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INTERIM REPORT TO SHAREHOLDERS
FOR THE SIX MONTHS
ENDED FEBRUARY 29, 2004

INTRODUCTION

During the second quarter of fiscal 2004, strong advertising markets and excellent performance by operations in the South Pacific and steady growth in the Canadian newspaper operations were offset by weaker than expected advertising markets in Canadian conventional television and one-time write-downs related to the Company's film and television production and distribution operations. The result was that CanWest reported a net loss from continuing operations of \$41 million, or \$0.23 per share, for the quarter ended February 29, 2004. In February 2004, the Company committed to sell its Fireworks Entertainment division, with the exception of certain Canadian distribution operations, accordingly the results of its operations were classified as losses from discontinued operations. Including an impairment charge of \$143 million, recorded to reflect the write-down of the Fireworks net assets to fair value, the loss from discontinued operations was \$170 million for the three months ended February 29, 2004 compared to a loss of \$4 million for the same operations in the three months ended February 28, 2003. The net loss for the quarter including the loss from discontinued operations was \$211 million or \$1.19 per share compared to net earnings of \$10 million or \$0.01 per share for the second quarter of fiscal 2003. For the six months ended February 29, 2004 the net earnings from continuing operations was \$43 million, or \$0.24 per share compared to \$82 million or \$0.42 per share for the six months ended February 28, 2003. The net loss after discontinued operations for the six months ended February 29, 2004 was \$130 million or \$0.73 per share compared to net earnings of \$78 million or \$0.40 per share for the six months ended February 28, 2003.

With the exception of its Entertainment operations, the Company's second quarter results were improved from the first quarter, with continued strong results from its international operations, revenue and EBITDA growth among Canadian Publishing and Online operations and smaller declines in results from its Canadian conventional television operations than the previous quarter. The Company also continues to benefit from reduced debt levels and reduced interest rates achieved through debt repayment and refinancing activities completed in the last fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. Many of these factors are beyond the control of the Company. Consequently, all forward-looking statements made in this Management Discussion and Analysis or the Company's documents referred to herein are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized.

OVERVIEW

The Company is an international media company formed under the laws of Canada. In Canada, the Company owns and operates 16 broadcast television stations and several specialty cable channels – including Prime TV and seven digital specialty channels, two FM Radio Stations, ten metropolitan newspapers, the National Post – a daily Canadian national newspaper, and more than

20 non-daily publications. The Company also owns and operates New Zealand's 3 and C4 television networks and CanWest Radio NZ and has a 56.6% economic interest in Australia's Network TEN, which includes a wholly owned out-of-home advertising company, Eye Corp. The Company also has a 45% interest in the Republic of Ireland's TV3, and a 29.9% equity interest in Northern Ireland's UTV. In February 2004, the Company committed to sell its Fireworks Entertainment production and international distribution operations and, as required under Generally Accepted Accounting Principles, the net results are classified as losses from discontinued operations. For comparative purposes the results of prior periods have been reclassified, accordingly. This interim discussion should be read in conjunction with the Management Discussion and Analysis contained in the Company's annual report for the year ended August 31, 2003.

TRENDS

The Company has historically derived more than 70% of its revenue from advertising in Canada. For that reason, the Company's results typically reflect overall activity in the Canadian economy.

The positive momentum in advertising markets for Canadian newspapers experienced in fiscal 2003 has continued through the first six months of fiscal 2004. For Canadian television, the television advertising market in Canada softened in the first quarter of fiscal 2004, the second quarter showed a marginal improvement. Beyond the second quarter, the outlook is more positive as management expects revenues for the balance of fiscal 2004 to be relatively consistent with the prior year.

Internationally, advertising markets, particularly in Australia and New Zealand, continue to be very strong and are expected to contribute to continued increases in our results for our broadcasting and other operations in those markets.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED FEBRUARY 29, 2004

The Company defines EBITDA as earnings before interest, taxes, depreciation, amortization, interest rate swap losses and gains, foreign exchange losses and gains, investment losses and gains, dividend income, interest in earnings of equity accounted affiliates, realized currency translation adjustments and losses from discontinued operations. EBITDA is not a recognized measure of financial performance under Canadian GAAP. Management utilizes EBITDA as a measure of segment profitability in making strategic resource allocations. In addition, the Company and its lenders and investors use EBITDA to measure performance against the Company's various leverage covenants. Investors are cautioned, however, that EBITDA should not be construed as an alternative to operating income or net earnings determined in accordance with GAAP as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and, accordingly, EBITDA may not be comparable to measures used by other companies. EBITDA is equivalent to "Segment Operating Profit" which is the segment profitability measure reported in the Company's financial statements, see note 11 to the interim financial statements.

The following is a table of segmented results for the three months ended February 29, 2004 and February 28, 2003 including a reconciliation of segment operating profit (EBITDA) to operating income:

	Revenue		Segment operating profit (EBITDA)	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Operating Segments				
Publishing and Online - Canada	275,029	279,541	56,573	52,959
Television				
Canada	160,977	171,320	29,958	42,492
Australia - Network TEN ⁽¹⁾	81,676	63,703	28,222	18,877
New Zealand	21,817	19,242	3,052	(270)
Ireland	7,759	7,863	2,162	1,928
Total television	272,229	262,128	63,394	63,027
Radio - New Zealand	23,108	19,165	7,930	5,393
Entertainment	5,466	3,661	359	834
Outdoor - Australia ⁽¹⁾	10,231	8,256	1,280	460
	586,063	572,751	129,536	122,673
Corporate expenses	-	-	(8,224)	(5,582)
Film and television program impairment expense	-	-	(38,790)	-
Total combined	586,063	572,751	82,522	117,091
Elimination of equity accounted affiliates ⁽¹⁾	(91,907)	(71,959)	(29,502)	(19,337)
Total Consolidated	494,156	500,792	53,020	97,754
Amortization expense			24,046	25,146
Operating income			28,974	72,608

⁽¹⁾ Represents the Company's proportionate interest in Network TEN and its wholly owned subsidiaries.

The following discussion is based on the Company's consolidated results for the three months ended February 29, 2004. Comparisons with the prior year's results are affected by corporate initiatives, including the divestiture of certain newspaper publishing properties, accordingly, the Company provides certain pro forma comparatives. Pro forma revenue and EBITDA for the three months ended February 28, 2003 exclude the results of certain newspaper properties sold to Osprey Media in February 2003.

For the three months ended February 28, 2003	Revenue \$000	EBITDA \$000	Operating income \$000
As reported	500,792	97,754	72,608
Newspaper publishing properties sold	(16,728)	(3,180)	(2,960)
Pro forma	484,064	94,574	69,648

The Company reported consolidated revenues of \$494 million for the three months ended February 29, 2004, a decrease of \$7 million from the actual revenues reported for the previous year but an increase of \$10 million from pro forma revenues of \$484 million. Revenues for the second quarter reflect decreases in Canadian Television revenues offset by increases in Canadian Publishing and Online and significant increases in revenues from international media operations.

Consolidated operating expenses (including selling, general, and administrative expenses) before amortization increased \$38 million to \$441 million. On a pro forma basis, operating expenses increased \$52 million, or 13% from \$389 million in the second quarter the previous year primarily as a result of \$39 million in film and television program impairment expenses recorded in the quarter as well as small increases in a number of operating segments as described in the segmented results.

