

interim report to shareholders

**for the three months
ending november 30, 2001**



**CanWest Global
Communications Corp.**



CORPORATE HIGHLIGHTS

- CanWest assumed full management control of the National Post on August 23 2001 upon agreeing to acquire the remaining 50% interest from Hollinger International Inc.
- In the ensuing period the company moved quickly to restructure the newspaper to bring costs into line with achievable revenues. The company also took additional cost effective steps to enhance the newspaper to meet expectations of consumers and advertisers. As a result, operating losses for the quarter at the National Post were significantly reduced. The anticipated recovery of national advertising markets during 2002 combined with the continuing positive trend in circulation revenues should contribute to significant further progress towards break-even at the National Post during the year.
- Fireworks Entertainment maintained its year-over-year growth. Release of the successful feature films **Rat Race** and **Hardball** for which Fireworks has international distribution rights was a significant factor, together with the continued success of sci-fi series **Andromeda** and the new series **Mutant X** which ranked one and two respectively in the ratings for new shows in syndication in the US. Both have been renewed for a further two seasons.
- Global Television achieved the highest television ratings in the Toronto market in prime time every week during the Fall season. For the four weeks of November Global's ratings exceeded those of main competitor by 52% for the 18-34 demographic. Global was also number one in the wider 18-49 demographic for 7 out of 12 weeks.
- In September, CanWest launched six new digital channels, designed to appeal to specialty niche audiences. Of the 41 new digital channels launched, CanWest channels **Lonestar** and **Dejaview** received the highest audience ratings. In all, CanWest had four of the top six and five of the top fifteen channels.
- In September CanWest re-launched **canada.com** to include all **globaltv.com**, Southam newspaper and other CanWest web sites as integrated components of an all-new **canada.com**. The new sites offer expanded news, information, sports and all the other web-based services previously available in a more user-friendly environment. As a result **canada.com** is now the leading Canadian web site in the news and information category. At the same time, technical and systems integration of the various CanWest web sites reduced operating costs by more than half. Losses for the quarter declined to \$2 million, less than one half of the pro forma loss for the same three months one year ago.
- The economic downturn affected CanWest less than its main competitors due to the strong market positions held by our newspapers which, for the most part are number one in their respective markets. Our combined total television advertising revenues increased by 10% on a same station basis, a remarkable and industry leading accomplishment given the economic circumstances.
- Network TEN's audience share increased 14% in the quarter compared to the same period last year, mainly attributable to increased investment by TEN in successful local programming and to the carriage of popular Australian football. The carriage of the Sydney Olympic games by a rival broadcaster also negatively affected results in the previous year.
- The new Customer Contact Centre in Winnipeg began to receive calls on September 6 and quickly achieved a seamless transition, handling all incoming customer service calls for the Vancouver Sun and Vancouver Province newspapers. Incoming calls to the National Post were taken on by the facility in December, followed by the Calgary Herald in January. As planned capacity continues to ramp up it is anticipated that customer service calls to the Edmonton Journal will be added beginning in February 2002.

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- CanWest announced several senior executive appointments during the quarter. Peter Viner was appointed Publisher of the National Post. Mr. Viner also serves as Vice Chairman of the CanWest Board of Directors. Former Publisher of the National Post, Gordon Fisher was appointed President, News and Information at CanWest. In that position he will drive all news related convergence initiatives including the development of new programming and publications. Jack Tomik, also a long time CanWest sales executive, was appointed President of CanWest Media Sales, with overall responsibility to drive CanWest's multi-media advertising sales initiatives across our Canadian television, newspaper and online operations. Lynne Munro was named National Vice President Promotions to lead the promotion activities related to integration and convergence while continuing to direct the promotional efforts at the National Post.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENTS

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

OVERVIEW

The following discussion is based on the company's consolidated results for the three months ending November 30, 2001. Year over year comparisons are affected by corporate development initiatives including the following:

- The acquisition in November 2000 of Southam Publications and related financing,
- The acquisition by Network TEN in December 2000 of Eye Corp.,
- The reorganization of the company's interest in TV3 Ireland in March 2001 which resulted in a change in the company's accounting for TV3 Ireland to proportionate consolidation,
- The acquisition of the remaining 50% interest in the National Post in August 2001.
- The sale of CKVU effective August 31, 2001.

