

CANWEST GLOBAL COMMUNICATIONS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2003 AND 2002

(UNAUDITED)

January 21, 2004

To the Audit Committee of CanWest Global Communications Corp.

In accordance with our engagement letter dated January 21, 2004, we have reviewed the accompanying interim consolidated balance sheet of **CanWest Global Communications Corp.** (the "Company") as at November 30, 2003 and the related interim consolidated statements of earnings, retained earnings and cash flows for the three month period then ended. These interim consolidated financial statements are the responsibility of the Company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the interim financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim consolidated financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these interim consolidated financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Accountants

CANWEST GLOBAL COMMUNICATIONS CORP.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	As at	
	November 30, 2003 \$000	August 31, 2003 \$000
ASSETS		
Current Assets		
Cash	33,532	121,922
Accounts receivable	598,867	493,905
Distributions receivable from Network TEN	48,879	20,909
Inventory	11,828	14,509
Investment in film and television programs	93,274	82,912
Future income taxes	11,412	20,223
Other	8,376	11,173
	<u>806,168</u>	<u>765,553</u>
Investment in Network TEN (note 2)	71,373	55,546
Other investments	112,898	113,022
Investment in film and television programs	275,357	270,306
Property, plant and equipment	626,417	640,032
Other assets	140,471	136,100
Intangible assets	1,094,570	1,093,818
Goodwill	2,456,400	2,455,618
	<u>5,583,654</u>	<u>5,529,995</u>
LIABILITIES		
Current Liabilities		
Accounts payable	126,687	108,689
Accrued liabilities	176,807	203,325
Income taxes payable	14,881	24,459
Film and television program accounts payable	113,925	99,410
Deferred revenue	51,192	46,884
Future income taxes	6,072	6,072
Current portion of long term debt	130,335	147,386
	<u>619,899</u>	<u>636,225</u>
Long term debt	3,157,319	3,167,311
Other accrued liabilities	143,976	150,190
Future income taxes	397,290	400,652
	<u>4,318,484</u>	<u>4,354,378</u>
Contingencies (note 7)		
SHAREHOLDERS' EQUITY		
Capital stock	846,851	846,824
Contributed surplus	4,081	3,647
Retained earnings	437,288	355,792
Cumulative foreign currency translation adjustments	(23,050)	(30,646)
	<u>1,265,170</u>	<u>1,175,617</u>
	<u>5,583,654</u>	<u>5,529,995</u>

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

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

	2003	2002
	\$000	\$000
Revenue	586,129	633,563
Operating expenses	292,703	302,293
Selling, general and administrative expenses	<u>140,830</u>	<u>154,767</u>
	152,596	176,503
Amortization of intangibles	4,375	4,375
Amortization of property, plant and equipment	18,467	19,211
Other amortization	<u>1,305</u>	<u>1,382</u>
Operating income	128,449	151,535
Interest expense	(81,948)	(89,885)
Interest income	4,700	-
Amortization of deferred financing costs	(2,531)	(2,442)
Interest rate swap gains (losses)	(495)	14
Foreign exchange gains (losses)	4,984	(19)
Investment gains	249	-
Dividend income	<u>1,415</u>	<u>1,533</u>
	54,823	60,736
Provision for income taxes (note 4)	<u>12,557</u>	<u>17,748</u>
Earnings before the following	42,266	42,988
Interest in earnings of Network TEN	38,893	25,777
Interest in loss of other equity accounted affiliates	(163)	(330)
Realized currency translation adjustment	<u>500</u>	<u>-</u>
Net earnings for the period	<u><u>81,496</u></u>	<u><u>68,435</u></u>
Net earnings per share: (note 5)		
Basic	\$0.46	\$0.39
Diluted	\$0.46	\$0.36

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

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

	2003	2002
	\$000	\$000
Retained earnings – beginning of year	355,792	317,376
Net earnings for the period	<u>81,496</u>	<u>68,435</u>
Retained earnings - end of period	<u><u>437,288</u></u>	<u><u>385,811</u></u>