Consolidated EBITDA decreased by 46% to \$53 million from \$98 million last year. Compared to last year on a pro forma basis, EBITDA decreased by 44% from \$95 million last year. The decrease in EBITDA reflects substantial increases at broadcast operations in New Zealand as well as in Publishing and Online operations, which were more than offset by declines in EBITDA in Canadian Television and the \$39 million film and television program impairment expense.

SEGMENTED RESULTS

Publishing and Online revenues for the second quarter of fiscal 2004 were \$275 million, an increase of 5% from the pro forma revenues of \$263 million for the previous year. Advertising revenues were up in all categories of sales including classified, retail and national with increases in both lineage and rates. While circulation numbers were marginally down, circulation revenue increased as a result of increased revenue per copy. Circulation comprises approximately 17% of total revenues for the newspaper group, consistent with the prior year.

Compared to last year on a pro forma basis, operating expenses (including selling, general and administrative expenses) of the Company's Publishing and Online operations increased by 3%, or \$5 million, to \$218 million from \$213 million. This reflects cost reductions resulting from restructuring undertaken in the latter part of fiscal 2003 offset by normal salary escalations, and increases in certain administrative costs including pension expense. Newsprint expenditures were flat compared to the prior year reflecting a 4% increase in the cost of newsprint offset by reduced consumption.

On the strength of revenue increases, the Publishing and Online operations achieved a 14% increase in EBITDA of \$7 million to \$57 million for the three months ended February 29, 2004 compared to the pro forma results for the same period last year.

Revenues from Canadian Television Broadcast operations were down by 6%, or \$10 million, to \$161 million from \$171 million recorded in the previous year as a result of reduced advertising sales. This represented a favorable improvement over the first quarter results, where revenues were 11% lower than in the first quarter of fiscal 2003.

The Company's seven digital specialty channels' revenues increased by 5% to \$2 million in the second quarter compared to the same period in the previous year.

Operating expenses (including selling, general and administrative expenses) of \$131 million at Canadian Television Broadcast operations were 2%, or \$2 million, higher than in the same period the prior year, reflecting cost reductions achieved through operational restructuring activities which were more than offset by a 2% year over year increase in programming expense and a \$2 million charge for SOCAN fees. This charge, retroactive to January 2002, results from the March 22, 2004 decision of the Copyright Board to raise the SOCAN tariff on airtime revenues from 1.8% to 1.9%.

As a result of revenue decreases, Canadian television broadcast EBITDA decreased 29% to \$30 million in the second quarter of fiscal 2004 as compared to the second quarter of fiscal 2003.

The Company's share of revenue from Australian television operations increased by 28% to \$82 million from \$64 million the prior year. In domestic currency, revenues increased 17%, reflecting TEN's strong rating performance in a continuing strong television advertising environment. The strength of the Australian currency contributed an additional 11% to the reported increase on translation to Canadian dollars. The Company's share of operating expenses increased 19% to \$53 million compared to \$45 million for the second quarter in fiscal 2003, reflecting the strengthening Australian currency as well as increased programming costs. CanWest recorded an EBITDA increase of 50% to \$28 million for the second quarter of 2004 for its share of its Australian television operations, compared to \$19 million in fiscal 2003.

The Company's share of revenues from its Australian Outdoor Advertising operations increased by \$2 million or 24% to \$10 million from \$8 million for the second quarter in fiscal 2003. This increase reflects 13% growth in revenue in domestic currency with a further 11% increase as a result of currency translation. The Company's share of EBITDA from its Australian Outdoor Advertising operations increased by \$1 million to \$1 million as compared to the second quarter in fiscal 2003.

CanWest's 45% share of revenues at TV3 in the Republic of Ireland decreased marginally to \$8 million in the second quarter of 2004 compared to the second quarter last year. CanWest's share of TV3's EBITDA was \$2 million, consistent with the prior year.

Revenues from television broadcast operations for New Zealand's 3 and C4 television networks increased by 13% to \$22 million for the second quarter of fiscal 2004 from \$19 million the previous year. In local currency, revenues increased by 6% reflecting growth in the advertising market. C4 was re-launched in the first quarter as New Zealand's first free-to-air music channel and is contributing increased revenues. The strengthening New Zealand currency contributed an additional 7% on translation to Canadian dollars. Operating expenses decreased by 4% to \$19 million, primarily as a result of reduced programming expenses. New Zealand 3 and C4 produced EBITDA of \$3 million, a \$3 million increase from the break-even results recorded in the second quarter of 2003.

CanWest Radio New Zealand continued its steady performance, increasing revenues, EBITDA and operating income for the three months ended February 29, 2004. Revenue grew by 21% to \$23 million from \$19 million the previous year reflecting a 13% increase in revenue in domestic currency with an additional 8% increase as a result of currency translation. EBITDA grew by 47% to \$8 million from \$5 million in the previous year.

The Company has commenced a process to sell its Fireworks Entertainment production and international distribution operations and, accordingly, these results were classified as losses from discontinued operations. The remaining results in the Canadian Entertainment segment represent results from Fireworks' Canadian distribution operations. Revenues for the three months ended February 29, 2004 were \$5 million compared to \$4 million for the same operations in the second quarter of fiscal 2003. EBITDA from these operations was \$0.4 million for the three months ended February 29, 2004 compared to \$1 million for the same period in fiscal 2003. In addition, film and television program impairment expense of \$39 million was recorded in the three months ended February 29, 2004 to adjust the book values of certain film and television programs to their fair values determined on a discounted cash flow basis.

Amortization of intangibles was \$4 million in the second quarter of both fiscal 2004 and 2003. Amortization of property and equipment increased marginally to \$19 million from \$18 million for the second quarter of fiscal 2004 compared to the second quarter of fiscal 2003.

Interest expense was \$80 million for the three months ended February 29, 2004, compared to \$90 million in the previous year, reflecting the reduced level of debt as well as reduced interest rates achieved through the Company's refinancing activities in fiscal 2003.

In the three months ended February 29, 2004, the Company recorded a net investment loss of \$3 million. During the period, Network TEN issued shares which effectively diluted the Company's economic interest to 56.6% and resulted in an investment gain of \$2 million. This was offset by a loss on write-down of other investments of \$5 million. In the second quarter of fiscal 2003, the investment gain of \$22 million was primarily related to the sale of certain small market newspapers.

In the second quarter of fiscal 2004, the Company recorded a \$17 million loss equivalent to the change in fair value of interest rate and cross currency swaps on debt that has been retired. This compares to a loss of \$9 million for the second quarter of fiscal 2003.

The recovery of income taxes was \$9 million for the three months ended February 29, 2004, compared to \$11 million in fiscal 2003. The effective tax rate of 13% is below the Company's statutory rate of 36% as a result of losses for which tax recoveries were not recorded partially offset by the impact of international tax rates which are lower than Canadian rates.

The Company recorded gains of \$3 million associated with the realization of currency translation adjustments related to Network TEN distributions and repayment of certain inter-company loans by its New Zealand operations. This compares to a \$1 million loss in the second quarter of fiscal 2003.

The Company's equity interest in earnings of Network TEN was \$18 million for the second quarter of fiscal 2004 compared to \$11 million in fiscal 2003 as a result of the strong performance of Network TEN, as well as the strong Australian currency performance, as described above.