ACCOUNTING POLICIES

The company prepares its consolidated financial statements in Canadian dollars and in accordance with Canadian GAAP. The company accounts for its economic interest in Network TEN using the equity method of accounting. Under this method, the company's interest in the net earnings (before interest on subordinated debentures) of Network TEN is included in consolidated earnings, and an adjustment is made to the carrying value at which the investment is recorded on the consolidated balance sheet. The carrying value of this investment is reduced by any interest on subordinated debentures and dividends received by the company.

The company has consolidated its 50% interest in the National Post from September 1, 2001.

In September 2001 the company adopted the new accounting recommendations related to accounting for goodwill and intangibles, which has resulted in a significant improvement in net earnings. The majority of the company's intangible assets are not subject to amortization under the new rules. The company ceased amortizing intangible assets with a book value of \$3,768 million, with an annual amortization charge of approximately \$94 million. In addition, interest in earnings of equity accounted affiliates will increase approximately \$7 million per annum as a result of the application of the new rules.



A change in the rules for accounting for production and distribution of film and television programs, to be implemented later in the fiscal year, will affect the company's results from the entertainment segment. Short-term profit margins will be adversely affected as the window for projecting future revenues has been reduced. Further, marketing and exploitation costs, formerly deferred as production in progress must be expensed as incurred. Margins will improve over the longer term, as revenues are realized beyond those allowed for forecast projections.

RESULTS OF OPERATIONS

Consolidated operating profits before amortization (EBITDA) were \$171 million, up 65% from the \$104 million recorded in for the first quarter of 2001. Cash flow from operations was \$80 million or \$0.45 per share, up 63% from the \$49 million or \$0.31 per share recorded in the corresponding period last year.

Canadian same station conventional television revenues were \$194 million for the first quarter of 2002 up 9% from \$179 million for the same period last year, resulting from the affiliation of BCTV with the Global Television Network effective September 1, 2001. Same station conventional revenues exclude CKVU, which was sold effective August 31, 2001 and which contributed revenues of \$19 million in the previous year. First quarter revenues in 2001 were also adversely affected by the 2000 Summer Olympics in Sydney.

Canadian television ratings continue to be strong. The Global and CH networks were the number one ranked stations in Toronto/Hamilton for the current fall season in all adult demographics for prime time. The company had 10 of the top 20 programs in the 18-49 age demographic. As well, Global's BCTV and CH continue to dominate the prime time ratings in Vancouver/Victoria.

Same station Canadian television operating expenses were up 14% including approximately \$8 million arising from BCTV's affiliation with the Global Television Network. Program amortization costs, representing 46% of total Canadian television operating costs, accounted for most of the remainder of the increase in total operating costs. This planned increase primarily reflects programming decisions designed to drive ratings, including the introduction of PGA golf, an extra season of the top ranked Survivor series and "Big Event" programming for the company's CH network.

In specialty television operations, Prime's revenues were up 38% to \$7 million, compared to \$5 million for the same three months last year. Approximately one third of Prime's revenues were derived from subscriptions. As well, the company launched six new digital specialty channels in September 2001. Nielsen data shows Lonestar ranked as the number one watched digital channel, and Mystery, MenTV and Dejavier are also in the top six most watched.

Revenue from TV3 Ireland in local currency was up 45% to \approx 12 million from \approx 8 million in the first quarter of 2001. However due to a restructuring of the company's interest following the acquisition by Granada Media of a 45% interest in TV3, results in fiscal 2002 have been proportionately consolidated at 45%. In the comparable quarter in 2001 the company consolidated the full revenue result from TV3.

New Zealand television and radio results were comparatively strong for the quarter. Television revenues in local currency were 2% ahead of the same quarter last year. A marginal revenue decline in radio operations was more than offset by tightening of costs to improve the comparative EBITDA result. Together, television and radio operations in New Zealand contributed EBITDA of \$5 million, compared to \$4 million for the same three months last year.

Including the National Post, revenue from Publications was down 7% to \$343 million for the first quarter, compared to \$370 million last year on a pro forma basis. Advertising revenues comprise 77% of first quarter revenues, compared to 80% for the same quarter last year. Revenue from advertising was down 12% for the quarter, compared to last year,

while circulation, comprising 17% of total revenue, was up 6%, reflecting price increases. ROP lineage for the metro newspapers, excluding the National Post, was down 11% over the comparable quarter last year. These volume losses were partially offset by rate increases. Advertising shortfalls were most acute in technology, financial, employment and career categories.

