash totalling $7.2 million (December 31, 2017 – $9.1 million) which includes $5.8 million (December 31, 2017 – $7.7 million) held as collateral for outstanding standby letters of credit in respect of an unfunded executive retirement plan liability (Note 19).

7. INVENTORIES

	December 31, 2018	December 31, 2017
Work in progress	**$108**	$73
Raw materials	**3,810**	4,253
	$3,918	$4,326

The Company expensed inventory costs of $33.6 million for the year ended December 31, 2018 (2017 – $39.5 million).

8. 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	
	2018	2017
Balance, beginning of year	**$23,420**	$27,463
Loss from joint ventures	**(5,414)**	(1,845)
Distributions from joint ventures	**(5,314)**	(2,187)
Investment and other		(11)
Balance, end of year	**$12,692**	$23,420

On April 12, 2018, workopolis.com and related assets were sold to a subsidiary of Recruit Holdings Co., Ltd. The loss from joint ventures in the twelve months ended December 31, 2018 included a $3.7 million gain on the sale of assets in Workopolis as well as $1.8 million of restructuring charges related to the closure of the remaining Workopolis business. In connection with the sale and subsequent wind-up of the remaining Workopolis business, the Company received a distribution from the joint venture of $3.8 million.

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, 2018	As at December 31, 2017
Cash and cash equivalents	**$5,714**	$7,324
Other current assets	**5,474**	6,260
Total current assets	**11,188**	13,584
Total non-current assets	**5,655**	16,786
Total assets	**$16,843**	$30,370
Current liabilities	**$3,522**	$6,216
Other non-current liabilities	**629**	734
Total equity	**12,692**	23,420
Total liabilities and equity	**$16,843**	$30,370

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2018	2017
Operating revenue	**$21,667**	$31,126
Salaries and benefits	**(9,197)**	(12,609)
Other operating costs	**(10,412)**	(14,327)
Amortization and depreciation	**(852)**	(1,816)
Restructuring and other charges	**(2,157)**	(814)
Impairment of assets (note 12)	**(8,000)**	(3,000)
Operating loss	**(8,951)**	(1,440)
Interest and financing costs	**11**	(5)
Foreign exchange	**5**	4
Gain on sale of assets and other	**3,743**	(3)
	(5,192)	(1,444)
Income and other taxes	**(222)**	(401)
Net loss and Comprehensive loss	**($5,414)**	($1,845)

9. INVESTMENTS IN ASSOCIATED BUSINESSES

As of December 31, 2018, the Company's investments in associated businesses include a 19.4% equity interest in Black Press Ltd. ("Black Press"); a 15.6% equity investment in Blue Ant Media Inc. ("Blue Ant"); a 33.3% equity interest in Canadian Press Enterprises Inc. ("Canadian Press"); a 56.4% equity investment in VerticalScope and a 22.3% interest in Nest Wealth Asset Management Inc. ("Nest Wealth").

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

	Year ended December 31	
	2018	2017
Balance, beginning of year	**$142,769**	$157,897
Dividends received		(194)
Sale of investment		(47)
Share of associate paid in capital (with minority interest)		(640)
Loss of associated businesses	**(20,394)**	(6,824)
OCI – Actuarial gain on employee benefits	**795**	66
OCI – Foreign currency translation adjustment	**8,046**	(7,489)
Balance, end of year	**$131,216**	$142,769

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

	Net income (loss)		OCI	
	2018	2017	**2018**	2017
VerticalScope	**($20,701)**	($3,192)	**$8,136**	($7,434)
Black Press	**2,294**	(5,721)	**552**	102
Blue Ant	**(1,349)**	1,370	**153**	(91)
Nest Wealth	**(638)**	719		
Total	**($20,394)**	($6,824)	**$8,841**	($7,423)

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, the Yukon, Saskatchewan, Manitoba, Washington, California, Hawaii and Alaska. For the year ended December 31, 2018, the Company's share of Black Press' net income was $2.3 million and other comprehensive income of $0.6 million (2017 – net loss of $5.7 million and other comprehensive income of $0.1 million).

Blue Ant

Blue Ant is a privately held, international content producer, distributor and channel operator founded in 2011. Blue Ant creates content for multiple genres including factual, factual entertainment, short-form digital series and kids programming. Their distribution business offers a catalogue of 3,200+ hours of content, including the largest 4K natural history offering on the market, and their international channel business offers a portfolio of media brands. The Company's equity interest at December 31, 2018 was 15.6% (December 31, 2017 – 15.9%). The Company's share of Blue Ant's net loss in 2018 was $1.3 million (2017 – net income of $1.4 million) and includes dilution gains of $0.4 million in 2018 and $2.9 million in 2017.

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 ($5.9 million as of December 31, 2018) have been offset by net income, other comprehensive income or additional investments are made. For the year ended December 31, 2018, the Company would have reported net loss of $0.1 million and other comprehensive loss of $0.5 million from Canadian Press (2017 – net income of $1.1 million and other comprehensive loss of $1.8 million).

Nest Wealth

Nest Wealth is an online investment portfolio manager, or 'robo-advisor' in the financial technology sector. The Company's share of Nest Wealth's net loss was $0.6 million for the year ended December 31, 2018 (2017 – net income of $0.7 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.

The Company acquired a 56.4% interest in VerticalScope in 2015. Pursuant to certain terms in the shareholders agreement, the investment is accounted for as an associated business using the equity method.

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, 2018	As at December 31, 2017
Cash and cash equivalents	**$21,923**	$28,682
Other current assets	**18,468**	16,015
Total current assets	**40,391**	44,697
Total non-current assets	**334,318**	303,189
Total assets	**$374,709**	$347,886
Current portion long-term debt	**$3,752**	$3,450
Other current liabilities	**24,675**	19,701
Total current liabilities	**28,427**	23,151
Long-term debt	**176,418**	130,920
Other non-current liabilities		4,747
Total equity	**169,864**	189,068
Total liabilities and equity	**$374,709**	$347,886

(ii) Statements of Loss and Comprehensive Loss

	Year ended December 31	
	2018	2017
Operating revenue	**$88,558**	$79,572
Net loss	**($36,684)**	($5,657)
Other comprehensive loss	**14,418**	(13,173)
Total comprehensive loss	**($22,266)**	($18,830)

Torstar's comprehensive loss attributable to its interest in VerticalScope was $12.6 million for the year ended December 31, 2018 ($10.6 million for the year ended December 31, 2017).