The net loss from continuing operations for the three months ended February 29, 2004 was \$41 million, or \$0.23 per share, compared to net earnings of \$13 million, or \$0.03, per share

for the three months ended February 28, 2003. This reflects the impact of the \$39 million film and television program impairment expense recorded in the second quarter of fiscal 2004.

The Company commenced a process to sell its Fireworks Entertainment production and international distribution operations resulting in the classification of these operating results as a loss from discontinued operations and its assets and liabilities as assets and liabilities of discontinued operations. These operations were previously classified in the Canadian Entertainment segment. An impairment charge of \$143 million including goodwill impairment of \$31 million was recorded to adjust the assets to fair value based on recent estimates less cost to dispose. The total net loss from discontinued operations was \$170 for the three months ended February 29, 2004 compared to \$4 million for the same operations for the three months ended February 28, 2003. The Company expects to complete the sale of this division in the near term.

The net loss for the three months ended February 29, 2004 including the loss from discontinued operations was \$211 million or \$1.19 per share compared to net income of \$10 million or \$0.01 per share for the second quarter of fiscal 2003.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED FEBRUARY 29, 2004

The following is a table of segmented results for the six months ended February 29, 2004 and February 28, 2003 including a reconciliation of segment operating profit (EBITDA) to operating income:

	Revenue		Segment operating profit (EBITDA)	
	2004 \$000	2003 \$000	2003 \$000	2003 \$000
Operating Segments				
Publishing and Online - Canada	578,487	598,287	139,726	134,753
Television				
Canada	352,229	385,826	86,128	123,889
Australia - Network TEN ⁽¹⁾	203,063	159,942	80,862	55,902
New Zealand	52,680	45,453	12,913	6,973
Ireland	17,619	17,964	5,886	5,915
Total television	625,591	609,185	185,789	192,679
Radio - New Zealand	44,466	37,010	15,017	10,747
Entertainment	11,824	9,214	1,094	1,724
Outdoor - Australia ⁽¹⁾	21,455	18,463	3,769	1,329
	1,281,823	1,272,159	345,395	341,232
Corporate expenses	-	-	(14,537)	(10,469)
Film and television program impairment expense	-	-	(38,790)	-
Total combined	1,281,823	1,272,159	292,068	330,763
Elimination of equity accounted affiliates ⁽¹⁾	(224,518)	(178,405)	(84,631)	(57,231)
Total Consolidated	1,057,305	1,093,754	207,437	273,532
Amortization expense			48,128	49,988
Operating income			159,309	223,544

⁽¹⁾ Represents the Company's proportionate interest in Network TEN and its wholly owned subsidiaries.

The following discussion is based on the Company's consolidated results for the six months ended February 29, 2004. Comparisons with the prior year's results are affected by corporate initiatives, including the divestiture of certain newspaper publishing properties, accordingly, the Company provides certain pro forma comparatives. Pro forma revenue and EBITDA for the six months ended February 28, 2003 exclude the results of certain newspaper properties sold to Osprey Media in February 2003.

For the six months ended February 28, 2003	Revenue \$000	EBITDA \$000	Operating income \$000
As reported	1,093,754	273,532	223,544
Newspaper publishing properties sold	(39,956)	(10,105)	(9,612)
Pro forma	1,053,798	263,427	213,932

The Company reported consolidated revenues of \$1,057 million for the six months ended February 29, 2004, a decrease of \$36 million from the actual revenues reported for the previous year but an increase of \$4 million from pro forma revenues of \$1,054 million. Revenues for the six months reflected decreases in Canadian Television revenues offset by increases in Canadian Publishing and Online revenue and significant increases in revenues from international media operations.

Consolidated operating expenses (including selling, general, and administrative expenses) before amortization increased \$30 million to \$850 million. On a pro forma basis, operating expenses increased \$59 million, or 8% from \$790 million in the first six months the previous year, as a result of the \$39 million film and television program impairment expense recorded in the second quarter of fiscal 2004 as well as small increases in a number of operating segments as described in the segmented results.

Consolidated EBITDA decreased by 24% to \$207 million from \$274 million last year. Compared to last year on a pro forma basis, EBITDA decreased by 21% from \$263 million last year. The decrease in EBITDA reflected substantial increases at broadcast operations in New Zealand as well as in Publishing and Online operations, which were more than offset by declines in EBITDA in Canadian Television and the impact of the \$39 million film and television program impairment expense.

SEGMENTED RESULTS

Publishing and Online revenues for the six months ended February 29, 2004 were \$578 million, an increase of \$20 million, or 4%, from the pro forma revenues of \$558 million for the previous year. Advertising revenues were up in all categories of sales including classified, retail and national with increases seen in both lineage and rates. While circulation numbers were flat, circulation revenue increased marginally as a result of achieving an increase in revenue per copy.

Compared to last year on a pro forma basis, operating expenses (including selling, general and administrative expenses) of the Company's Publishing and Online operations increased by 1% or \$5 million to \$439 million from \$434 million. This reflected cost reductions resulting from restructuring undertaken in the latter part of fiscal 2003 offset by normal salary escalations, an increase in newsprint expense, and increases in certain administrative costs including pension expense. Newsprint expenditures were up approximately 2% over the prior year as a result of a 5% increase in the cost of newsprint, partially offset by reduced consumption.

On the strength of revenue increases the Publishing and Online operations achieved a \$15 million, or 12%, increase in EBITDA to \$140 million for the six months ended February 29, 2004 compared to the pro forma results for the same period last year.

Revenues from Canadian Television Broadcast operations were down by 9%, or \$34 million, to \$352 million from \$386 million recorded in the previous year as a result of a 9% decrease in airtime sales.

The Company's seven digital specialty channels reported increases in both subscriber and advertising revenue. Overall, revenues increased by 13% to \$5 million in the six months ended February 29, 2004 compared to the same period in the previous year. There are now more than 3.2 million subscribers to CanWest's digital services, representing a 10% increase year to date in fiscal 2004 year. The Company's seventh channel, Cool TV was launched in the first quarter of fiscal 2004.

Operating expenses (including selling, general and administrative expenses) of \$266 million at Canadian Television Broadcast operations were 2%, or \$4 million, higher for the six months ended February 29, 2004 than in the same period the prior year, reflecting increases in program amortization expense, SOCAN fees and pension expense, offset by cost reductions achieved through operational restructuring activities. Program expenses which comprise approximately 60% of the Canadian television operating expenses increased by 4% for the six months ended February 29, 2004 as compared to the same period in fiscal 2003.

As a result of revenue decreases and expense increases, Canadian Television Broadcast EBITDA decreased 30% to \$86 million compared to \$124 million for the first six months of fiscal 2003.

The Company's share of revenue from Australian television operations increased by 27% to \$203 million from \$160 million the prior year. In domestic currency, revenues increased 19% reflecting TEN's strong rating performance in an increasingly strong television advertising environment. The strength of the Australian currency contributed an additional 8% increase in translation to Canadian dollars. The Company's share of operating expenses increased 17% to \$122 million compared to \$104 million for the first six months in fiscal 2003, reflecting the strengthening Australian currency as well as increased programming costs. CanWest recorded an EBITDA increase of 45% to \$81 million for the six months ended February 29, 2004 for its share of Australian television operations, compared to \$56 million in fiscal 2003.