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

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

	2003	2002
	\$000	\$000
CASH GENERATED (UTILIZED) BY:		
OPERATING ACTIVITIES		
Net earnings for the period	81,496	68,435
Items not affecting cash		
Amortization	26,678	27,410
Interest paid in kind	23,362	28,374
Future income taxes	4,873	2,092
Interest in earnings of Network TEN	(38,893)	(25,777)
Interest in loss of other equity accounted affiliates	163	330
Realized currency translation adjustments	(500)	-
Interest rate swap losses (gains)	495	(14)
Investment gains	(249)	-
Pension expense	1,825	628
Stock compensation expense	434	-
	<u>99,684</u>	<u>101,478</u>
Investment in film and television programs	(38,245)	(56,774)
Amortization and impairment of film and television programs	22,835	39,696
Other changes in non-cash operating accounts	<u>(118,115)</u>	<u>(185,359)</u>
Cash flows from operating activities	<u>(33,841)</u>	<u>(100,959)</u>
INVESTING ACTIVITIES		
Other investments	-	(560)
Purchase of property, plant and equipment	<u>(11,085)</u>	<u>(5,358)</u>
	<u>(11,085)</u>	<u>(5,918)</u>
FINANCING ACTIVITIES		
Issuance of long term debt	-	89,076
Repayment of long term debt	(43,491)	(39,675)
Issuance of share capital	27	17
Net change in bank loans and advances	<u>-</u>	<u>27,858</u>
	<u>(43,464)</u>	<u>77,276</u>
Net change in cash	(88,390)	(29,601)
Cash - beginning of year	<u>121,922</u>	<u>61,090</u>
Cash - end of period	<u><u>33,532</u></u>	<u><u>31,489</u></u>

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

CANWEST GLOBAL COMMUNICATIONS CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2003 AND 2002
(UNAUDITED)
(In thousands of Canadian dollars except as otherwise noted)

1. SIGNIFICANT ACCOUNTING POLICIES

The Company is an international media company with interests in broadcast television, publishing, radio, specialty cable channels, out-of-home advertising, production and distribution of film and television programming and internet websites in Canada, Australia, New Zealand, Ireland and Northern Ireland. The Company's operating segments include television and radio broadcasting, entertainment, publishing and online operations and outdoor advertising. In Canada, the Television Broadcast segment includes the operation of the Global Television Network, Global Prime, various other conventional and specialty channels and the Cool FM radio station. The Australian Television segment includes the Company's 57.0% economic interest in the TEN Group Pty Limited which owns and operates Australia's TEN Television Network ("Network TEN"). The Canadian Publishing and Online segment includes the publication of a number of newspapers, including metropolitan daily newspapers and the National Post, as well as operation of the canada.com web portal and other web based operations. The Entertainment segment includes the operation of CanWest Entertainment, a producer and distributor of film and television programs. The New Zealand Television Broadcasting segment includes the operations of the 3 and C4 Television Networks. The New Zealand Radio Broadcasting segment includes five nationally networked radio brands and 27 local radio stations including More FM stations. The Irish Television Broadcasting segment includes the Company's 45% interest in the Republic of Ireland's TV3 Television Network. The Australian Outdoor Advertising segment includes the Company's economic interest in EyeCorp, an out-of-home advertising operation which is wholly owned by the TEN Group Pty Limited. The Corporate and Other segment includes various investments in media operations including a 29.9% interest in Northern Ireland's Ulster Television plc ("UTV").

The Company's broadcast customer base is comprised primarily of large advertising agencies which place advertisements with the Company on behalf of their customers. Publishing revenues include advertising, circulation and subscriptions which are derived from a variety of sources. The Company's advertising revenues are seasonal. Revenues and accounts receivable are highest in the first and third quarters, while expenses are relatively constant throughout the year.

A summary of significant accounting policies followed in the preparation of these consolidated financial statements is as follows:

Basis of presentation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada for interim financial statements and reflect all adjustments which are, in the opinion of management, necessary for fair statement of the results of the interim periods presented. However, these interim financial statements do not include all of the information and disclosures required for annual financial statements. The accounting policies used in the preparation of these interim financial statements are the same as those used in the most recent annual financial statements except as indicated below. These interim statements should be read in conjunction with the most recent annual financial statements of the Company. All amounts are expressed in Canadian dollars unless otherwise noted. A reconciliation to accounting principles generally accepted in the United States is provided in note 9.