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Building and leasehold improvements	Machinery and equipment	Total
Cost				
Balance at December 31, 2016	$1,407	$63,631	$112,669	$177,707
Additions		330	2,550	2,880
Disposals		(2,770)	(7,696)	(10,466)
Foreign exchange			(3)	(3)
Balance at December 31, 2017	**1,407**	**61,191**	**107,520**	**170,118**
Acquisitions (note 26)		**154**	**88**	**242**
Additions		**580**	**3,019**	**3,599**
Disposals	**(19)**	**(2,501)**	**(2,786)**	**(5,306)**
Foreign exchange			**4**	**4**
Balance at December 31, 2018	**$1,388**	**$59,424**	**$107,845**	**$168,657**
Depreciation and impairment				
Balance at December 31, 2016		$38,763	$76,975	$115,738
Additions		2,866	6,687	9,553
Disposals		(2,770)	(7,659)	(10,429)
Foreign exchange			(3)	(3)
Balance at December 31, 2017		**38,859**	**76,000**	**114,859**
Additions		**3,890**	**5,102**	**8,992**
Disposals		**(1,701)**	**(2,701)**	**(4,402)**
Foreign exchange			**3**	**3**
Balance at December 31, 2018		**$41,048**	**$78,404**	**$119,452**
Net book value				
At December 31, 2016	$1,407	$24,868	$35,694	$61,969
At December 31, 2017	$1,407	$22,332	$31,520	$55,259
At December 31, 2018	**$1,388**	**$18,376**	**$29,441**	**$49,205**

11. INTANGIBLE ASSETS

	Finite life		
	Software	**Other**	**Total**
Cost			
Balance at December 31, 2016	$87,208	$52,518	$139,726
Acquisitions (note 26)		5,339	5,339
Additions - internally developed	4,091		4,091
Additions - purchased	2,276		2,276
Disposals	(26,018)		(26,018)
Balance at December 31, 2017	**67,557**	**57,857**	**125,414**
Acquisitions (note 26)		**946**	**946**
Additions - internally developed [1]	**2,179**		**2,179**
Additions - purchased [1]	**7,258**		**7,258**
Disposals	**(6,884)**	**(26)**	**(6,910)**
Balance at December 31, 2018	**$70,110**	**$58,777**	**$128,887**
Amortization and Impairment			
Balance at December 31, 2016	$49,869	$33,912	$83,781
Amortization	20,479	6,955	27,434
Disposals	(26,018)		(26,018)
Balance at December 31, 2017	**44,330**	**40,867**	**85,197**
Amortization	**9,418**	**8,539**	**17,957**
Disposals	**(6,833)**	**(26)**	**(6,859)**
Balance at December 31, 2018	**$46,915**	**$49,380**	**$96,295**
Net book value			
At December 31, 2016	$37,339	$18,606	$55,945
At December 31, 2017	$23,227	$16,990	$40,217
At December 31, 2018	**$23,195**	**$9,397**	**$32,592**

[1] These amounts include $1.1 million for software in development for which amortization has not commenced.

12. IMPAIRMENT OF ASSETS

The Company recorded the following impairment on its assets:

	Year ended December 31	
	2018	2017
Goodwill		$8,133
Investments in joint ventures (note 8)	**$8,000**	3,000
	$8,000	$11,133

Impairment Testing

During the fourth quarter of 2018, the Company concluded that there were indicators of impairment as a result of the significant change in the market capitalization of the Company. The Company performed impairment tests as at December 31, 2018 for all of the CGUs within the Dailies, Communities, and Digital Ventures segments. In carrying out the impairment test, the Company estimated the recoverable amount based on the FVLCS using a forward multiple of Normalized EBITDA and compared it to the carrying value of the CGU (note 2(l)). No impairment charges were recorded related to the impairment testing. A 10% decline in the forecasted normalized EBITDA would have resulted in an impairment in the Communities CGU and one of the Dailies CGU.

The Company also concluded that there were indicators of impairment for its joint venture investment in Sing Tao Daily resulting from lower forecasted revenues that reflect the continued challenges in the print advertising market. In carrying out the impairment test, it was determined that the carrying amount of the joint venture investment in Sing Tao Daily exceeded its recoverable amount using the VIU approach. The after-tax discount rate used in estimating the recoverable amount was 13.0%. As a result, the Company recorded an impairment charge of $8.0 million.

During the first quarter of 2017, the Company recorded a $3.0 million impairment charge in respect of its joint venture investment in Workopolis. This resulted from a further downward revision in longer term forecasted revenues reflecting further increased competition in the online recruitment and job search markets.

During the fourth quarter of 2017, the Company performed its annual goodwill impairment test. In carrying out this testing, it was determined that the carrying amount of the Digital Ventures CGU was below its recoverable amount, calculated using the VIU approach, and recorded an impairment charge of $8.1 million for goodwill. The impairment was a result of lower forecasted revenues reflecting the rapidly evolving digital advertising market. In addition, the Company tested for impairment in one CGU in the Communities segment and one CGU in the Dailies segment and no impairment was recorded.

13. OTHER ASSETS

	December 31, 2018	December 31, 2017
Portfolio investments (note 15)	**$9,211**	$10,885
ESPP receivable	**101**	59
Other	**1,828**	2,023
	$11,140	$12,967

14. INCOME TAXES

Income tax expense (recovery) is made up of the following:

	Year ended December 31	
	2018	2017
Current income tax expense (recovery):		
Current year		($1,000)
Adjustment for prior years	**$200**	200
	200	(800)
Deferred income tax expense:		
Origination and reversal of temporary differences	**(300)**	
Reduction in carrying amount of deferred income tax assets	**118**	6,500
Adjustment for prior years	**(100)**	
	(282)	6,500
Income tax expense (recovery) in the consolidated statement of loss	**(82)**	5,700
Deferred income tax expense (recovery) in OCI	**300**	(400)
Income tax expense (recovery) in OCI	**300**	(400)
Total income tax expense	**$218**	$5,300

Income taxes of $0.1 million were paid and refunds of $0.6 million were received during the year from continuing operations (2017 – $1.0 million paid and refunds of $9.6 million received).

Reconciliation of effective tax rate

The combined Canadian federal and provincial statutory rate was 26.5% in 2018 (2017– 26.5%).