The Company's share of revenues from its Australian Outdoor Advertising operations increased by \$3 million or 16% to \$21 million from \$18 million for the second quarter in fiscal 2003.

This increase reflects 8% growth in revenue in domestic currency with a further 8% increase as a result of currency translation. The Company's share of EBITDA from its Australian Outdoor Advertising operations increased by \$2 million, or 184% to \$4 million, as compared to the six months ended February 28, 2003.

CanWest's 45% share of revenues at TV3 in the Republic of Ireland was unchanged at \$18 million in the six months ended February 29, 2004 compared to the same period last year. CanWest's share of TV3's EBITDA was \$6 million, also consistent with the prior year.

Revenues from television broadcast operations for New Zealand's 3 and C4 television networks increased by 16% to \$53 million for the six months ended February 29, 2004 from \$45 million the previous year. In local currency, revenues increased by 8% reflecting market growth. C4 was re-launched in the period as New Zealand's first free-to-air music channel and is producing increased revenues. The strengthening New Zealand currency contributed an additional 8% increase. Operating expenses increased by 3% to \$40 million entirely as a result of the strengthening New Zealand currency. In local currency operating expenses decreased by 3% primarily as a result of reduced programming costs. New Zealand 3 and C4 produced EBITDA of \$13 million, a \$6 million increase from \$7 million recorded in the six months ended February 28, 2003.

CanWest Radio New Zealand continued its steady performance, increasing revenues, EBITDA and operating income for the six months ended February 29, 2004. Revenue grew by 20% to \$44 million from \$37 million the previous year. Revenue in domestic currency grew by 12% with an additional 8% increase as a result of translation to Canadian currency. EBITDA grew by 40% to \$15 million from \$11 million for the six months ended February 28, 2003.

Revenue of \$12 million from the Canadian Entertainment operations for the six months ended February 29, 2004 produced EBITDA of \$1 million compared to revenues and EBITDA of \$9 million and \$2 million for the same period in fiscal 2003. In addition, film and television program impairment expense of \$39 million was recorded in the six months ended February 29, 2004 to adjust the book values of certain film and television programs to their fair values determined on a discounted cash flow basis.

Amortization of intangibles was \$9 million for the first six months of both fiscal 2004 and 2003. Amortization of property and equipment decreased marginally to \$37 million for the six months ended February 29, 2004 compared to the same period in fiscal 2003.

Interest expense was \$161 million for the six months ended February 29, 2004, compared to \$179 million in the previous year, reflecting the reduced level of debt as well as reduced interest rates achieved through refinancing of debt in fiscal 2003.

In the six months ended February 29, 2004, the Company recorded a \$17 million loss equivalent to the change in fair value of interest rate and cross currency swaps on debt that has been retired. This compares to a loss of \$9 million for the same period of fiscal 2003.

The Company recorded interest income of \$6 million for the six months ended February 29, 2004 primarily related to a tax issue which was resolved in the first quarter. The Company recorded foreign exchange gains of \$5 million in the six months ended February 29, 2004 primarily the result of translation gains on US\$ denominated debt which has not been hedged and on distributions receivable from Network TEN. This compares to a small foreign exchange loss recorded in the previous year.

For the six months ended February 29, 2004, the Company recorded a net investment loss of \$3 million. During the period Network TEN issued shares pursuant to the exercise of certain executive stock options which effectively diluted the Company's economic interest to 56.6% and resulted in an investment gain of \$2 million. This was offset by a loss on write-down of other investments of \$5 million. In the second quarter of fiscal 2003, the investment gain of \$22 million was primarily related to the sale of certain small market newspapers. Dividend income of \$1 million received from UTV in the first quarter of fiscal 2004 is consistent with fiscal 2003.

The provision for income taxes was \$3 million for the six months ended February 29, 2004, compared to \$7 million in fiscal 2003. The effective tax rate of (22%) differs from the Company's statutory rate of 36% as a result of result of losses which were not tax effected, the effect of changes in future tax rates which caused a net increase in future tax liabilities and resulted in a \$5 million income tax expense which were partially offset by the impact of international tax rates which are below Canadian rates and a \$7 million credit from the resolution of a tax issue.

The Company's equity interest in earnings of Network TEN was \$57 million for the six months ended February 29, 2004 compared to \$37 million in the same period in fiscal 2003 as a result of the strong performance of Network TEN as well as the strong Australian currency, as described above.

The Company recorded gains of \$3 million related to the realization of currency translation adjustments related to Network TEN distributions and repayment of inter-company loans by its New Zealand operations. This compared to a \$1 million loss in the six months ended February 28, 2003.

The net income from continuing operations for the six months ended February 29, 2004 was \$43 million, or \$0.24 per share, compared to net income of \$82 million, or \$0.42 per share for the six months ended February 28, 2003.

The Company commenced a process to sell its Fireworks Entertainment production and international distribution operations resulting in the classification of these operating results as a loss from discontinued operations and its assets and liabilities as assets and liabilities of discontinued operations. These operations were previously classified in the Canadian Entertainment segment. An impairment charge of \$143 million including goodwill impairment of \$31 million was recorded to adjust the assets to fair value based on recent estimates less cost to dispose. The total net loss from discontinued operations was \$173 for the six months ended February 29, 2004 compared to \$4 million for the same operations for the six months ended February 28, 2003.

The net loss for the six months ended February 29, 2004 including the loss from discontinued operations was \$130 million or \$0.73 per share compared to net earnings of \$78 million or \$0.40 per share for the six months ended February 28, 2003.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from continuing operations before changes in non-cash working capital was \$229 million for the six months ended February 29, 2004, compared to \$176 million for the six months ended February 28, 2003. This excludes operating cash flows from discontinued operations of \$25 million which compares to a use of cash of \$69 million by discontinued operations in the first six months of fiscal 2003. The cash distributions from Network TEN for the six months ended February 29, 2004 were \$99 million compared to \$30 million for the same period last year.

Changes in non-cash operating accounts resulted in a use of cash of \$124 million in the first half of fiscal 2004 compared to a use of \$37 million for the same period in fiscal 2003. As a result of the seasonality of the Company's operations it is expected that working capital requirements are higher at February than at August. The additional use of cash in fiscal 2004 is partly the result of payments of \$40 million in swap recouping payments and prepaid interest in fiscal 2004. For the six months ended February 28, 2003 changes in non-cash operating accounts was affected by the receipt of a \$31 million tax settlement. Cash flow from operating activities for the six months ended February 29, 2004 was \$131 million compared to \$70 million in the previous year.

Cash and short term investments were \$81 million at February 29, 2004, compared to \$122 million at August 31, 2003.

Capital expenditures were \$26 million for the six months ended February 29, 2004, compared to \$12 million for the first six months in fiscal 2003. Capital spending related to regular replacement of capital assets comprised approximately 80% of the total. Proceeds from the sale of fixed assets amounted to \$7 million for the first six months of fiscal 2004. In addition, the Company invested \$6 million in FM radio frequencies related to its New Zealand Radio operations.

Network TEN declared dividends in July, October and December 2003 which resulted in the payment of distributions of \$99 million to the Company in December 2003 and January 2004.