Changes in Accounting Policies

(a) Hedging relationships

The Company adopted CICA Accounting Guideline 13, "Hedging Relationships", (AcG 13) effective September 1, 2003. In accordance with the new policy each of the Company's hedging relationships are documented and subject to an effectiveness test on a quarterly basis for reasonable assurance that they are and will continue to be effective. Any derivative that does not qualify for hedge accounting is reported on a mark to market basis in earnings. The adoption of this guideline had no impact on the financial statements.

(b) Stock options

The Company adopted the fair value method of accounting recommended by the CICA in Section 3870, "Stock-based Compensation and Other Stock Based Payments", prospectively for stock-based compensation awards granted after September 1, 2003. The impact of this policy is included in note 6.

2. INVESTMENT IN NETWORK TEN

The Company owns approximately 14.7% of the issued ordinary shares and all of the convertible debentures and subordinated debentures of Network TEN, an Australian television broadcast network. The subordinated debentures have an aggregate principal amount of A\$45.5 million and pay interest based on distributions to holders of ordinary shares. The convertible debentures have an aggregate principal amount of A\$45,500 and pay a market linked rate of interest. The combination of ordinary shares and subordinated debentures yield distributions equivalent to approximately 57.0% of all distributions paid by Network TEN. The convertible debentures are convertible, upon payment of an aggregate of A\$45.5 million, into a number of ordinary shares which would represent 49.6% of the issued and outstanding shares of Network TEN at the time of conversion.

As a result of its contractual right to representation on Network TEN's board of directors and other factors, the Company accounts for its interest in Network TEN on the equity basis. The Company has appointed three of the thirteen members of the board of directors of Network TEN.

During the quarter ended November 30, 2003 Network TEN issued 957,000 shares for proceeds of A\$2.1 million as a result of the exercise of management stock options. This effectively diluted the Company's economic interest in Network TEN to 57.0% from 57.1% at August 31, 2003 and resulted in an investment gain of \$0.2 million.

The following selected consolidated financial information of Network TEN has been prepared in accordance with accounting principles generally accepted in Canada. The accounts have been translated to Canadian dollars using the current rate method.

Summary Consolidated Balance Sheets

	<u>As at</u>	
	<u>November 30</u>	<u>August 31</u>
	2003	2003
	\$000	\$000
Assets		
Current assets	265,438	241,822
Other assets	41,180	37,367
Property, plant and equipment	80,942	79,288
Long term investments	12,923	11,421
Intangibles	269,284	257,477
Goodwill	<u>93,482</u>	<u>88,752</u>
	<u>763,249</u>	<u>716,127</u>
Liabilities and Shareholders' Equity		
Current liabilities	263,593	188,633
Other long term liabilities	337,086	398,047
Subordinated debentures issued to the Company	40,171	40,171
Share capital	55,126	53,150
Undistributed earnings	60,382	35,636
Cumulative foreign currency translation adjustment	<u>6,891</u>	<u>490</u>
	<u>763,249</u>	<u>716,127</u>

Summary Consolidated Statements of Earnings

	For the 3 months ended	
	November 30,	
	2003	2002
	\$000	\$000
Revenue	232,652	185,124
Operating expenses	<u>135,934</u>	<u>119,221</u>
Operating profit before amortization	96,718	65,903
Amortization of property, plant, equipment and other	<u>4,333</u>	<u>3,662</u>
	92,385	62,241
Investment income and gains net of losses on write down of investments	1,815	-
Financing expenses	<u>(42,762)</u>	<u>(29,668)</u>
	51,438	32,573
Provision for income taxes	<u>15,509</u>	<u>9,828</u>
Earnings before the following	35,929	22,745
Minority interests	<u>(21)</u>	<u>42</u>
Net earnings for the period	<u>35,908</u>	<u>22,787</u>
Net earnings for the period	35,908	22,787
Interest in respect of subordinated debentures held by the Company	<u>36,725</u>	<u>24,984</u>
Earnings for the period before interest in respect of subordinated debentures ⁽¹⁾	<u>72,633</u>	<u>47,771</u>

Summary Statement of Undistributed earnings

	2003	2002
	\$000	\$000
Undistributed earnings (deficit) – beginning of year	35,636	(52,232)
Earnings for the period before interest in respect of subordinated debentures	72,633	47,771
Distributions paid and payable	<u>(47,887)</u>	<u>-</u>
Undistributed earnings (deficit) – end of period	<u><u>60,382</u></u>	<u><u>(4,461)</u></u>

⁽¹⁾ The Company's economic interest in Network TEN's earnings for the three months ended November 30, 2003 is \$38.9 million (2002 – \$25.8 million), comprised of its 14.7% interest in net earnings and interest on the subordinated debentures.

