

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(In thousands of Canadian dollars except as otherwise noted)

	For the three months ended		For the six months ended	
	February 28	February 28	February 28	February 28
	2002	2001	2002	2001
Revenue	529,130	514,950	1,171,710	850,926
Operating expenses	293,273	291,592	627,450	459,277
Selling general and administrative expense	143,982	109,910	281,295	173,150
Non-recurring costs	-	-	-	1,460
Operating profit before amortization (EBITDA)	91,875	113,448	262,965	217,039
Amortization of intangibles and goodwill	4,375	24,648	8,750	38,916
Amortization of capital assets	18,247	18,481	36,231	26,063
Other amortization	2,333	553	3,171	3,449
Earnings before financing expenses (EBIT)	66,920	69,766	214,813	148,611
Financing expenses	(92,769)	(102,045)	(197,679)	(139,423)
Investment income	-	-	63,020	7,892
Dividend income	-	-	1,358	1,245
Earnings (loss) before income taxes	(25,849)	(32,279)	81,512	18,325
Provision for (recovery of) income taxes	(8,184)	(52,807)	11,560	(33,926)
Earnings (loss) before the following	(17,665)	20,528	69,952	52,251
Minority interests	1,685	(1,263)	3,760	(3,146)
Interest in earnings (loss) of Network TEN	(5,243)	(4,411)	14,199	12,779
Interest in loss of equity accounted affiliates	(437)	(4,381)	(437)	(3,195)
Realized currency translation adjustments	-	-	(1,000)	(7,200)
Net earnings (loss)	(21,660)	10,473	86,474	51,489
Amortization of intangibles and goodwill	-	21,990	-	36,492
Adjusted net earnings (loss)	<u>(21,660)</u>	<u>32,463</u>	<u>86,474</u>	<u>87,981</u>
Earnings per share:				
Net earnings (loss)				
Basic	(\$0.12)	\$0.06	\$0.49	\$0.31
Diluted	(\$0.12)	\$0.06	\$0.48	\$0.31
Adjusted net earnings (loss)				
Basic	(\$0.12)	\$0.18	\$0.49	\$0.53
Diluted	(\$0.12)	\$0.18	\$0.48	\$0.53

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands of Canadian dollars)

	As at	
	February 28, 2002	August 31, 2001
ASSETS		
Current Assets		
Cash and short term investments	72,869	19,489
Accounts receivable	535,578	475,618
Income taxes recoverable	29,078	-
Inventory	22,023	30,817
Investment in film and television program rights	127,988	96,385
Future income taxes	33,243	33,243
Other	<u>16,656</u>	<u>17,840</u>
	837,435	673,392
Investment in Network TEN	26,328	107,210
Other investments	245,448	415,413
Investment in film and television programs rights	381,675	355,994
Property and equipment	705,248	707,811
Other assets	126,139	130,966
Intangibles and goodwill	<u>3,936,512</u>	<u>3,908,434</u>
	<u><u>6,258,785</u></u>	<u><u>6,299,220</u></u>
LIABILITIES		
Current Liabilities		
Bank loans and advances	-	28,999
Accounts payable and accrued liabilities	408,544	400,433
Income taxes payable	-	1,175
Film and program accounts payable	95,289	45,084
Deferred revenue	52,227	75,970
Current portion of long term debt	<u>169,157</u>	<u>116,500</u>
	725,217	668,161
Long term debt	3,645,900	3,795,262
Film and program accounts payable	2,863	3,581
Other accrued liabilities	68,084	85,228
Future income taxes	432,042	440,992
Minority interest	<u>16,794</u>	<u>-</u>
	<u>4,890,900</u>	<u>4,993,224</u>
SHAREHOLDERS' EQUITY		
Capital stock	901,303	896,313
Contributed surplus	3,647	3,647
Retained earnings	516,258	475,053
Cumulative foreign currency translation adjustments	<u>(53,323)</u>	<u>(69,017)</u>
	<u>1,367,885</u>	<u>1,305,996</u>
	<u><u>6,258,785</u></u>	<u><u>6,299,220</u></u>

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(UNAUDITED)
(in thousands of Canadian dollars)

	For the three months ended February 28 2002	February 28 2001	For the six months ended February 28 2002	February 28 2001
Retained earnings - beginning of period, as previously reported	583,187	495,925	475,053	529,112
Adjustment for adoption of new accounting pronouncements	<u>(45,269)</u>	<u>-</u>	<u>(45,269)</u>	<u>(5,164)</u>
Retained earnings, beginning of period as adjusted	537,918	495,925	429,784	523,948
Net earnings (loss) for the period	(21,660)	10,473	86,474	51,489
Dividends				
- Cash	-	-	-	(22,514)
- Stock	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,525)</u>
Retained earnings - end of period	<u>516,258</u>	<u>506,398</u>	<u>516,258</u>	<u>506,398</u>

The notes constitute an integral part of the consolidated financial statements.

**CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

(in thousands of Canadian dollars, except as otherwise noted)

	For the three months ended February 28 2002	February 28 2001	For the six months ended February 28 2002	February 28 2001
CASH GENERATED (UTILIZED) BY:				
OPERATING ACTIVITIES				
Net earnings (loss) for the period	(21,660)	10,473	86,474	51,489
Items not affecting cash				
Amortization	27,362	48,928	52,982	74,121
Interest paid in kind	25,604	22,927	50,813	26,748
Future income taxes	3,103	(54,312)	7,438	(58,074)
Interest in (earnings) loss of Network TEN	5,243	4,411	(14,199)	(12,779)
Interest in loss of equity accounted affiliates	437	4,381	437	3,195
Minority interests	(1,685)	1,263	(3,760)	3,146
Distributions from Network TEN	60,984	71,096	60,984	71,096
Realized translation adjustments	-	-	1,000	7,200
Gain on sale of other investments	-	-	(63,020)	(7,892)
	<u>99,388</u>	<u>109,167</u>	<u>179,149</u>	<u>158,250</u>
Changes in non-cash operating accounts	<u>33,396</u>	<u>(43,038)</u>	<u>(116,821)</u>	<u>(152,547)</u>
	<u>132,784</u>	<u>66,129</u>	<u>62,328</u>	<u>5,703</u>
INVESTING ACTIVITIES				
Acquisitions	-	(21,770)	-	(1,945,770)
Proceeds from divestitures	-	-	220,039	-
Proceeds from sale of other investments	-	-	-	33,214
Purchase of broadcast facilities and licences	-	(328)	-	(1,568)
Purchase of property and equipment	(14,548)	(11,543)	(29,023)	(12,013)
Net investment in film and program rights	<u>8,236</u>	<u>(14,646)</u>	<u>(23,968)</u>	<u>(36,131)</u>
	<u>(6,312)</u>	<u>(48,287)</u>	<u>167,048</u>	<u>(1,962,268)</u>
FINANCING ACTIVITIES				
Dividends paid	-	-	-	(22,514)
Issuance (repayment) of long term debt	(55,895)	(12,496)	(147,517)	1,991,076
Issuance of share capital	458	1,356	520	2,970
Net change in bank loans and advances	<u>(20,905)</u>	<u>(8,369)</u>	<u>(28,999)</u>	<u>(1,943)</u>
	<u>(76,342)</u>	<u>(19,509)</u>	<u>(175,996)</u>	<u>1,969,589</u>
Net change in cash	50,130	(1,667)	53,380	13,024
Cash and cash equivalents – beginning of period	<u>22,739</u>	<u>90,989</u>	<u>19,489</u>	<u>76,298</u>
Cash and cash equivalents – end of period	<u><u>72,869</u></u>	<u><u>89,322</u></u>	<u><u>72,869</u></u>	<u><u>89,322</u></u>
Cash flow from operations per share:				
Basic	\$0.56	\$0.62	\$1.01	\$0.95
Diluted	\$0.55	\$0.61	\$0.99	\$0.94

The notes constitute an integral part of the consolidated financial statements.

CANWEST GLOBAL COMMUNICATIONS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED FEBRUARY 28, 2002 AND 2001
(UNAUDITED)
(In thousands of Canadian dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. Users should refer to the audited consolidated financial statements contained in the Company's 2001 Annual Report for a summary of significant accounting policies.

Changes in Accounting Policies

a) *Income taxes*

On September 1, 2000 the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3465, Income Taxes, which replaced the deferral method with the asset and liability method of tax allocation. The Company has applied the change retroactively, restating prior years. The cumulative effect of the change was to reduce opening retained earnings at September 1, 2000 by \$5.2 million.

b) *Business combinations, intangibles and goodwill*

In July 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants issued CICA Handbook Section 1581, *Business Combinations* and CICA Handbook Section 3062, *Goodwill and Other Intangibles*.