Long term debt, including the current portion and excluding Fireworks debt, decreased by \$79 million during the six months ended February 29, 2004 to \$3,152 million. The Company made principal repayments on long term debt of \$124 million in the six months ended February 29, 2004, including \$60 million of repayments of CanWest Media's term debt, and a reduction in its draw under its revolving facility of \$65 million. In addition, \$27 million of Fireworks debt was repaid in the six months ended February 29, 2004. The Company issued junior subordinated notes in the amount of \$47 million in satisfaction of payment-in-kind interest.

The Fireworks credit facility includes certain profitability and financial ratio covenants, certain of which were not met at February 29, 2004, and accordingly the debt has been classified as current. Fireworks is negotiating with its lenders to receive the necessary covenant waivers.

The total credit available under the Company's Senior Secured Credit facility is \$1,707 million, of which the Company had drawn approximately \$1,292 million as at February 29, 2004. The facility includes revolving and non-revolving tranches with terms ranging from three to five and a half years. The Senior Secured Credit facility is collateralized by substantially all of the assets of the Company. Scheduled repayments of the Company's Senior Secured Credit facility in the next twelve months amount to \$29 million.

Total leverage under the Company's Senior Secured Credit facility was 4.19 times cash flow for debt covenant purposes for the twelve months ended February 29, 2004 (2003 – 4.96 times), compared to a covenant of 5.50 times. The provisions of the Senior Secured Credit facility require that, for fiscal years in which the credit rating for the Senior Secured Credit facility is below a prescribed level, the Company make a prepayment of its Senior Secured Credit facility equal to 50% of its free cash flow, as defined under the facility, for such fiscal year. The Company was required to make a prepayment of \$42 million in January 2004 in respect of fiscal 2003.

At February 29, 2004 the junior subordinated notes payable were \$830 million. These notes bear interest at 12 1/8% and mature in 2010. At the Company's option, interest payments to November 2005 may be paid in cash, by the issuance of additional notes or, subject to conditions, by the issuance of non-voting shares of the Company.

The Company has entered into currency and interest rate swaps with certain lenders under its indebtedness. Unrealized losses associated with the Company's interest rate and cross currency interest rate swaps amounted to \$372 million as at February 29, 2004. Unrealized gains related to foreign exchange on US\$ denominated debt amounted to \$251 million as at February 29, 2004. Under its Senior Secured Credit facility the Company is required to maintain a fair value of its currency and interest rate swaps above a prescribed minimum. As well, there are prescribed minimums with individual counterparties. Under these agreements, which have two-way recouping provisions, the Company was required to make net recouping payments of \$31 million in the six months ended February 29, 2004. Further strengthening of the Canadian currency and or declining interest rates may result in further prepayment requirements.

Based on current operations, the Company believes that cash flow from operations, together with available borrowing capacity under the senior credit facility, will be adequate to meet its anticipated requirements for working capital, capital expenditures, interest and principal payments.

Although the Company has no current undertakings or agreements with respect to material acquisitions or investments, from time to time potential acquisitions and investments are evaluated and, to the extent permitted by the terms of the Company's debt instruments, the Company may make such acquisitions or investments should attractive opportunities arise. The Company expects that the funding for any such acquisitions or investments would come from working capital, borrowing under its Senior Secured Credit facility or future credit facilities, additional equity and debt financing, entering into joint ventures or a combination of these options.

OUTLOOK

CanWest management is optimistic that its Canadian conventional television advertising sales will continue to improve over the balance of the year. Management was encouraged by the month of February when, boosted by the *Superbowl* and *Survivor All Stars*, and the strong performance of reality series *The Apprentice* and *Average Joe*, Canadian Television recorded positive revenue and EBITDA growth as compared to February 2003. In the third quarter Canadian Television will benefit from a number of large ratings events, such as the series finales of popular programs such as *Friends* and *Frasier* and continued solid ratings from performers such as *Survivor*. In addition, the stronger ratings at Global in particular, currently with seven of the top ten in Vancouver and five of the top ten in Toronto, are expected to pay off in the next fiscal year with an increased share of television advertising dollars.

CanWest is also securing a significant market share in the new universe of specialty channels in Canada. While conventional television is still the largest aggregator of audience share, CanWest's portfolio of eight specialty channels continue to grow audience and subscriber base, all well within budget and with little negative impact on EBITDA. At the end of February 2004, CanWest's specialty channels had an aggregate number of subscribers of 8,235,600, including more than five million subscribers to Prime TV, the Company's analogue specialty channel.

The solid performance of CanWest's Publishing and Online operations is expected to continue for the balance of fiscal 2004. CanWest's newspaper properties are expanding their revenue model as leading edge electronic versions of the individual newspapers are rolled out across the country. As of the publication of this report, the *National Post*, *Ottawa Citizen*, *The Gazette* (Montreal), *Calgary Herald*, *Edmonton Journal*, *Vancouver Sun*, *The Province* (Vancouver) have all launched subscriber based online versions that replicate the newspaper of the day. *The Leader-Post* (Regina) and *Star-Phoenix* (Saskatoon) will be online by the end of April 2004. CanWest's other newspapers will follow by the end of the fiscal year. The new model has been embraced as subscribers have signed on in numbers higher than anticipated.

CanWest's international properties continue to perform well, meeting or exceeding management's expectations and returning double-digit growth in revenue and EBITDA. Both Australian conventional television and outdoor advertising have made solid positive contributions this quarter and throughout fiscal 2004 and those results are expected to continue through the rest of the year. New Zealand's launch of C4 in the last quarter is paying off as the station continues to deliver a young audience to advertisers.

Management continues to explore opportunities to de-lever the Company and continually assesses the potential to divest non-core assets and consider alternative financing options. The Company remains comfortably within its debt covenants and will only act in the best interests of the long term health of the Company and the best interest of shareholders.



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APRIL 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 February 29, 2004 and the related interim consolidated statements of earnings, retained earnings and cash flows for the three and six months periods 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.

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Revenue	494,156	500,792	1,057,305	1,093,754
Operating expenses	270,592	267,707	542,644	533,498
Selling, general and administrative expenses	131,754	135,331	268,434	286,724
Film and television program impairment expense (note 3)	38,790	-	38,790	-
	53,020	97,754	207,437	273,532
Amortization of intangibles	4,375	4,375	8,750	8,750
Amortization of property, plant and equipment	18,587	18,301	36,989	37,386
Other amortization	1,084	2,470	2,389	3,852
Operating income	28,974	72,608	159,309	223,544
Interest expense	(79,719)	(90,066)	(161,156)	(179,476)
Interest income	1,251	-	5,951	-
Amortization of deferred financing costs	(1,821)	(2,371)	(3,905)	(4,813)
Interest rate swap losses	(16,548)	(8,867)	(17,043)	(8,853)
Foreign exchange gains (losses)	436	(45)	5,126	(64)
Investment gains net of write down	(3,063)	22,108	(2,814)	22,108
Dividend income	-	-	1,415	1,533
	(70,490)	(6,633)	(13,117)	53,979
Provision for (recovery of) income taxes (note 5)	(9,485)	(10,585)	2,948	6,852
Earnings (loss) before the following	(61,005)	3,952	(16,065)	47,127
Interest in earnings of Network TEN	17,699	10,884	56,592	36,661
Interest in loss of other equity accounted affiliates	(186)	(449)	(349)	(779)
Realized currency translation adjustment	2,626	(900)	3,126	(900)
Net earnings (loss) from continuing operations	(40,866)	13,487	43,304	82,109
Loss from discontinued operations (note 9)	(170,411)	(3,606)	(173,085)	(3,793)
Net earnings (loss) for the period	(211,277)	9,881	(129,781)	78,316
Earnings (loss) per share from continuing operations:				
Basic	(\$0.23)	\$0.03	\$0.24	\$0.42
Diluted	(\$0.23)	\$0.03	\$0.24	\$0.42
Earnings (loss) per share:				
Basic	(\$1.19)	\$0.01	(\$0.73)	\$0.40
Diluted	(\$1.19)	\$0.01	(\$0.73)	\$0.40