At November 30, 2003 the Company's share of undistributed earnings of Network TEN was \$34.4 million, (2002 – \$(2.6) million). The Company estimates that the market value of the Company's investment in Network TEN, based on quoted market rates for Ten Network Holdings Limited at November 30, 2003, was approximately \$1,327 million (2002 - \$941 million).

3. RESTRUCTURING ACCRUALS

For the period ended November 30, 2003, expenditures charged to the restructuring accruals were \$4.9 million. The balance of the restructuring accruals are expected to be completed by August 31, 2004.

	Severance	Lease/ contract termination	Integration	Other	Total
	\$000	\$000	\$000	\$000	\$000
Balance August 31, 2003	11,120	4,106	250	2,340	17,816
Expenditures – 2004	<u>4,623</u>	<u>236</u>	<u>88</u>	<u>-</u>	<u>4,947</u>
Balance November 30, 2003	<u><u>6,497</u></u>	<u><u>3,870</u></u>	<u><u>162</u></u>	<u><u>2,340</u></u>	<u><u>12,869</u></u>

4. INCOME TAXES

The Company's provision for income taxes reflects an effective income tax rate which differs from the combined Canadian statutory rate as follows:

	2003 \$000	2002 \$000
Income taxes at combined Canadian statutory rate of 35.59% (2002 — 38.66%)	19,512	23,481
Effect of valuation allowance on future tax assets	702	-
Effect of foreign income tax rates differing from Canadian income tax rates	(1,250)	(1,329)
Large corporations tax	800	800
Effect of change in tax rates	16,832	-
Effect of change in expected future tax rates	(12,586)	-
Effect of resolved tax dispute	(7,000)	-
Utilization of loss carry forwards not previously tax effected	(5,589)	(4,709)
Other	1,136	(495)
Provision for income taxes	<u>12,557</u>	<u>17,748</u>

5. EARNINGS PER SHARE

The following table provides a reconciliation of the denominators used in computing basic and diluted earnings per share.

	For the 3 months ended November 30,	
	2003	2002
Basic weighted average shares outstanding during the period	177,133,667	177,064,433
Dilutive effect of options	176,026	4,115
Dilutive effect of preference shares	-	11,117,534
Diluted weighted average shares outstanding during the period	<u>177,309,693</u>	<u>188,186,082</u>
Options outstanding that would have been anti-dilutive	<u>2,062,703</u>	<u>1,748,747</u>

6. STOCK BASED COMPENSATION

The Company adopted the fair value method of accounting for stock based compensation on a prospective basis for options granted subsequent to September 1, 2003, resulting in additional compensation expense for the three months ended November 30, 2003 of \$0.4 million. The fair value of the options granted during the three months ended November 30, 2003 was estimated using the Black-Scholes option pricing model with the assumptions of no dividend yield (2002 – nil), an expected volatility of 52%, risk free interest rates of 4.5% to 4.9% and an expected life of 7 to 9 years.

The total fair value of 510,500 stock options that were granted by the Company during the three months ended November 30, 2003 was \$3.9 million, a weighted average fair value per option of \$7.64.

The following are proforma results reflecting the fair value based method of accounting for share-based compensation for options issued prior to September 1, 2003.

The proforma cost of share compensation expense for the three months ended November 30, 2003 would be \$0.4 million (2002 – \$0.3 million). A value of \$4.0 million will be charged to proforma net earnings in future years according to the vesting terms of the options. The resulting proforma net earnings, basic and diluted earnings per share for the three months ended November 30, 2003 are \$81.1 million, \$0.46 and \$0.46 respectively (2002 - \$68.1 million, \$0.37, and \$0.36).

The Company's proforma disclosure does not apply to awards prior to 1996.