	Year ended December 31	
	2018	2017
Loss before taxes from continuing operations	**($38,127)**	($24,938)
Recovery of income taxes based on Canadian statutory rate of 26.5% (2017 - 26.5%)	**($10,100)**	($6,600)
Increase (decrease) in taxes resulting from:		
Loss of joint ventures and associated businesses not recognized	**6,700**	2,500
Non-deductible impairment charges		2,100
Reduction in carrying amount of deferred income tax assets	**118**	
Recognition of previously unrecognized tax benefits	**(700)**	
Movement in deferred income tax assets not recognized	**2,800**	7,300
Non-taxable portion of capital gains		(600)
Non-deductible expenses and other permanent differences	**1,100**	1,100
Adjustment for prior years	**100**	200
Effect of lower provincial tax rates	**(100)**	(300)
Income tax expense (recovery) in the consolidated statement of loss	**($82)**	$5,700
Effective income tax rate	**0.2%**	(22.9)%

Excluding the impact of non-deductible impairment charges, loss of joint ventures and associated businesses and the movement in deferred income tax assets not recognized, the Company's effective tax rate in 2018 would have been 25.1% (2017 - 24.9%).

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, 2018 and December 31, 2017 are as follows:

	December 31, 2017	Recognized in net income (loss) from continuing operations	Recognized in OCI from continuing operations	Recognized in net income (loss) from discontinued operations	December 31, 2018
Provisions for returns and doubtful accounts	**$571**	**$44**			**$615**
Property, plant and equipment	**(4,947)**	**567**			**(4,380)**
Intangible assets	**(1,303)**	**(2,045)**			**(3,348)**
Share-based payment transactions	**712**	**(266)**			**446**
Tax losses carried forward	**3,732**	**3,666**			**7,398**
Provisions	**3,168**	**34**		**($100)**	**3,102**
Goodwill	**979**	**(349)**			**630**
Other	**(2,794)**	**(1,369)**	**($300)**		**(4,463)**
Net deferred income tax assets	**$118**	**$282**	**($300)**	**($100)**	
As reported in the consolidated statement of financial position					
Deferred income tax assets	**$3,460**				
Deferred income tax liabilities	**(3,342)**				
Net deferred income tax assets	**$118**				

	December 31, 2016	Recognized in net income (loss) from continuing operations	Recognized in OCI from continuing operations	Recognized in net income (loss) from discontinued operations	December 31, 2017
Provisions for returns and doubtful accounts	$850	($279)			$571
Property, plant and equipment	(5,376)	429			(4,947)
Intangible assets	(3,468)	2,165			(1,303)
Financial instruments	100	(100)			
Provision for employee benefit obligations	(1,961)	1,961			
Share-based payment transactions	619	93			712
Tax losses carried forward	3,279	453			3,732
Provisions	5,662	(2,294)		($200)	3,168
Goodwill	995	(16)			979
Excess tax basis over carrying value of investments	5,884	(6,284)	$400		
Other	(166)	(2,628)			(2,794)
Net deferred income tax assets	$6,418	($6,500)	$400	($200)	$118
As reported in the consolidated statement of financial position					
Deferred income tax assets	$11,322				$3,460
Deferred income tax liabilities	(4,904)				(3,342)
Net deferred income tax assets	$6,418				$118

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, 2018, the Company had Canadian non-capital losses available for carry forward in continuing operations of approximately $65.4 million (2017 – $40.4 million) that will expire between 2028 and 2038 for which it has recognized a deferred income tax asset of $7.4 million (2017 – $3.7 million). The Company also had capital losses of $26.2 million (2017 – $29.9 million) that can be carried forward indefinitely and applied against future capital gains, for which no deferred income tax asset has been recognized.

As at December 31, 2018, the total non-capital losses, capital losses and deductible temporary differences for which no deferred income tax asset has been recognized was $249.3 million (2017 – $250.0 million).

Investments in subsidiaries, associates and joint ventures

As at December 31, 2018, 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 $683.8 million (2017 – $628.7 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, 2018	December 31, 2017
Financial assets:		
Loans and receivables, measured at amortized cost:		
Cash and cash equivalents	**$68,227**	$71,377
Restricted cash (current)	**7,175**	9,056
Trade accounts receivable (note 4)	**77,873**	90,183
Other receivables	**27,270**	22,763
Receivables	**105,143**	112,946
FVOCI		
Portfolio investments [1]	**9,211**	10,885
Foreign currency forward contracts	**(2,843)**	57
Other financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	**(61,814)**	(72,962)
Provisions (current)	**(13,247)**	(18,113)
Provisions (non-current)	**(5,343)**	(6,714)

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

Other receivables include a $23.1 million receivable for Digital Media Tax Credits (December 31, 2017 - $14.9 million) and accounts payable and accrued liabilities include $2.7 million of professional fees related to these tax credits (December 31, 2017 - $1.5 million).

During the year ended December 31, 2018, the Company received a refund of $20.7 million and made a payment of $2.3 million for professional fees related to the claim approved by the OMDC in 2017. The Company recorded a recovery, net of professional fees, of $4.4 million in salaries and benefits expense in the Dailies segment, which was the difference between the $13.4 million accrued for this claim in 2017 and the amount received. The Company also recorded $0.6 million of interest income related to this claim in 2018.

The Company also received certification from the Ontario Media Development Corporation ("OMDC") for digital media tax credits in respect of the periods ended December 31, 2010 and April 23, 2015. These claims, which will be subject to an audit by the Canada Revenue Agency, primarily relate to the recovery of previously recognized salaries and benefits expenses. During the year ended December 31, 2018, the Company recorded a recovery, net of professional fees, of $19.5 million in salaries and benefits expense ($19.0 million in the Dailies segment and $0.5 million in the Communities segment) and $0.9 million of interest income related to these two claims.

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

	At December 31, 2018			At December 31, 2017		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Measured at fair value:						
Portfolio investments			**$9,211**			$10,885
Derivative financial instruments:						
Foreign currency collar arrangements		**($2,843)**			$57	

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

	Year ended December 31	
	2018	2017
Balance, beginning of year	**$10,885**	$10,344
Additions (note 26)	**1,125**	873
Distributions received	**(243)**	
Disposals (note 22)	**(2,968)**	
Exchange differences and OCI	**412**	(332)
Balance, end of year	**$9,211**	$10,885

Interest and financing costs

	Year ended December 31	
	2018	2017
Interest earned on short-term investments	**$594**	$484
Interest accretion costs	**(130)**	(185)
Interest – other	**1,748**	140
Net financial expense related to employee benefit plans	**(3,544)**	(2,652)
	($1,332)	($2,213)

Interest paid during the year ended December 31, 2018 was $nil (2017 – $nil). Interest received during the year ended December 31, 2018 was $1.9 million (2017 – $0.4 million).