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	For the three months ended		For the six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Retained earnings – beginning of period	437,288	385,811	355,792	317,376
Excess of redemption price over carrying value of preferred shares	-	(7,672)	-	(7,672)
Net earnings for the period	(211,277)	9,881	(129,781)	78,316
Retained earnings – end of period	226,011	388,020	226,011	388,020

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

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	As at	
	February 29, 2004	August 31, 2003
ASSETS		
Current Assets		
Cash	81,464	121,922
Accounts receivable	405,216	372,737
Distributions receivable from Network TEN	-	20,909
Inventory	12,372	14,509
Investment in film and television programs (note 3)	104,044	82,912
Future income taxes	8,589	20,223
Other	11,251	10,483
Assets of discontinued operations (note 9)	99,587	121,858
	722,523	765,553
Investment in Network TEN (note 2)	46,310	55,546
Other investments	112,422	113,022
Investment in film and television programs (note 3)	54,880	83,059
Property, plant and equipment	625,865	639,081
Other assets	151,148	125,325
Intangible assets	1,111,934	1,093,818
Goodwill	2,431,031	2,424,763
Assets of discontinued operations (note 9)	51,347	229,828
	5,307,460	5,529,995
LIABILITIES		
Current Liabilities		
Accounts payable	70,061	102,128
Accrued liabilities (note 4)	233,236	203,325
Income taxes payable	15,823	24,115
Film and television program accounts payable	54,572	30,507
Deferred revenue	31,143	30,608
Future income taxes	6,072	6,072
Current portion of long term debt	54,748	63,078
Liabilities of discontinued operations (note 9)	112,337	176,392
	577,992	636,225
Long term debt (note 7)	3,097,073	3,167,311
Other accrued liabilities	161,910	150,190
Future income taxes	384,570	400,652
	4,221,545	4,354,378
Contingencies (note 10)		
SHAREHOLDERS' EQUITY		
Capital stock	848,613	846,824
Contributed surplus	4,257	3,647
Retained earnings	226,011	355,792
Cumulative foreign currency translation adjustments	7,034	(30,646)
	1,085,915	1,175,617
	5,307,460	5,529,995

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(IN THOUSANDS OF CANADIAN DOLLARS)

	For the three months ended		For the six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
CASH GENERATED (UTILIZED) BY:				
OPERATING ACTIVITIES				
Net earnings (loss) from continuing operations for the period	(40,866)	13,487	43,304	82,109
Items not affecting cash				
Amortization	25,867	27,517	52,033	54,801
Interest paid in kind	23,831	28,614	47,193	56,988
Future income taxes	(10,584)	(1,876)	(5,711)	216
Interest in earnings of Network TEN	(17,699)	(10,884)	(56,592)	(36,661)
Realized currency translation adjustments	(2,626)	900	(3,126)	900
Interest rate swap loss	16,548	8,867	17,043	8,853
Investment gains net of write down	3,063	(22,108)	2,814	(22,108)
Impairment of film and television programs	38,790	-	38,790	-
Amortization of film and television programs	8,704	3,967	15,983	10,590
Pension expense	2,670	770	4,495	1,398
Other	(5,629)	449	(5,032)	779
Distributions from Network TEN	99,297	30,212	99,297	30,212
Investment in film and television programs	(7,559)	(6,077)	(20,999)	(12,154)
	133,807	73,838	229,492	175,923
Operating activities from discontinued operations	10,529	(7,801)	25,104	(68,673)
Changes in non-cash operating accounts	21,030	105,322	(123,902)	(36,850)
Cash flows from operating activities	165,366	171,359	130,694	70,400
INVESTING ACTIVITIES				
Other investments	-	(3,913)	-	(4,473)
Investment in broadcast licences	(5,813)	-	(5,813)	-
Proceeds from divestitures	-	193,500	-	193,500
Proceeds from sale of property, plant and equipment	7,426	-	7,426	-
Purchase of property, plant and equipment	(14,823)	(6,836)	(25,908)	(12,040)
Investing activities from discontinued operations	-	(128)	-	(282)
	(13,210)	182,623	(24,295)	176,705
FINANCING ACTIVITIES				
Repayment of long term debt	(91,259)	(237,115)	(123,961)	(250,858)
Issuance of share capital	1,762	375	1,789	392
Preferred share redemption	-	(57,672)	-	(57,672)
Net change in bank loans and advances	-	(27,858)	-	-
Financing activities from discontinued operations	(16,571)	1,909	(27,360)	65,053
	(106,068)	(320,361)	(149,532)	(243,085)
Foreign exchange gain on cash denominated in foreign currencies	1,844	-	2,675	-
Net change in cash	47,932	33,621	(40,458)	4,020
Cash – beginning of period	33,532	31,489	121,922	61,090
Cash – end of period	81,464	65,110	81,464	65,110

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSFOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003 (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, Prime, various other conventional and specialty channels and Cool FM and The Beat radio stations. The Australian Television Broadcast segment includes the Company's 56.6% 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 the Fireworks Entertainment Canadian distribution operations. The New Zealand Television Broadcast segment includes the operations of the 3 and C4 Television Networks. The New Zealand Radio Broadcast segment includes five nationally-networked radio brands and 27 local radio stations including More FM stations. The Irish Television Broadcast 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 and Online 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 12.

DISPOSAL OF LONG-LIVED ASSETS AND DISCONTINUED OPERATIONS

Long-lived assets are classified as held for sale when specific criteria are met, in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". Assets held for sale are measured at the lower of their carrying amounts and fair values less costs to dispose and are no longer amortized. Assets and liabilities classified as held for sale are reported separately on the balance sheet. A component of the Company that is held for sale is reported as discontinued operations if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Company will not have a significant continuing involvement in the operations of the component after the disposal transaction.

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, the Company's hedging

relationships are documented and subject to effectiveness tests 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 described in note 8.

2. INVESTMENT IN NETWORK TEN

The Company owns approximately 14.6% of the issued ordinary shares and all of the convertible debentures and subordinated debentures of the TEN Group Pty Limited. 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 partially paid-up principal amount of A\$45,500 and pay a market linked rate of interest. The convertible debentures are convertible, upon payment of an aggregate of A\$45.5

million, into a number of ordinary shares which would represent 49.2% of the issued and outstanding shares of the TEN Group Pty Limited at the time of conversion. The combination of ordinary shares and subordinated debentures yield distributions equivalent to approximately 56.6% of all distributions paid by Network TEN. As a result of its contractual right to representation on TEN's board of directors and other factors, the Company accounts for its interest in the TEN Group Pty Limited on the equity basis. The Company has appointed three of the thirteen members of the board of directors of the TEN Group Pty Limited.