Operating expenses for publishing operations, including the National Post were down 6% to \$253 million, compared to \$268 million for the first quarter of 2001. Newsprint costs, representing 18% of total operating costs the first three months of fiscal 2002, were down 3% compared to the same three months last year, reflecting both volume and price savings. Benefits of recent reductions in newsprint prices totaling US\$50 per tonne will be realized in the second quarter. Most of the cost savings were achieved at the National Post, following the restructuring by CanWest early in September 2001.

Revenue from Fireworks was up \$23 million, or 68% for the three months ending November 30, 2001 compared to the same period last year. This increase results primarily from the release by Paramount Pictures of feature film *Hardball* in October 2001, with no comparable feature film release in the first quarter of 2001. Fireworks has the international distribution rights for the film outside of North America, and was successful in selling out in major markets prior to the film's release.

CanWest Interactive felt the economic slowdown through a marginal reduction in revenues. The company continues to integrate and streamline the operations of canada.com and the family of websites it operates. For the three months ending November 30, 2001, operating costs were \$4 million, down 40% compared to the pro forma results for the same period last year.

Network TEN's television revenues were up 10% to A\$161 million compared to A\$146 million for the same three months last year. TEN's audience share has improved 14% over 2001 and TEN is now rated No 1 in its key 16-39 age demographic, favorably affecting renewal negotiations now in progress. Operating expenses were up 9%, primarily as a result of increased costs related to digital broadcasting partially offset by costs savings associated with the discontinuation of on-line activities last year. EBITDA improved 14% to A\$60 million. Investment in the locally produced *Big Brother*, a ratings phenomenon for TEN, as well as the AFL sports programming are key drivers of the improved share performance. A 2% decline in the rate of translation to \$0.8036 marginally reduced equity accounted result upon translation to Canadian dollars. Improvements in the translation rate subsequent to the end of the quarter improve the outlook for translation into the second quarter.

Eye Corp. generated A\$3 million in EBITDA on A\$23 million in revenues for the three months ending November 30, 2001. Early indications from the recent management changes at Eye Corp. are promising.

In light of worldwide economic uncertainty operators across the CanWest group of companies have been challenged to find operating cost savings by reducing discretionary spending wherever possible. The benefits of these initiatives will be realized through the remainder of the year.

Financing costs were \$105 million, compared to \$37 million for the three months ending November 30, 2000, reflecting increased financing cost arising from the debt taken on with the \$3.1 billion acquisition of the newspaper operations.

Depreciation and amortization cost for the quarter totaled \$23 million, compared to \$25 million for the same three months last year. The \$10 million saving resulted from the change in accounting rules referred to above was offset by increased amortization arising from the acquisition of Southam.



As a result of the sale of CKVU, the company recorded a gain of \$63 million. In the prior year, the company had investment income of \$8 million relating to the sale of the company's interest in Alliance Atlantis. Dividend income includes dividends from the company's 29.9% interest in Ulster Television plc.

The provision for income taxes totaled \$20 million. Excluding the investment income subject to capital gains treatment, the effective tax rate was unchanged from the same quarter last year at 44%.

The minority interest credit represents 50% of the results of the National Post for the quarter. In the previous year, the minority interest charge reflected certain interests in Western Canadian television operations, acquired by the company in May 2001.

A \$1 million charge related to realization of cumulative deferred foreign currency translation adjustments related to distributions from Network TEN arose in the three months ended November 30, 2001. This compares to a similar charge in the comparative period of \$7 million.

Net earnings were \$108 million, or \$0.61 per share, compared to \$41 million or \$0.26 per share for the same quarter last year. Per share results have been affected by the dilution caused by the issuance of 27 million shares in connection with the acquisition of Southam Publications in November 2000. Adjusted earnings per share for the three months ending November 30, 2000 excluding the amortization charges for intangibles referred to in the accounting policy change above, were \$0.36 per share.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations at \$80 million for the three months ending November 30, 2001 was \$31 million ahead of the same period last year, reflecting the increase in EBITDA.