Other interest includes interest of $1.5 million related to the Digital Media Tax credits.

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, 2018, the Company had $68.2 million in cash and cash equivalents (December 31, 2017 – $71.4 million).

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

	2019	2020	2021	2022	2023	2024+	Total
Foreign currency collar arrangements	($2,843)						($2,843)
Accounts payable and accrued liabilities	(61,814)						(61,814)
Provisions	(13,247)	($2,145)	($812)	($691)	($581)	($1,187)	(18,663)
	($77,904)	($2,145)	($812)	($691)	($581)	($1,187)	($83,320)

(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. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit losses are estimated using reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating).

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.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

The following table sets out the ageing of the trade receivables and the expected credit losses:

December 31, 2018	**Trade receivables**					
	Days past due					
	Current	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
Expected credit loss rate	**1%**	**1%**	**3%**	**23%**	**46%**	
Estimated total gross carrying amount	**$38,712**	**$24,111**	**$9,657**	**$4,268**	**$5,449**	**$82,197**
Expected credit loss	**(259)**	**(296)**	**(307)**	**(981)**	**(2,481)**	**(4,324)**

December 31, 2017	Trade receivables					
	Days past due					
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	1%	1%	3%	31%	53%	
Estimated total gross carrying amount	$44,874	$29,591	$11,741	$4,421	$4,172	$94,799
Expected credit loss	(296)	(359)	(376)	(1,354)	(2,231)	(4,616)

The continuity of the allowance for expected credit loss is as follows:

	Year ended December 31	
	2018	2017
Expected credit loss, beginning of year	**($4,616)**	($5,357)
Utilized	**1,637**	3,478
Income statement movements	**(1,345)**	(2,737)
Expected credit loss, end of year	**($4,324)**	($4,616)

(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 entered into collar arrangements totalling U.S. $137.0 million which were designated as a hedge of the original net investment in VerticalScope.

Any fluctuations in fair value arising from fluctuations in the rate of exchange of Cdn. dollar per U.S. dollar within the collar range are recognized in OCI to the extent of hedge effectiveness and accumulated in a separate component of equity within AOCI. Fair value changes from movement in the foreign exchange rate within the collar range reflect the cost of hedging as the options have no intrinsic value. When the rate of exchange is above or below the collar range, the changes in fair value are recorded in OCI to the extent of hedge effectiveness with the portion related to the cost of hedging accumulated in the separate component of equity.

As at December 31, 2017, the collar arrangements for U.S. $137.0 million established a rate of exchange with a range of Cdn. $1.20 to Cdn. $1.40 for U.S. $1.00 in 2018.

In February 2018, the Company rolled over the collar arrangement totaling U.S. $137.0 million and simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement with a range of Cdn. $1.15 to Cdn. $1.31 for U.S. $1.00 maturing in 2018.

In July 2018, the Company settled the collar arrangement totaling U.S. $137.0 million and simultaneously entered into a new U.S. $137.0 million zero cost collar arrangement with a range of Cdn. $1.19 to Cdn. $1.39 for U.S. $1.00 maturing in July 2019. During the third quarter, the Company recorded a $0.2 million loss on the settlement of the collar arrangement, with the effective portion of $0.1 million recorded in OCI and $0.1 million recorded in foreign exchange in the consolidated statement of loss.

During the year ended December 31, 2018, the change in the fair value of the collar options was a loss of $2.9 million. The effective portion of the hedge was $1.5 million which related to the cost of hedging and has been recorded in OCI. The ineffective portion of $1.4 million has been included in foreign exchange in the consolidated statement of loss.

The net fair value of the collar options outstanding at December 31, 2018 was $2.8 million unfavourable (December 31, 2017 – $0.1 million favourable).

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, 2018 would have decreased net income by $0.4 million (2017 – $0.5 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, 2018, capital under management was $229.4 million (December 31, 2017 – $245.8 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, 2016	$37,130	$2,447	$39,577
Provisions made during the year	18,509		18,509
Reversals of provisions during the year	(997)		(997)
Discontinued operations		(1,550)	(1,550)
Provisions paid during the year	(31,139)	293	(30,846)
Interest accretion	134		134
Balance at December 31, 2017	**$23,637**	**$1,190**	**$24,827**
Provisions made during the year	**18,537**		**18,537**
Reversals of provisions during the year	**(1,012)**		**(1,012)**
Discontinued operations		**(275)**	**(275)**
Provisions paid during the year	**(23,305)**	**(298)**	**(23,603)**
Interest accretion	**116**		**116**
Balance at December 31, 2018	**$17,973**	**$617**	**$18,590**
Current	**$12,630**	**$617**	**$13,247**
Non-current	**$5,343**		**$5,343**
Balance at December 31, 2017			
Current	$16,923	$1,190	$18,113
Non-current	$6,714		$6,714
Balance at December 31, 2016			
Current	$26,026	$2,447	$28,473
Non-current	$11,104		$11,104

Restructuring

During the year ended December 31, 2018, the Company recorded restructuring charges of $17.5 million related to ongoing efforts to reduce costs. Restructuring charges of $9.6 million were recorded in the Communities Segment, $7.8 million in the Dailies Segment and $0.1 million at Corporate.

In 2017, the Company recorded restructuring charges of $17.5 million related to ongoing efforts to reduce costs. Restructuring charges of $11.1 million were recorded in the Communities Segment, $6.2 million in the Dailies Segment and $0.2 million at Corporate.

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 from discontinued operations.

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.

In November 2017, the Company completed a transaction with Postmedia, in which it purchased and sold a number of daily and community newspapers. The *Competition Act* (Canada) allows for a one-year period following the completion of a merger transaction during which the Commissioner of Competition may bring an application to the Competition Tribunal challenging the transaction on the basis that it prevents or lessens competition substantially in any relevant market. The Commissioner did not bring such an application. The Competition Bureau has indicated that it is investigating the transaction under the conspiracy provisions of the *Competition Act*. The Company does not believe it has contravened the *Competition Act*.

18. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Employees' shares subscribed (note 21(b))	**$524**	$627
RSU Plan (note 21(c))	**553**	853
DSU Plan (note 21(d))	**1,202**	1,982
Other employment benefits	**1,612**	1,515
Other	**1,279**	1,622
	$5,170	$6,599

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 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. 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.

On September 27, 2018, the Company received approval from the members of its eight registered defined benefit pension plans to proceed with the merger of the Torstar Plans with CAAT Plan effective October 1st, 2018, with Torstar

and certain of its subsidiaries becoming participating employers under the CAAT Plan. The merger remains subject to the consent of the Superintendent of Financial Services (Ontario), which is not expected to occur prior to the second half of 2019.

Following the consent of the Superintendent of Financial Services (Ontario), the liabilities for all past benefits under the Torstar Plans will be transferred to the CAAT Plan together with the assets of the Torstar Plans, and the CAAT Plan will assume responsibility for all pension benefit payments to members of the Torstar Plans going forward.

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 were as follows:

	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded [1]		
At December 31, 2016	$12,661	$10,658	$47,015	$70,334
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	12,237	305	199	12,741
Interest and financing costs	562	350	1,740	2,652
	12,799	655	1,939	15,393
Amounts recognized in OCI	32,938	1,105	1,714	35,757
Contributions to plans	(10,850)	(3,471)	(2,447)	(16,768)
At December 31, 2017	**47,548**	**8,947**	**48,221**	**104,716**
Expense recognized in the consolidated statement of income or loss:				
Salaries and benefits	**9,023**	**375**	**221**	**9,619**
Interest and financing costs	**1,706**	**236**	**1,602**	**3,544**
	10,729	**611**	**1,823**	**13,163**
Amounts recognized in OCI	**(9,009)**	**(557)**	**(2,721)**	**(12,287)**
Contributions to plans	**(6,648)**	**(1,693)**	**(2,682)**	**(11,023)**
At December 31, 2018	**$42,620**	**$7,308**	**$44,641**	**$94,569**

[1] As at December 31, 2018, the unfunded pension plan includes an executive retirement plan liability of $7.3 million (December 31, 2017 – $8.9 million) which is supported by an outstanding letter of credit of $5.8 million as at December 31, 2018 (December 31, 2017 – $7.7 million).

A summary of the components of the net defined benefit obligation as at December 31, 2018 and 2017 is as follows:

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	**$848,348**	**$7,308**	**$44,641**	**$900,297**
Fair value of plan assets	**(805,728)**			**(805,728)**
Net defined benefit obligation	**$42,620**	**$7,308**	**$44,641**	**$94,569**
Recorded in:				
Liabilities	**$42,620**	**$7,308**	**$44,641**	**$94,569**

2017	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Defined benefit obligations	$938,427	$8,947	$48,221	$995,595
Fair value of plan assets	(890,879)			(890,879)
Net defined benefit obligation	$47,548	$8,947	$48,221	$104,716
Recorded in:				
Liabilities	$47,548	$8,947	$48,221	$104,716

The following charts provide a summary of changes in the defined benefit obligation and the fair value of plan assets during 2018 and 2017:

2018	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	**$938,427**	**$8,947**	**$48,221**	**$995,595**
Current service cost	**7,028**	**375**	**221**	**7,624**
Interest cost	**30,873**	**236**	**1,602**	**32,711**
Benefits paid	**(77,566)**	**(1,693)**	**(2,682)**	**(81,941)**
Remeasurement gains	**(51,885)**	**(557)**	**(2,721)**	**(55,163)**
Participant contributions	**1,471**			**1,471**
Balance, end of year	**$848,348**	**$7,308**	**$44,641**	**$900,297**
Plans' assets:				
Fair value, beginning of year	**$890,879**			**$890,879**
Interest income included in net interest expense	**29,167**			**29,167**
Remeasurement losses	**(42,876)**			**(42,876)**
Benefits paid	**(77,566)**	**($1,693)**	**($2,682)**	**(81,941)**
Employer contributions	**6,648**	**1,693**	**2,682**	**11,023**
Participant contributions	**1,471**			**1,471**
Administration costs	**(1,995)**			**(1,995)**
Fair value, end of year	**$805,728**			**$805,728**
Funded status – deficit	**$42,620**	**$7,308**	**$44,641**	**$94,569**

2017	Pension Plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Accrued benefit obligations:				
Balance, beginning of year	$913,578	$10,658	$47,015	$971,251
Current service cost	11,086	305	199	11,590
Interest cost	33,879	350	1,740	35,969
Benefits paid	(75,973)	(3,471)	(2,447)	(81,891)
Remeasurement losses	53,455	1,105	1,714	56,274
Participant contributions	2,402			2,402
Balance, end of year	$938,427	$8,947	$48,221	$995,595
Plans' assets:				
Fair value, beginning of year	$900,917			$900,917
Interest income included in net interest expense	33,317			33,317
Remeasurement gains	20,517			20,517
Benefits paid	(75,973)	($3,471)	($2,447)	(81,891)
Employer contributions	10,850	3,471	2,447	16,768
Participant contributions	2,402			2,402
Administration costs	(1,151)			(1,151)
Fair value, end of year	$890,879			$890,879
Funded status – deficit	$47,548	$8,947	$48,221	$104,716

Net benefit expense for defined benefit plans recognized in the 2018 and 2017 consolidated statement of loss is as follows:

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	**$7,028**	**$375**	**$221**	**$7,624**
Net interest expense	**1,706**	**236**	**1,602**	**3,544**
Administration costs	**1,995**			**1,995**
Net benefit expense	**$10,729**	**$611**	**$1,823**	**$13,163**

2017	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Current service cost	$11,086	$305	$199	$11,590
Net interest expense	562	350	1,740	2,652
Administration costs	1,151			1,151
Net benefit expense	$12,799	$655	$1,939	$15,393

Amounts recognized in the 2018 and 2017 consolidated statements of comprehensive income or loss (before tax):

2018	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	**$54,759**	**$239**	**$2,474**	**$57,472**
Demographic assumptions		**264**		**264**
Experience adjustment	**(2,874)**	**54**	**247**	**(2,573)**
Total actuarial gains	**51,885**	**557**	**2,721**	**55,163**
Return on plan assets excluding amounts included in net interest expense	**(42,876)**			**(42,876)**
Amounts recognized in OCI	**$9,009**	**$557**	**$2,721**	**$12,287**