During the quarter ended February 29, 2004 the TEN Group Pty Limited issued 5,825,000 shares for proceeds of A\$11.1 million as a result of the exercise of certain management stock options. This effectively diluted the Company's economic interest in Network TEN to 56.6% from 57.0% at November 30, 2003 and resulted in an investment gain of \$1.5 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

	As at	
	February 29, 2004	August 31, 2003
Assets		
Current assets	278,203	241,822
Other assets	45,078	37,367
Property, plant and equipment	86,302	79,288
Long term investments	13,999	11,421
Intangibles	296,092	257,477
Goodwill	102,189	88,752
	821,863	716,127
Liabilities and Shareholders' Equity		
Current liabilities	175,192	188,633
Other long term liabilities	519,165	398,047
Subordinated debentures issued to the Company	40,171	40,171
Share capital	66,645	53,150
Undistributed earnings	8,072	35,636
Cumulative foreign currency translation adjustment	12,618	490
	821,863	716,127

SUMMARY CONSOLIDATED STATEMENTS OF EARNINGS

	For the six months ended	
	February 29, 2004	February 28, 2003
Revenue	394,808	310,268
Operating expenses	246,046	210,735
Operating profit before amortization	148,762	99,533
Amortization of property, plant, equipment and other	9,048	7,488
	139,714	92,045
Interest rate swap gain	939	-
Financing expenses	(67,016)	(42,301)
	73,637	49,744
Provision for income taxes	21,358	13,785
Net earnings for the period	52,279	35,959
Net earnings for the period	52,279	35,959
Interest in respect of subordinated debentures held by the Company	53,488	32,091
Earnings for the period before interest in respect of subordinated debentures ⁽¹⁾	105,767	68,050

SUMMARY STATEMENT OF UNDISTRIBUTED EARNINGS

	For the six months ended	
	February 29, 2004	February 28, 2003
Undistributed earnings (deficit) – beginning of year	35,636	(52,232)
Earnings for the period before interest in respect of subordinated debentures	105,767	68,050
Distributions paid and payable	(133,331)	(53,578)
Undistributed earnings (deficit) – end of period	8,072	(37,760)

⁽¹⁾ The Company's economic interest in the TEN Group Pty Limited's earnings for the six months ended February 29, 2004 was \$56.6 million (2003 - \$36.7 million), comprised of its 14.6% interest in net earnings and its interest in the subordinated debentures.

3. INVESTMENT IN FILM AND TELEVISION PROGRAMS

	February 29, 2004		August 31, 2003	
	Current	Long term	Current	Long term
Broadcast rights ⁽¹⁾	104,044	26,040	82,912	27,661
Non- theatrical films and television programs:				
Released ⁽¹⁾	-	26,753	-	20,017
Acquired library ⁽¹⁾	-	398	-	27,692
Programs in progress	-	1,689	-	7,689
	104,044	54,880	82,912	83,059

⁽¹⁾ Net of accumulated amortization.

The Company determined that the unamortized book values of certain film and television programs exceeded their fair values, as determined using a discounted cash flow approach. As a result a \$38.8 million impairment charge was recorded in earnings for the three and six months ended February 29, 2004.

4. RESTRUCTURING ACCRUALS

For the period ended February 29, 2004, expenditures charged to the restructuring accruals were \$8.3 million. The balance of the restructuring accruals is expected to be utilized by August 31, 2004.

	Severance	Lease/ contract termination	Integration	Other	Total
Balance August 31, 2003	10,326	2,482	250	2,340	15,398
Expenditures – 2004	7,469	592	-	258	8,319
Balance February 29, 2004	2,857	1,890	250	2,082	7,079

5. 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:

	For the three months ended		For the six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Income taxes at combined Canadian statutory rate of 35.59% (2002 – 38.66%)	(25,087)	(2,564)	(4,668)	20,868
Effect of valuation allowance on future tax assets	17,805	-	17,599	-
Effect of foreign income tax rates differing from Canadian income tax rates	(1,173)	(445)	(2,423)	(1,774)
Large corporations tax	800	800	1,600	1,600
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	(1,797)	(1,808)	(7,386)	(6,469)
Capital gains	-	(7,706)	-	(7,706)
Other	(33)	1,138	980	333
Provision for income taxes	(9,485)	(10,585)	2,948	6,852

6. EARNINGS PER SHARE

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

	For the three months ended		For the six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Net earnings (loss) from continuing operations	(40,866)	13,487	43,304	82,109
Excess of redemption price over carrying value of preferred shares	-	(7,672)	-	(7,672)
Net earnings (loss) from continuing operations	(40,866)	5,815	43,304	74,437
Loss from discontinued operations	(170,411)	(3,606)	(173,085)	(3,793)
Net earnings (loss) available to common shareholders	(211,277)	2,209	(129,781)	70,644
Basic weighted average shares outstanding during the period	177,256,114	177,070,290	177,194,940	177,067,345
Dilutive effect of options	-	5,934	158,127	5,934
Diluted weighted average shares outstanding during the period	177,256,114	177,076,224	177,353,067	177,073,279
Options outstanding that would have been anti-dilutive	2,481,430	2,143,247	2,038,216	2,143,247

7. LONG TERM DEBT

The following provisions of the Company's Senior Secured Credit Facility are in addition to the terms described in note 9 of the annual financial statements.

The provisions of the Company's Senior Secured Credit facility require that, for fiscal years in which the credit rating for the Senior Secured Credit facility is below a prescribed level, the Company make a prepayment of its Senior Secured Credit facility equal to 50% of its free cash flow, as defined under the facility, for such fiscal year. The Company was required to make a prepayment of \$41.5 million in January 2004 in respect of fiscal 2003.

Under its Senior Secured Credit facility the Company is required to maintain a fair value of its interest rate swaps and foreign currency and interest rate swaps above a prescribed minimum. There are also prescribed minimums with individual counterparties, which have two-way recouping provisions. The Company was required to make net recouping payments of \$31 million in the six months ended February 29, 2004 (six months ended February 28, 2003 – nil). Further strengthening of the Canadian currency and/or declining interest rates may result in further payments to counterparties.

The Fireworks credit facility includes profitability and financial ratio covenants, certain of which were not met at February 29, 2004, and accordingly the debt has been classified as current. Fireworks is negotiating with its lenders to receive the necessary covenant waivers.

8. SHARE BASED COMPENSATION

The Company adopted the fair value method of accounting for share based compensation on a prospective basis for options granted subsequent to September 1, 2003, resulting in additional compensation expense for the six months ended February 29, 2004 of \$0.6 million. The fair value of the options granted during the six months ended February 29, 2004 was estimated using the Black-Scholes option pricing model with the assumptions of no dividend yield, 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 six months ended February 29, 2004 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 additional cost of share compensation expense for the three and six months ended February 29, 2004 would be \$0.4 million and 0.8 million, respectively (2003 – \$0.5 million and \$0.9 million). A value of \$3.6 million would be charged to proforma net earnings in future years according to the vesting terms of the options. The resulting proforma net earnings (loss) from continuing operations, basic and diluted earnings per share for the three months ended February 29, 2004 are (\$41.3) million, (\$0.23) and (\$0.23) respectively (2003 - \$12.9 million, \$0.03, and \$0.03), and six months ended February 29, 2004 are \$42.5 million, \$0.24 and \$0.24 respectively (2003 - \$81.3 million, \$0.42, and \$0.42). The resulting proforma net earnings (loss), basic and diluted earnings per share for the three months ended February 29, 2004 are (\$211.7) million, (\$1.19) and (\$1.19) respectively (2003 - \$9.3 million, \$0.01, and \$0.01), and six months ended February 29, 2004 are (\$130.6) million, (\$0.74) and (\$0.74) respectively (2003 - \$77.5 million, \$0.39, and \$0.39).