Capital spending totaled \$14 million, and included a total of \$6 million in investment spending related to our new printing plant in Montreal, and digital fit out of Canadian television operations.

Cash proceeds from the sale of CKVU and CFCF amounted to \$220 million in the quarter. As well, the company made interest and principal payments totaling \$115 million. In January 2002 the company received A\$76 million (\$62 million) in distributions from Network TEN.

Cash and short-term investments amounted to \$23 million at November 30, 2001.

Total long term debt of \$3.8 billion includes \$868 million in junior subordinated notes which bear interest payable in kind. Scheduled repayments of the company's senior credit facility amount to \$169 million over the next twelve months.

Long term debt under the company's senior credit facility at November 30, 2001 was \$2.2 billion, leaving unused available credit of \$529 million at November 30, 2001.

The company has entered into currency and interest rate swaps under its senior indebtedness totaling \$2.1 billion. The average cost of senior debt, and the junior subordinated notes, after taking into account derivatives in place was 9.4%.

Fireworks secured two term credit facilities during the quarter totaling \$US 24 million to finance the acquisition of Hardball and for general corporate purposes. Total drawn debt from third parties at Fireworks at November 30, 2001 was \$54 million.

OUTLOOK

The weaker economy and the events of September 11 had a negative impact on CanWest results during the quarter. On the other hand, the significant progress we have achieved in capturing cost and revenue benefits from convergence and cross-media integration helped to mitigate the adverse effects of the economic downturn on the company.

The benefit of cost reductions from the consolidation of corporate services will become increasingly important during the remainder of the fiscal year and beyond, as the new facilities in Winnipeg take on growing responsibility for services now provided by smaller and less efficient units at several locations. Organizational initiatives including the appointment of seasoned executives with a full time mandate to build new and incremental revenues from multi-media sales and promotional initiatives, should provide added momentum to our already successful convergence sales initiatives.

Our business plan assumes that the reduced level of demand for newspaper advertising may continue for some time. Nevertheless, as the combination of internal measures we have adopted to reduce operating costs and the positive impact of recent reductions in newsprint prices work their way through the system these positive developments should help to sustain results at Southam for the remainder of the fiscal year. The restructuring of the National Post, announced in September, has fully met expectations. Based on the significant progress achieved in the ensuing period, the Post is now on track to secure its position for the long term as CanWest's flagship national newspaper.

We continue to strive to ensure that each of our media operations in Canada and overseas becomes the benchmark for excellence in its respective field. Global Television continues to dominate the ratings in Canada with a substantial margin of preference among viewers compared to the competition. Nevertheless, we expect that the Canadian television advertising market will remain difficult at least through the second quarter. Positive trends are, however, evident at Network TEN in Australia and with TV3 Ireland. Our New Zealand television operations are finally emerging from the difficult market conditions in that country. More favourable currency exchange rate trends should contribute to improved prospects for our South Pacific operations in the coming period.

Our priorities for the coming period remain unchanged. Our ongoing focus on operating improvements to optimize financial performance at all operating units remains a top priority. Securing additional cost and revenue synergies from integration also remains an important priority with particular emphasis on building new revenues from cross media sales. As before, reducing corporate debt is our other top priority. At the same time, the company remains mindful of potential development opportunities that may occur, particularly during periods of economic weakness. We continue to ensure, consistent with fiscal prudence, that our finances provide flexibility to seize such opportunities should they arise.

Finally, we believe the important work we have done to streamline the company over the past year will pay solid dividends in terms of higher revenues and profits as the economy recovers and advertising markets resume their earlier momentum.

Respectfully submitted,



Israel Asper, O.C., O.M., Q.C.
Executive Chairman
Winnipeg, Canada
January 22nd, 2002