2017	Pension plans		Other post employment benefit plans	Total
	Funded	Unfunded		
Remeasurement gains (losses):				
Actuarial gain (loss) from:				
Financial assumptions	($47,827)	($68)	($2,165)	($50,060)
Experience adjustment	(5,628)	(1,037)	451	(6,214)
Total actuarial losses	(53,455)	(1,105)	(1,714)	(56,274)
Return on plan assets excluding amounts included in net interest expense	20,517			20,517
Amounts recognized in OCI	($32,938)	($1,105)	($1,714)	($35,757)

The significant assumptions used by the Company in 2018 and 2017 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 2018 and 2017, the Company used the 2014 Private Sector Canadian Pensioners' Mortality Table projected generationally using scale B with a multiplier applied at December 31, 2018 and 2017 (for the larger plans, the multiplier ranged from 94% to 103%).

	Pension plans		Other post employment benefit plans	
	2018	2017	**2018**	2017
To determine benefit obligation at end of year:				
Discount rate	**3.5% to 3.9%**	3.1% to 3.4%	**3.9%**	3.4%
Rate of future compensation increase	**2.5%**	2.5%		
To determine benefit expense:				
Discount rate	**3.1% to 3.4%**	3.2% to 3.8%	**3.4%**	3.8%
Rate of future compensation increase	**2.5%**	2.5%		
Health care cost trend rates at end of year:				
Initial rate			**5.0%**	5.0%
Ultimate rate			**5.0%**	5.0%
Year ultimate rate reached			**2019**	2018
Longevity for pensioners currently at age 65:				
Male	**21.9 years**	21.9 years		
Female	**24.3 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, 2018		December 31, 2017	
	1% increase	**1% decrease**	1% increase	1% decrease
Pension plans:				
Discount rate	**($98,992)**	**$112,232**	($114,175)	$130,189
Rate of compensation increase	**8,120**	**(7,981)**	8,974	(8,822)
Other post employment benefit plans:				
Discount rate	**(4,565)**	**5,550**	(5,028)	6,131
Per capita cost of health care	**1,410**	**(1,224)**	1,457	(1,267)

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 2.5% (December 31, 2017 – 2.5%).

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 consolidated statement of financial position.

Pension plan assets for the Canadian plans, measured as at December 31, 2018 and 2017 are as follows:

	2018	2017
Investments quoted in active markets:		
Cash and cash equivalents	**$1,587**	$170,149
Equity investments		
Canada	**33,972**	82,095
United States		75,052
Outside North America		91,146
Unquoted investments:		
Fixed income		
Government of Canada		69,963
Provinces and municipalities of Canada		308,782
Canadian corporations		17,927
Government of United States		861
Pooled funds		
Canadian Equity	**2,796**	
US Equity	**85,701**	
International Equity	**291,884**	
North American Equity		845
Fixed Income - Canadian Bond	**389,788**	
Fixed Income - Canadian Corporations		74,059
	$805,728	$890,879

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, 2018, the target allocation mix was 53% equity securities and 47% fixed income securities for the Canadian plans (December 31, 2017 – 28% equity securities and 72% fixed income securities).

The Company's 2018 actual funding for its Canadian registered pension plans was approximately $7 million (2017 – $11 million). The Company has prepared actuarial reports as of December 31, 2017 for its significant plans.

The weighted average duration of the defined benefit obligation is 13.2 years (2017 – 13.8 years). As at December 31, 2018, the expected maturity profile of the undiscounted pension plan and other post employment benefits is $80 million in the next year, $508 million in 2 to 10 years and $1,237 million in over 10 years (December 31, 2017 – $81 million in the next year, $509 million in 2 to 10 years and $1,362 million in over 10 years).

Defined contribution plans

The total amount expensed for defined contribution plans in 2018 was $2.1 million (2017 – $2.0 million).

Colleges of Applied Arts & Technology Pension Plan

Effective October 1, 2018, members of the Torstar Plans began accruing benefits under the new DBplus provisions of the CAAT Plan and the Company expensed $1.0 million for contributions made to the CAAT plan. Effective January

1, 2019, most employees that participated in the Company's defined contribution type plans began participating in the CAAT Plan. Most employees hired after January 1, 2019 will also participate in the CAAT Plan.

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			
	2018		2017	
	Shares	**Amount**	Shares	Amount
Class A shares (voting)				
Balance, beginning of period	**9,817,215**	**$2,668**	9,826,215	$2,670
Converted to Class B	**(9,000)**	**(12)**	(9,000)	(2)
Balance, end of period	**9,808,215**	**$2,656**	9,817,215	$2,668
Class B shares (non-voting)				
Balance, beginning of period	**71,037,138**	**$400,372**	70,891,322	$400,144
Converted from Class A	**9,000**	**12**	9,000	2
Dividend reinvestment plan	**123,373**	**155**	85,280	133
Issued under ESPP	**134,292**	**242**	50,911	92
Other	**250**		625	1
Balance, end of period	**71,304,053**	**$400,781**	71,037,138	$400,372
Total Class A and Class B shares	**81,112,268**	**$403,437**	80,854,353	$403,040

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)	**2018**	2017
Weighted average number of shares outstanding, basic and diluted	**80,990**	80,785

Outstanding share options totalling 8,661,064 (December 31, 2017 – 7,028,109), 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	
	2018	2017
First quarter ended March 31: 2.5 cents (2017 – 2.5 cents)	**$2,021**	$2,018
Second quarter ended June 30: 2.5 cents (2017 – 2.5 cents)	**2,026**	2,020
Third quarter ended September 30: 2.5 cents (2017 – 2.5 cents)	**2,026**	2,020
Fourth quarter ended December 31: 2.5 cents (2017 – 2.5 cents)	**2,026**	2,021
Total dividends	**$8,099**	$8,079

21. SHARE-BASED COMPENSATION PLANS

(a) Share option plan

The maximum number of shares that may be issued under the share option plan is 18,000,000 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, 2018, options to purchase 14,673,416 shares have been granted, net of options cancelled (December 31, 2017 – 13,040,461).