7. CONTINGENCIES

a) On December 17, 2003 the Company filed a statement of claim against Hollinger International, Hollinger Inc. and certain related parties in the amount of \$25.7 million plus interest representing amounts owed to the Company related to its acquisition of The National Post Company. In addition, the Company has requested arbitration related to a further \$54.3 million owed by Hollinger related to certain unresolved matters related to its November 15, 2000 acquisition of certain newspaper assets from Hollinger.

b) The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

8. SEGMENTED INFORMATION

The Company operates primarily within the publishing, online, broadcasting, entertainment and outdoor advertising industries in Canada, New Zealand, Ireland and Australia.

Each segment below operates as a strategic business unit with separate management. Segment performance is measured primarily on the basis of operating profit⁽¹⁾. Management includes its proportionate interest in the results of its equity accounted Australian television and outdoor operations in strategic decision making, therefore, these proportionate results are included in the following segmented disclosure. Segmented information in Canadian dollars is as follows:

Operating Segments	<u>Revenue⁽²⁾</u>		<u>Operating profit</u>	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Publishing and Online - Canada	<u>303,458</u>	<u>318,746</u>	<u>83,153</u>	<u>81,794</u>
Television				
Canada	191,252	214,506	56,170	81,397
Australia - Network TEN	121,387	96,239	52,640	37,025
New Zealand	30,863	26,211	9,861	7,243
Ireland	<u>9,860</u>	<u>10,101</u>	<u>3,724</u>	<u>3,987</u>
Total television	353,362	347,057	122,395	129,652
Radio - New Zealand	21,358	17,845	7,087	5,354
Entertainment - Canada	29,338	46,154	(1,086)	1,615
Outdoor - Australia	<u>11,224</u>	<u>10,207</u>	<u>2,489</u>	<u>869</u>
	718,740	740,009	214,038	219,284
Corporate and other	-	-	<u>(6,313)</u>	<u>(4,887)</u>
Total Combined	718,740	740,009	207,725	214,397
Elimination of equity accounted affiliates ⁽³⁾	<u>(132,611)</u>	<u>(106,446)</u>	<u>(55,129)</u>	<u>(37,894)</u>
Total Consolidated	<u>586,129</u>	<u>633,563</u>	<u>152,596</u>	<u>176,503</u>

(1) Operating profit is earnings before interest, taxes, amortization, interest rate swap losses and gains, foreign exchange losses and gains, investment gains, dividend income, interest in earnings of equity accounted affiliates and realized currency translation gains and losses.

(2) Represents revenue from third parties. In addition the following segments recorded intercompany revenues: Canadian Entertainment - \$4.887 million (2002 - \$1.890 million), Canadian Television - \$0.205 million (2002 - nil), Publishing and Online - Canada - nil (2002 - \$1.150 million).

(3) Elimination of proportionate interest in Australia's Network TEN and Outdoor.

9. UNITED STATES ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with Canadian GAAP. In certain aspects GAAP as applied in the United States ("U.S.") differs from Canadian GAAP. The principal differences affecting the company are disclosed in the annual financial statements with the exception of the following reconciling item.

Amendment to purchase equation

Under U.S. GAAP, the settlement of tax issues acquired through a business acquisition result in amendment to the purchase equation. In accordance with Canadian GAAP, the impact is recorded in earnings.

RECONCILIATION TO US GAAP

Consolidated Statements of Earnings

The following is a reconciliation of net earnings reflecting the differences between Canadian and U.S. GAAP:

	For the three months ended November 30,	
	2003 \$000	2002 \$000
Net earnings in accordance with Canadian GAAP	81,496	68,435
Pre-operating costs net of tax of \$169 (2002 – (\$242))	(356)	748
Realization of cumulative translation adjustments net of tax of nil	(500)	-
Programming costs imposed by regulatory requirement net of tax of \$682 (2002 – \$620)	(904)	(822)
Integration costs related to CanWest Publications net of tax of \$109	-	(193)
US GAAP adjustments in equity accounted affiliates net of tax of (\$882)	1,567	-
Amendment to purchase equation	(7,000)	-
Tax rate change – not enacted	16,832	-
Gain (loss) on interest rate and cross-currency swaps and translation of foreign denominated debt net of tax of \$3,502 (2002 - \$1,856)	<u>11,447</u>	<u>457</u>
Net earnings in accordance with U.S. GAAP	<u>102,582</u>	<u>68,625</u>
Earnings per share:		
Net earnings		
Basic	\$0.58	\$0.39
Diluted	\$0.58	\$0.36