Leonard Asper
President and Chief
Executive Officer



**CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(In thousands of Canadian dollars)

	As at November 30, 2001	As at August 31, 2001
ASSETS		
Current Assets		
Cash and short term investments	22,739	19,489
Due from Network TEN	60,984	-
Accounts receivable	641,772	475,618
Inventory	28,074	30,817
Investment in film and television program rights	144,757	96,385
Future income taxes	33,243	33,243
Other	<u>13,757</u>	<u>17,840</u>
	945,326	673,392
Investment in Network TEN	69,189	107,210
Other investments	245,392	415,413
Investment in film and television programs rights	387,055	355,994
Property and equipment	707,303	707,811
Other assets	113,883	130,966
Goodwill and other intangibles	<u>3,935,093</u>	<u>3,908,434</u>
	<u><u>6,403,241</u></u>	<u><u>6,299,220</u></u>
LIABILITIES		
Current Liabilities		
Bank loans and advances	20,905	28,999
Accounts payable and accrued liabilities	417,482	400,433
Income taxes payable	14,980	1,175
Film and program accounts payable	108,660	45,084
Deferred revenue	59,687	75,970
Current portion of long term debt	<u>169,000</u>	<u>116,500</u>
	790,714	668,161
Long term debt	3,676,349	3,795,262
Film and program accounts payable	3,581	3,581
Other accrued liabilities	67,814	85,228
Future income taxes	426,892	440,992
Minority interest	<u>20,425</u>	<u>-</u>
	<u>4,985,775</u>	<u>4,993,224</u>
SHAREHOLDERS' EQUITY		
Capital stock	900,785	896,313
Contributed surplus	3,647	3,647
Retained earnings	583,187	475,053
Cumulative foreign currency translation adjustments	<u>(70,153)</u>	<u>(69,017)</u>
	<u>1,417,466</u>	<u>1,305,996</u>
	<u><u>6,403,241</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 EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars except as otherwise noted)

	2001	2000
Revenue	642,580	335,976
Operating expenses	334,177	167,685
Selling general and administrative expenses	137,313	63,240
Non-recurring expenses	-	1,460
Operating profit before amortization	171,090	103,591
Amortization of goodwill and other intangibles	4,375	14,268
Amortization of capital assets	17,984	7,582
Other amortization	838	2,896
	147,893	78,845
Financing expenses	(104,910)	(37,378)
Investment income and gains	63,020	7,892
Dividend income	1,358	1,245
	107,361	50,604
Provision for income taxes	19,744	18,881
Earnings before the following	87,617	31,723
Minority interests	2,075	(1,883)
Interest in earnings of Network TEN	19,442	17,190
Interest in earnings of other equity accounted affiliates	-	1,186
Realized translation adjustments	(1,000)	(7,200)
Net earnings for the period	108,134	41,016
Amortization of intangibles and goodwill	-	14,502
Adjusted net earnings for the period	108,134	55,518
Net earnings per share:		
Basic	\$0.61	\$0.26
Diluted	\$0.60	\$0.26
Adjusted net earnings per share:		
Basic	\$0.61	\$0.36
Diluted	\$0.60	\$0.35

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



**CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars)

	2001	2000
Retained earnings – beginning of year	475,053	523,948
Net earnings for the period	108,134	41,016
Dividends		
Cash	-	(22,514)
Stock	-	(46,525)
Retained earnings – end of period	<u>583,187</u>	<u>495,925</u>

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

**CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars except as otherwise noted)

	2001	2000
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net earnings for the period	108,134	41,016
Items not affecting cash:		
Amortization	25,620	25,193
Interest paid in kind	25,209	3,821
Future income taxes	4,335	(3,762)
Interest in earnings of Network TEN	(19,442)	(17,190)
Interest in earnings of other equity accounted affiliates	-	(1,186)
Minority interests	(2,075)	1,883
Realized translation adjustments	1,000	7,200
Gain on sale of other investments	<u>(63,020)</u>	<u>(7,892)</u>
	79,761	49,083
Changes in non-cash operating accounts	<u>(132,803)</u>	<u>(67,509)</u>
	<u>(53,042)</u>	<u>(18,426)</u>
INVESTING ACTIVITIES		
Acquisitions	-	(1,966,000)
Proceeds from divestitures	220,039	-
Proceeds from sale of other investments	-	33,214
Purchase of broadcast facilities and licences	-	(1,240)
Purchase of property and equipment	(14,475)	(1,805)
Investment in film and program rights	(32,204)	(21,485)
Other	<u>-</u>	<u>1,335</u>
	<u>173,360</u>	<u>(1,955,981)</u>
FINANCING ACTIVITIES		
Dividends paid	-	(22,514)
Issuance (repayment) of long term debt	(109,036)	2,003,572
Issuance of share capital	62	1,614
Net change in bank loans and advances	<u>(8,094)</u>	<u>6,426</u>
	<u>(117,068)</u>	<u>1,989,098</u>
NET CHANGE IN CASH	3,250	14,691
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>19,489</u>	<u>76,298</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>22,739</u></u>	<u><u>90,989</u></u>
CASH FLOW PER SHARE:		
Basic	\$0.45	\$0.31
Diluted	\$0.44	\$0.31