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

	2018		2017	
	Share options	**Weighted average exercise price**	Share options	Weighted average exercise price
Units outstanding, beginning of year	**7,028,109**	**$5.12**	5,686,932	$7.08
Granted	**2,300,844**	**$1.72**	2,205,018	$1.70
Forfeited or expired	**(667,889)**	**$6.50**	(863,841)	$8.53
Units outstanding, end of year	**8,661,064**	**$4.11**	7,028,109	$5.12

As at December 31, 2018, outstanding share options were as follows:

Range of exercise price	Share options outstanding	Weighted average remaining contractual life	Weighted average exercise price	Share options exercisable	Weighted average exercise price
$1.59 – $5.85	5,818,759	7.83	$2.43	1,827,509	$3.90
$6.33 – $7.81	2,094,155	4.29	$6.80	1,985,952	$6.81
$8.28 – $12.21	748,150	2.12	$9.66	748,150	$9.66
$1.59 – $12.21	8,661,064	6.48	$4.11	4,561,611	$6.11

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

	2018	2017
Fair value	**$0.34 – $0.38**	$0.31 – $0.44
Risk-free interest rate	**1.72% – 1.97%**	1.0% – 1.5%
Expected dividend yield	**5.8%**	5.2% – 6.3%
Expected share price volatility	**36.0% – 39.1%**	37.4% – 40.5%
Expected weighted average time until exercise (years)	**6**	6

(b) ESPP

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

	2018		2017	
Maturing in	**2019**	**2020**	2018	2019
Subscription price at entry date	**$1.55**	**$1.62**	$1.84	$1.55
Number of shares	**163,207**	**167,267**	173,973	203,190

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

	2018	2017
Fair value	**$0.11**	$0.24
Risk-free interest rate	**2.1%**	0.6%
Expected dividend yield	**6.2%**	6.3%
Expected share price volatility	**31.3%**	47.8%
Expected time until exercise (years)	**2**	2

(c) RSU plan

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

	2018	2017
Units outstanding, beginning of year	**1,417,569**	975,734
Vested and paid	**(270,454)**	(284,468)
Granted	**722,284**	794,372
Forfeited	**(122,404)**	(155,267)
Dividend equivalents	**153,458**	87,198
Units outstanding, end of year	**1,900,453**	1,417,569

As at December 31, 2018, 1,117,692 units have been accrued at a value of $0.9 million of which 417,040 units have been accrued in accounts payable and accrued liabilities at a value of $0.3 million while 700,652 units have been accrued in other liabilities at a value of $0.6 million (December 31, 2017 – 769,489 units were accrued at a value of $1.3 million of which 270,454 units were accrued in accounts payable and accrued liabilities at a value of $0.5 million and 499,035 units were accrued in other liabilities at a value of $0.9 million).

The Company has entered into a derivative instrument in order to lock in the expense for 610,000 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 2019, 417,040 RSUs vested and were paid.

(d) DSU plan

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

	2018	2017
Units outstanding, beginning of year	**1,158,981**	864,147
Granted	**263,158**	235,602
Directors' mandatory retainer	**8,336**	6,387
Directors' voluntary election	**53,575**	16,031
Dividends	**109,252**	62,496
Redemption	**(68,163)**	(25,682)
Units outstanding, end of year	**1,525,139**	1,158,981

As at December 31, 2018, the 1,525,139 units outstanding were valued at $1.2 million (December 31, 2017 – 1,158,191 units valued at $2.0 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.

(e) In 2018, the Company has recognized share-based compensation expense totalling $0.2 million (2017 – $1.1 million).

22. OTHER COMPONENTS OF EQUITY

The following is a continuity for the other components of equity:

	Foreign CTA [1]	Available-for-sale securities [2]	Net investment hedge [3]	Net investment hedge (cost of hedging) [4]	Accumulated other comprehensive income (loss) ("AOCI")	Fair value reserve of financial assets at FVOCI [5]	Other components of equity
As at December 31, 2016	$5,350	$2,856	($3,030)		$5,176		$5,176
OCI	(7,451)	68			(7,383)		(7,383)
As at December 31, 2017	**(2,101)**	**2,924**	**(3,030)**		**(2,207)**		**(2,207)**
Adoption of IFRS 9		**(2,924)**		**$57**	**(2,867)**	**$924**	**(1,943)**
January 1, 2018 (adjusted) (note 2)	**(2,101)**		**(3,030)**	**57**	**(5,074)**	**924**	**(4,150)**
OCI	**8,013**			**(1,618)**	**6,395**	**2,806**	**9,201**
Transfer of fair value of financial assets upon disposal						**(2,394)**	**(2,394)**
As at December 31, 2018	**$5,912**		**($3,030)**	**($1,561)**	**$1,321**	**$1,336**	**$2,657**

[1] Net of deferred income tax asset/liability of $nil (2017 – $nil).
[2] Net of deferred income tax asset/liability of $nil (2017 – $nil).
[3] Net of current income tax recovery of $500 (2017 – $500).
[4] Net of deferred income tax asset/liability of $nil (2017 – $nil).
[5] Net of deferred income tax asset of $nil (2017 – $300).

During the year ended December 31, 2018, the Company sold our portfolio investment in Kanetix Ltd. for cash proceeds of $5.7 million and recorded a gain before tax of $2.7 million ($2.4 million after tax) in other comprehensive income.

23. OTHER INCOME

	Year ended December 31	
	2018	2017
Gain on sale of assets	**$292**	
Gain on sale of newspapers		$3,225
Gain on sale of wagjag.com		500
Other	**11**	210
	$303	$3,935

2018

In August 2018, the Company sold a real estate property for net cash proceeds of $0.8 million and recorded a gain of $0.1 million.

In September 2018, the Company recorded a gain of $0.2 million from the release of escrow related to the sale of the former Vaughan printing facility and surrounding lands in 2016.

2017

The gain on sale of newspapers was related to the transaction with Postmedia Network Inc. ("Postmedia") for the purchase and sale of a number of community and daily newspapers (note 26).

In October 2017, wagjag.com and related assets were sold for gross proceeds of $0.5 million.

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, 2018, the Company reviewed its estimates and recorded a reduction in its provisions by $0.3 million (2017 - $1.6 million). The Company also recorded an income tax recovery of $6.2 million, primarily related to an adjustment to the income tax expense related to the sale of Harlequin recorded in 2014.