Under the new Section 1581, all business combinations initiated after June 30, 2001, must be accounted for as a purchase. In addition, the standards require classification of carrying amounts of goodwill and other intangibles related to purchase business combinations in accordance with the new definitions of intangibles. In addition, the standard requires intangibles assets to be recognized separately from goodwill if an asset arises from contractual or other legal rights, or is separable. These provisions are applicable to business combinations consummated after June 30, 2001 and for any recognized intangibles acquired in a business combination prior to July 1, 2001 when Section 3062 is first applied. This section will be applied prospectively.

Under the new Section 3062, goodwill and other intangibles with indefinite lives will not be amortized, however, will be subject to annual impairment tests based on fair values. Other intangible assets with finite useful lives will continue to be amortized, with no ceiling on the useful lives. Section 3062 is effective for years beginning on or after January 1, 2002. The Company has applied the new standard for its fiscal year beginning on September 1, 2001. At adoption the Company has provided for an impairment in goodwill related to its investment in Eye Corp. The impact is to reduce opening retained earnings by \$45.3 million. A further impairment of Eye Corp. goodwill has had the impact of reducing the Company's interest in earnings of Network TEN by \$11.4 million in the current year. In addition, no amortization has been recorded related to goodwill and intangibles in the total amount of \$3,768.4 million which under the old rules would have resulted in an annual amortization charge of \$94.7 million. Circulation lists will be amortized over their estimated life of 40 years. Broadcast licenses and mastheads are considered to have indefinite lives and therefore will no longer be amortized. The Company has presented adjusted net earnings and adjusted net earnings per share for the comparative period which adds back amortization which would not have been recorded if the new policy had been applied retroactively.

c) *Film and television programs*

The Company will adopt SOP – 00-2 *Accounting by Producers and Distributors of Films*, during the current fiscal year. The change will be applied retroactively without restatement of prior periods. The adoption of SOP 00-2 will have a significant impact on retained earnings and investment in film and television programs. The amount of the impact has not yet been determined.

2. ACQUISITIONS AND DIVESTITURES

(a) On August 23, 2001, CanWest and Hollinger entered into a letter agreement providing for the acquisition by the Company of all of Hollinger's and its affiliates' interests in The National Post Company, the partnership that owns and operates the National Post, constituting the 50% of the National Post not already owned by the Company. The acquisition was effective March 31, 2002 and the purchase price consisted of nominal cash consideration and other consideration in the form of agreements and undertakings exchanged by the parties. In addition, Hollinger will fund losses and cash requirements of The National Post Company to March 31, 2002. In September 2001, the Company assumed control of the National Post, therefore the Company has changed its accounting for the National Post to a consolidation basis from an equity basis.

(b) In January 2001, the Company acquired the shares of RadioWorks that it did not already own. The cost to acquire this 28% interest was \$21,770,000.

(c) On November 16, 2000, the Company acquired substantially all of the Canadian newspaper and other Canadian media assets ("Southam Publications") of Hollinger International Inc. and certain of its affiliates ("Hollinger") for consideration of approximately \$3.1 billion, including certain costs related to the acquisition.

The purchase price is subject to adjustment based on the working capital of Southam Publications at August 31, 2000 and the results of its operations from September 1, 2000 to November 16, 2000. The amount of such adjustment has not been finally determined.

The Company partially financed the acquisition and refinanced certain existing credit facilities by entering into a new senior secured credit facility, of which the Company had drawn approximately \$2.5 billion at closing. In addition, the Company issued US\$425.0 million and \$60.7 million in senior subordinated notes, and approximately \$767.0 million in subordinated notes payable to Hollinger. The Company also issued 2.7 million Series 1 preferred shares and 24.3 million non-voting shares to Hollinger.