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



**CANWEST GLOBAL COMMUNICATIONS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED NOVEMBER 30, 2001 AND 2000
(UNAUDITED)**

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) Business combinations, goodwill and other intangibles

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 intangible 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. The impact of the application is that no amortization has been recorded related to goodwill and intangibles in the total amount of \$3,768 million, that under the old rules would have resulted in an annual amortization charge of \$94 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 that adds back amortization that would not have been recorded if the new policy had been applied retroactively.

b) 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 impact retained earnings and investment in film and television programs. The amount of the impact has not been finally determined.

2. ACQUISITIONS AND DIVESTITURES

Acquisitions

- (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 is expected to close on March 31, 2002 and the purchase price will consist 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 until 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) 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 is as follows:

	Period ended Nov. 2001 \$000 National Post	Period ended Nov. 2000 \$000 Southam
Current assets	49,257	324,382
Property, plant and equipment	6,361	537,053
Other investments	-	101,561
Other assets	-	67,412
Circulation and other	10,700	129,300
Mastheads and goodwill	<u>90,462</u>	<u>2,313,098</u>
Total assets	<u>156,780</u>	<u>3,472,806</u>
Other current liabilities	(50,665)	(294,856)
Other accrued liabilities	-	(10,000)
Future income taxes	-	(59,587)
Minority interest	<u>(22,500)</u>	<u>-</u>
Total liabilities	<u>(73,165)</u>	<u>(364,443)</u>
	<u>83,615</u>	<u>3,108,363</u>
Consideration:		
Cash	-	1,966,000
Shares	-	375,516
Note payable	-	766,847
Carrying value of National Post investment at date of acquisition	<u>83,615</u>	<u>-</u>
	<u>83,615</u>	<u>3,108,363</u>

Divestitures

- (a) On September 12, 2001, the Company completed the sale of CFCE, and received gross proceeds of \$90,000,000. 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 \$133,039,000. The accounting gain on the sale was \$63,020,000.



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 three months of 176,649,000 (2000 - 156,013,000).

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 publishing industry in Canada. Industry and geographic segment information for the consolidated results follow:

	For the three months ended November 30	
	2001 \$000	2000 \$000
REVENUE		
Television		
Canada - Conventional	194,167	197,556
- Specialty	6,601	4,787
New Zealand – TV3/4	18,363	16,931
Ireland – TV3	<u>8,532</u>	<u>10,750</u>
	227,663	230,024
Radio		
New Zealand	15,304	14,611
Entertainment		
Canada – CanWest Entertainment	57,528	34,239
Publications – Canada		
Online operations - Canada	1,952	527
Inter-segment revenues	<u>(2,409)</u>	<u>(1,776)</u>
TOTAL REVENUE	<u>642,580</u>	<u>335,976</u>
OPERATING PROFIT		
Television		
Canada - Conventional	71,611	78,435
- Specialty	3,872	2,218
New Zealand – TV3/4	718	345
Ireland – TV3	<u>3,300</u>	<u>1,422</u>
Radio		
New Zealand	79,501	82,420
Entertainment		
Canada – CanWest Entertainment	4,100	2,210
Publications – Canada		
Online operations – Canada	<u>(2,188)</u>	<u>(2,092)</u>
Operating profit before corporate and non-recurring costs and amortization	175,574	108,627
Corporate expenses	4,484	3,576
Non-recurring costs	<u>-</u>	<u>1,460</u>
Operating profit before amortization	<u>171,090</u>	<u>103,591</u>

CANWEST GLOBAL COMMUNICATIONS CORP.
COMBINED BALANCE SHEETS
(UNAUDITED)

(In thousands of Canadian dollars)