(i) Statement of Income

	Year ended December 31	
	2018	2017
Gain on sale of Harlequin (note 17)	**$275**	$1,550
Income before taxes from discontinued operations	**275**	1,550
Income and other taxes	**6,200**	(200)
Net income from discontinued operations	**$6,475**	$1,350
Attributable to:		
Equity shareholders	**$6,475**	$1,350
Net income from discontinued operations attributable to equity shareholders per Class A (voting) and Class B (non-voting) share (note 20(c)):		
Basic and Diluted	**$0.08**	$0.02

(ii) Statement of Comprehensive Income

	Year ended December 31	
	2018	2017
Net income from discontinued operations	**$6,475**	$1,350
Comprehensive income from discontinued operations, net of tax	**$6,475**	$1,350
Attributable to:		
Equity shareholders	**$6,475**	$1,350

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

	Year ended December 31	
	2018	2017
Share-based compensation plans	**($474)**	$955
Foreign exchange	**1,414**	(493)
Restructuring provisions	**(1,371)**	(4,390)
Interest accretion	**130**	185
Other	**94**	(331)
	($207)	($4,074)

26. ACQUISITIONS, DIVESTITURES AND PORTFOLIO INVESTMENTS

2018 Acquisitions

On October 1, 2018, the Company completed an asset acquisition from iPolitics Inc. for a total purchase price of approximately $1.4 million in its Dailies segment, including a $0.3 million holdback. The assets acquired include $0.5 million of net working capital and $0.9 million of finite-life intangible assets. The acquisition contributed approximately $0.6 million of revenue and $0.1 million of operating profit in the Dailies segment. If the acquisition had occurred on January 1, 2018, the Company's consolidated revenues and operating loss would have been $2.2 million and $0.5 million higher.

During the year ended December 31, 2018, the Company made additional investments of $1.1 million in its portfolio investments in corporate (December 31, 2017 - $0.9 million).

2017 Acquisitions

On November 27, 2017, the Company entered into an asset purchase agreement with Postmedia relating to the purchase and sale of a number of community and daily newspapers. As part of the transaction, the Company acquired eight weekly community publications, seven daily community newspapers and two free daily newspapers from Postmedia. As consideration for the purchase, the Company sold 22 weekly community newspapers in eastern and southern Ontario and the Metro Winnipeg and Metro Ottawa free daily publications to Postmedia. The transaction was a non-monetary transaction as there was no cash exchanged. The estimated fair value of both the net assets acquired from Postmedia and the net assets sold by the Company was $3.5 million. The difference between the consideration received, being the net assets acquired at fair value, and the carrying value of the net liabilities transferred and cost of disposal was recognized as a gain on disposal of newspapers (note 23). In the year ended December, 31, 2017, the Company also incurred severance costs of $1.4 million and provisions for onerous leases and contracts of $0.5 million and $0.5 million respectively, which are included in Restructuring and other charges (note 17).

In 2017, revenue and operating earnings were $1.5 million lower ($2.7 million lower in the Communities segment and $1.2 million higher in the Dailies segment) and $0.3 million higher respectively as a result of this transaction. The full year impact of properties acquired and sold would have resulted in a net reduction in revenue in 2017 of approximately $14 million ($22 million lower in the Communities segment and $8 million higher in the Dailies segment).

The fair value of identifiable assets acquired and liabilities assumed were as follows:

	Communities
Assets acquired	
Prepaid expenses	$36
Intangible assets (note 10)	5,339
Total assets acquired	5,375
Liabilities assumed	
Accounts payable and accrued liabilities	(8)
Deferred revenue	(1,845)
Other liabilities	(50)
Total liabilities assumed	(1,903)
Net assets acquired at fair value	$3,472

The Company transferred the following net liabilities to Postmedia and recognized a gain on disposal of newspapers as follows:

	Communities
Consideration for disposal	
Prepaid assets	$60
Deferred revenue	(112)
Net liabilities transferred	(52)
Consideration received (net assets acquired at fair value)	3,472
Disposal costs	(299)
Gain on disposal of newspapers	$3,225

27. COMMITMENTS AND CONTINGENCIES

The Company has guaranteed obligations of a subtenant to a third party in respect of a sublease. The sublease expired on December 31, 2018 but the guarantee remains in effect until June 30, 2019. To date, we are not aware of any matters which would be expected to give rise to any liability under this guarantee.

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

Nature of the obligation	Total	2019	2020 – 2021	2022 – 2023
Office leases	$39,863	$13,240	$18,581	$8,042
Services	33,920	17,654	14,290	1,976
Total	$73,783	$30,894	$32,871	$10,018
Receivable from office sub-leases	($3,292)	($1,966)	($1,326)	

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	
	2018	2017
Salaries and benefits	**$8,140**	$5,210
Post-employment benefits	**570**	435
Share based payments	**627**	649
Total	**$9,337**	$6,294

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				
2018	**$102**	**$30**	**$198**	
2017	294	156	93	$22
Associates				
2018	**45**	**7,150**	**33**	**300**
2017	45	8,085	19	380

The Company received in 2018 $0.2 million (2017 – $0.4 million) of rent from a joint venture. No provisions have been made for expected credit losses in respect of amounts owed by related parties.

29. TRANSITION TO IFRS 9

Fair value of financial instruments

A reconciliation between the classification and measurement of the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of January 1, 2018 is as follows:

	January 1, 2018	IAS 39	IFRS 9
Financial assets:			
Cash and cash equivalents	**$71,377**	Amortized cost	Amortized cost
Restricted cash (current)	**9,056**	Amortized cost	Amortized cost
Trade accounts receivable	**90,183**	Amortized cost	Amortized cost
Other receivables	**22,763**	Amortized cost	Amortized cost
Receivables	**112,946**		
Portfolio investments[1]	**10,885**	Available-for-sale, measured at fair value	FVOCI
Foreign currency forward contracts	**57**	Hedge, fair value	Hedge, fair value
Accounts payable and accrued liabilities	**(72,962)**	Amortized cost	Amortized cost

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

TORSTAR

NOTES

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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 Investment Officer,
NCM Capital Inc.

Director since 2009

Alnasir Samji
Managing Principal
Alderidge Consulting

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

John Boynton

President and Chief Executive Officer
Torstar Corporation

Director since 2017

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TORSTAR

NOTES

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JOHN BOYNTON
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IAN OLIVER
Executive Vice-President
and President, Community
Brands and Operations

NEIL OLIVER
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