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

9. DISCONTINUED OPERATIONS

Following a period of poor financial performance and continued weakness in international demand for its films and television programs, the Company has commenced a process to sell its Fireworks Entertainment Division with the exception of certain Canadian distribution operations. As a result, the net losses of the production and international distribution operations of Fireworks have been classified as a loss from discontinued operations in the Consolidated Statements of Earnings, the net cash flows are classified as operating activities and financing activities from discontinued operations in the Consolidated Statements of Cash Flows and the assets and liabilities have been classified on the Consolidated Balance Sheets as assets and liabilities of discontinued operations. An impairment charge of \$143.3 million including goodwill impairment of \$30.9 million was recorded to adjust the assets to fair value based on recent estimates less cost to dispose. Included in the loss from discontinued operations is a charge of \$2.5 million related to the accrued transaction costs.

The Consolidated Balance Sheets as at August 31, 2003 and the Consolidated Statements of Earnings and the Consolidated Statements of Cash Flows for the periods ended February 28, 2003 have been restated for purposes of comparability. Prior to the classification as a discontinued operation, these results were reported within the Canadian Entertainment segment.

The Company will utilize the proceeds from the sale of its investment in film and television programs and the collection of certain receivables to repay the long term debt. The Company expects to complete a sale transaction in the near term.

The earnings from discontinued operations of Fireworks are summarized as follows:

	For the three months ended		For the six months ended	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Revenue	30,996	30,448	53,975	71,049
Loss from discontinued operations before tax expense	(170,398)	(3,783)	(172,948)	(4,281)
Income tax expense (recovery)	13	(177)	137	(488)
Loss from discontinued operations	(170,411)	(3,606)	(173,085)	(3,793)
Loss from discontinued operations per share:				
Basic and diluted	(\$0.96)	(\$0.02)	(\$0.98)	(\$0.02)

The carrying value of assets related to the discontinued Fireworks operations is as follows:

	February 29, 2004	August 31, 2003
Current assets	99,587	121,858
Property, plant and equipment	-	951
Investment in film and television programs	50,981	187,246
Goodwill	-	30,856
Other assets	366	10,775
Total non current assets	51,347	229,828
Debt	(53,873)	(84,308)
Other current liabilities	(58,464)	(92,084)
Total current liabilities	(112,337)	(176,392)
Net assets	38,597	175,294

10. CONTINGENCIES

a) On December 17, 2003 the Company filed a statement of claim against Hollinger International Inc., 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 50% of The National Post Company partnership in March 2002. The Company has also requested

arbitration related to a further \$54.3 million owed by Hollinger International Inc. and Hollinger Canadian Newspapers Limited Partnership related to certain unresolved matters related to its November 15, 2000 acquisition of certain newspaper assets from Hollinger International Inc. and Hollinger Canadian Newspapers Limited Partnership.

b) In February 2004, a subsidiary of the company, Fireworks Entertainment Inc., instituted a claim against Tribune Entertainment Company (“Tribune”) for breach of contract in respect of the financing production and distribution of certain television series. Tribune countered by filing a Statement of Claim alleging that Fireworks wrongfully repudiated the contracts and was in breach of its obligations, in respect of those series. The outcome of these actions is not currently determinable, consequently, no provision has been made in respect of the actions.

c) 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.

11. 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:

	For the three months ended				For the six months ended			
	Revenue ⁽²⁾		Operating profit		Revenue ⁽²⁾		Operating profit	
	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003	February 29, 2004	February 28, 2003
Operating Segments								
Publishing and Online – Canada	275,029	279,541	56,573	52,959	578,487	598,287	139,726	134,753
Television								
Canada	160,977	171,320	29,958	42,492	352,229	385,826	86,128	123,889
Australia – Network TEN	81,676	63,703	28,222	18,877	203,063	159,942	80,862	55,902
New Zealand	21,817	19,242	3,052	(270)	52,680	45,453	12,913	6,973
Ireland	7,759	7,863	2,162	1,928	17,619	17,964	5,886	5,915
Total Television	272,229	262,128	63,394	63,027	625,591	609,185	185,789	192,679
Radio – New Zealand	23,108	19,165	7,930	5,393	44,466	37,010	15,017	10,747
Entertainment	5,466	3,661	359	834	11,824	9,214	1,094	1,724
Outdoor – Australia	10,231	8,256	1,280	460	21,455	18,463	3,769	1,329
	586,063	572,751	129,536	122,673	1,281,823	1,272,159	345,395	341,232
Corporate and other	-	-	(8,224)	(5,582)	-	-	(14,537)	(10,469)
Film and television program impairment expenses	-	-	(38,790)	-	-	-	(38,790)	-
Total Combined	586,063	572,751	82,522	117,091	1,281,823	1,272,159	292,068	330,763
Elimination of equity accounted affiliates ⁽³⁾	(91,907)	(71,959)	(29,502)	(19,337)	(224,518)	(178,405)	(84,631)	(57,231)
Total Consolidated	494,156	500,792	53,020	97,754	1,057,305	1,093,754	207,437	273,532

⁽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 intersegment revenues in the six months ended February 29, 2004: Canadian Television \$445 (2003 – nil), Entertainment \$3,265 (2003 – \$2,960).

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

12. U.S. GAAP RECONCILIATION

These interim financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (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.

ADJUSTMENT TO PURCHASE EQUATION

Under U.S. GAAP, the settlement of tax issues acquired through a business acquisition result in an adjustment 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 six months ended	
	February 29, 2004	August 31, 2003
Net earnings from continuing operations in accordance with Canadian GAAP	43,304	82,109
Pre-operating costs, net of tax of (\$186) (2003 – (\$860))	(898)	1,957
Realization of cumulative translation adjustments, net of tax of nil	(3,126)	900
Integration costs related to CanWest Publications, net of tax of \$109	-	(193)
Programming costs imposed by regulatory requirement, net of tax of \$632 (2003 - \$1,155)	(2,443)	(1,530)
Adjustments related to equity accounted affiliates, net of tax of (\$1,534)	2,726	-
Adjustment to purchase equation	(7,000)	-
Gain on interest rate and cross-currency swaps and translation of foreign denominated debt, net of tax of (\$9,702) (2003 – (\$3,743))	7,381	22,841
Net earnings from continuing operations in accordance with U.S. GAAP	39,944	106,084
Net loss from discontinued operations	(173,085)	(3,793)
Net earnings (loss) in accordance with U.S.GAAP	(133,141)	102,291
Net earnings per share from continuing operations in accordance with U.S. GAAP:		
Basic and diluted	\$0.23	\$0.56
Loss from discontinued operations per share:		
Basic and diluted	(\$0.98)	(\$0.02)
Net earnings (loss) per share in accordance with U.S. GAAP:		
Basic and diluted	(\$0.75)	\$0.53

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