	As at November 30, 2001	As at August 31, 2001
ASSETS		
Current Assets		
Cash and short term investments	28,748	29,718
Accounts receivable	704,099	524,135
Income taxes recoverable	-	3,045
Inventory	28,074	30,817
Investment in film and television program rights	177,218	139,487
Future income taxes	33,243	33,243
Other	<u>19,245</u>	<u>21,378</u>
	990,627	781,823
Other investments	255,599	425,484
Investment in film and television program rights	387,055	355,994
Property and equipment	765,330	762,997
Other assets	142,231	133,203
Goodwill and other intangibles	<u>4,168,348</u>	<u>4,141,087</u>
	<u>6,709,190</u>	<u>6,600,588</u>
LIABILITIES		
Current Liabilities		
Bank loans and advances	20,905	28,999
Accounts payable and accrued liabilities	494,206	505,439
Income taxes payable	10,643	-
Film and program accounts payable	129,963	45,084
Deferred revenue	59,687	75,970
Current portion of long term debt	<u>180,510</u>	<u>129,794</u>
	895,914	785,286
Long term debt	3,834,257	3,935,624
Film and program accounts payable	3,581	3,581
Other accrued liabilities	68,671	86,715
Future income taxes	437,419	449,341
Minority interests	<u>51,882</u>	<u>34,046</u>
	<u>5,291,724</u>	<u>5,294,593</u>
SHAREHOLDERS' EQUITY		
Capital stock	900,785	896,312
Contributed surplus	3,647	3,647
Retained earnings	583,187	475,053
Cumulative foreign currency translation adjustments	<u>(70,153)</u>	<u>(69,017)</u>
	<u>1,417,466</u>	<u>1,305,995</u>
	<u>6,709,190</u>	<u>6,600,588</u>



**CANWEST GLOBAL COMMUNICATIONS CORP.
COMBINED STATEMENTS OF EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars except as otherwise noted)

	2001	2000
Revenue	727,758	404,290
Operating expenses	<u>523,268</u>	<u>270,950</u>
Operating profit before undernoted	204,490	133,340
Corporate and development expenses	4,484	3,576
Non-recurring costs	<u>-</u>	<u>1,460</u>
Operating profit before amortization	200,006	128,304
Amortization of goodwill and other intangibles	4,375	15,223
Amortization of capital assets	18,944	8,215
Other amortization	<u>1,842</u>	<u>2,896</u>
	174,845	101,970
Financing expenses	(107,447)	(37,378)
Investment income and gains	63,020	7,892
Dividend income	<u>1,358</u>	<u>1,245</u>
	131,776	73,729
Provision for income taxes	<u>25,132</u>	<u>24,816</u>
Earnings before the following	106,644	48,913
Minority interests	2,490	(1,883)
Interest in earnings of equity accounted affiliates	-	1,186
Realized translation adjustments	<u>(1,000)</u>	<u>(7,200)</u>
Net earnings for the period	108,134	41,016
Amortization of intangibles and goodwill	<u>-</u>	<u>14,502</u>
Adjusted net earnings for the period	<u>108,134</u>	<u>55,518</u>
Net earnings per share:		
Basic	\$0.61	\$0.26
Diluted	\$0.60	\$0.26
Adjusted net earnings per share:		
Basic	\$0.61	\$0.36
Diluted	\$0.60	\$0.35

**CANWEST GLOBAL COMMUNICATIONS CORP.
COMBINED STATEMENTS OF RETAINED EARNINGS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars)

	2001	2000
Retained earnings – beginning of year	475,053	523,948
Net earnings for the period	108,134	41,016
Dividends		
Cash	-	(22,514)
Stock	-	(46,525)
Retained earnings – end of period	<u>583,187</u>	<u>495,925</u>



**CANWEST GLOBAL COMMUNICATIONS CORP.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE 3 MONTHS ENDED NOVEMBER 30
(UNAUDITED)**

(In thousands of Canadian dollars except as otherwise noted)