The Company accounted for these acquisitions using the purchase method. As such, the results of operations reflect the revenues and expenses of the acquired operations since the dates of acquisition. A summary of the fair value of the assets acquired in thousands of Canadian dollars is as follows:

	Period ended Feb. 2002	Period ended Feb. 2001		
	National Post	Southam	RadioWorks	Total
Current assets	49,257	324,382	-	324,382
Property, plant and equipment	6,361	537,053	-	537,053
Other investments	-	101,561	-	101,561
Other assets	-	67,412	-	67,412
Circulation and other	10,700	49,300	-	49,300
Mastheads and goodwill	<u>90,462</u>	<u>2,412,619</u>	<u>16,928</u>	<u>2,429,547</u>
Total assets	<u>156,780</u>	<u>3,492,327</u>	<u>16,928</u>	<u>3,509,255</u>
Other current liabilities	(50,665)	(294,856)	-	(294,856)
Other accrued liabilities	-	(10,000)	-	(10,000)
Future income taxes	-	(59,587)	-	(59,587)
Minority interest	<u>(22,500)</u>	<u>-</u>	<u>4,842</u>	<u>4,842</u>
Total liabilities	<u>(73,165)</u>	<u>(364,443)</u>	<u>4,842</u>	<u>(359,601)</u>
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>3,149,654</u>
Consideration:				
Cash	-	1,985,521	21,770	2,007,291
Shares	-	375,516	-	375,516
Note payable	-	766,847	-	766,847
Carrying value of National Post investment at date of acquisition	<u>83,615</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>83,615</u>	<u>3,127,884</u>	<u>21,770</u>	<u>3,149,654</u>

Divestitures

(a) On September 12, 2001, the Company completed the sale of CFCF, and received gross proceeds of \$90 million. No gain or loss arose from this transaction.

(b) On October 31, 2001, the Company completed the sale of CKVU, and received gross proceeds of \$133 million. The accounting gain on the sale was \$63 million.

3. EARNINGS PER SHARE

Earnings per share and cash flow per share have been calculated on the basis of the weighted average number of shares outstanding during the six months of 176,853,922 (2001 – 166,149,585).

4. SEGMENTED INFORMATION

The Company operates within the television broadcasting industry in Canada, Australia, New Zealand and Ireland; the radio broadcasting industry in New Zealand; the entertainment industry in Canada and the U.S., the publishing industry in Canada, and the out-of-home advertising industry in Australia and South East Asia. Industry and geographic segment information for the consolidated results in thousands of Canadian dollars follow:

	For the three months ended February 28		For the six months ended February 28	
	2002	2001	2002	2001
REVENUE				
Television				
Canada - Conventional	149,032	165,015	343,199	362,571
- Specialty - Prime	5,753	4,577	12,354	9,364
- Specialty - Digital	658	-	658	-
New Zealand - TV3/4	13,124	12,192	31,487	29,123
Ireland - TV3	<u>6,402</u>	<u>9,887</u>	<u>14,934</u>	<u>20,637</u>
	174,969	191,671	402,632	421,695
Radio - New Zealand	15,037	15,332	30,341	29,943
Entertainment - Canada	41,098	25,010	98,626	59,249
Publications - Canada	297,798	281,084	640,340	339,435
Online operations - Canada	1,763	2,243	3,715	2,770
Inter-segment revenues	<u>(1,535)</u>	<u>(390)</u>	<u>(3,944)</u>	<u>(2,166)</u>
TOTAL REVENUE	<u>529,130</u>	<u>514,950</u>	<u>1,171,710</u>	<u>850,926</u>
OPERATING PROFIT				
Television				
Canada - Conventional	30,098	51,727	101,709	130,162
- Specialty - Prime	3,135	2,218	7,007	4,436
- Specialty - Digital	(1,329)	-	(1,329)	-
New Zealand - TV3/4	(3,120)	(3,146)	(2,402)	(2,801)
Ireland - TV3	<u>1,413</u>	<u>421</u>	<u>4,713</u>	<u>1,843</u>
	30,197	51,220	109,698	133,640
Radio - New Zealand	4,116	4,074	8,386	8,021
Entertainment - Canada	1,626	1,070	5,726	3,280
Publications - Canada	64,347	68,150	154,238	90,292
Online operations - Canada	<u>(1,905)</u>	<u>(7,422)</u>	<u>(4,093)</u>	<u>(9,514)</u>
Segment operating profit	98,381	117,092	273,955	225,719
Corporate expenses	6,506	3,644	10,990	7,220
Non-recurring costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,460</u>
Operating profit (EBITDA)	<u>91,875</u>	<u>113,448</u>	<u>262,965</u>	<u>217,039</u>