	2001	2000
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net earnings for the period	108,134	41,016
Items not affecting cash:		
Amortization	27,584	26,781
Interest paid in kind	25,209	3,821
Future income taxes	4,207	(3,762)
Interest in earnings of equity accounted affiliates	-	(1,186)
Minority interests	(2,490)	1,883
Gain on sale of investments	(63,020)	(7,892)
Realized translation adjustments	1,000	7,200
	<u>100,624</u>	<u>67,861</u>
Changes in non-cash operating accounts	<u>(169,329)</u>	<u>(87,869)</u>
	<u>(68,705)</u>	<u>(20,008)</u>
INVESTING ACTIVITIES		
Acquisitions	-	(1,966,000)
Proceeds from divestitures	220,039	-
Proceeds from sale of other investments	-	33,214
Purchase of broadcast facilities and licences	-	(1,240)
Purchase of property and equipment	(18,794)	(4,329)
Investment in film and program rights	(32,204)	(21,485)
Other	-	(1,520)
	<u>169,041</u>	<u>(1,961,360)</u>
FINANCING ACTIVITIES		
Dividends paid	-	(22,514)
Issuance (repayment) of long term debt	(93,274)	1,994,135
Issuance of share capital	62	1,614
Net change in bank loans and advances	(8,094)	6,426
	<u>(101,306)</u>	<u>1,979,661</u>
NET CHANGE IN CASH	<u>(970)</u>	<u>(1,707)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>29,718</u>	<u>94,981</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u>28,748</u>	<u>93,274</u>
CASH FLOW PER SHARE:		
Basic	\$0.57	\$0.43
Diluted	\$0.55	\$0.43

CANWEST GLOBAL COMMUNICATIONS CORP. ⁽¹⁾
COMBINED BUSINESS SEGMENT INFORMATION

(In thousands of Canadian dollars)

	For the three months ended November 30		
	2001 Actual	2000 Actual	2000 Proforma ⁽²⁾
REVENUE			
Television			
Canada - Conventional	194,167	178,948	178,948
- CKVU	-	18,608	-
- Specialty	6,601	4,787	4,787
Australia – Network TEN	74,538	68,314	68,314
New Zealand – TV3 and TV4	18,363	16,931	16,931
Ireland – TV3 ⁽³⁾	8,532	10,750	5,453
	<u>302,201</u>	<u>298,338</u>	<u>274,433</u>
Radio – New Zealand	<u>15,304</u>	<u>14,611</u>	<u>14,611</u>
TOTAL BROADCASTING	<u>317,505</u>	<u>312,949</u>	<u>289,044</u>
Entertainment – Canada	57,528	34,239	34,239
Publications – Canada ⁽⁴⁾	342,542	58,351	369,663
Outdoor – Australia	10,640	-	-
On-line Operations – Canada	1,952	527	2,331
Inter-segment Revenues	<u>(2,409)</u>	<u>(1,776)</u>	<u>(1,776)</u>
TOTAL REVENUE	<u>727,758</u>	<u>404,290</u>	<u>693,501</u>
OPERATING PROFIT			
Canada - Conventional	71,611	71,863	71,863
- CKVU	-	6,572	-
- Specialty	3,872	2,218	2,218
Australia – Network TEN	27,643	24,713	24,713
New Zealand – TV3 and TV4	718	345	345
Ireland – TV3 ⁽³⁾	3,300	1,422	1,033
	<u>107,144</u>	<u>107,133</u>	<u>100,172</u>
Radio – New Zealand	<u>4,270</u>	<u>3,947</u>	<u>3,947</u>
TOTAL BROADCASTING	<u>111,414</u>	<u>111,080</u>	<u>104,119</u>
Entertainment – Canada	4,100	2,210	2,210
Publications – Canada ⁽⁴⁾	89,891	22,142	101,665
Outdoor – Australia	1,273	-	-
On-line Operations - Canada	<u>(2,188)</u>	<u>(2,092)</u>	<u>(4,619)</u>
SEGMENT OPERATING PROFIT	<u>204,490</u>	<u>133,340</u>	<u>203,375</u>
Corporate expenses	4,484	3,576	3,576
Non-recurring costs	-	1,460	1,460
	<u>4,484</u>	<u>5,036</u>	<u>5,036</u>
OPERATING PROFIT (EBITDA)	<u>200,006</u>	<u>128,304</u>	<u>198,339</u>

(1) Combined results include the Company's 57.5% economic interest in Network TEN.

(2) Proforma results include the results from Southam Publications and the National Post for the quarter ended November 30, 2000, exclude CKVU which was sold effective August 31, 2001 and include TV3 Ireland on a proportionately consolidated basis.

(3) Effective April 1, 2001 results include CanWest's proportionate interest (45%) in the operations of TV3 Ireland. Prior periods are consolidated.

(4) Results of the National Post are consolidated from September 1, 2001, these results were previously accounted at equity.



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