

SHAW COMMUNICATIONS INC

Form 6-K

October 27, 2006

**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
For the month of October 2006
Shaw Communications Inc.**

(Translation of registrant's name into English)

Suite 900, 630 1st Avenue S.W., Calgary, Alberta T2P 4L4 (403) 750-4500

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant, Shaw Communications Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: October 27, 2006

Shaw Communications Inc.

By: /s/ Steve Wilson

Steve Wilson
Sr. V.P., Chief Financial Officer
Shaw Communications Inc.

Shaw Communications Inc. announces fourth quarter and full year results and increases dividend 67% to yield 3%

Calgary, Alberta (October 26, 2006) Shaw Communications Inc. announced net income of \$210.4 million or \$0.97 per share for the fourth quarter ended August 31, 2006 compared to net income of \$70.0 million or \$0.31 per share for the same quarter last year. Net income for the year was \$458.3 million or \$2.11 per share, up from \$153.2 million or \$0.67 per share last year.

Net income in the current and comparable three and twelve month periods included non-operating items which are more fully detailed in Management's Discussions and Analysis (MD&A). These included tax recoveries in the first, third and fourth quarters of 2006 primarily related to reductions in enacted income tax rates, a gain on the sale of a portfolio investment in the third quarter of 2006, a gain on the settlement of the Motorola investment forward sale in the fourth quarter of 2005, as well as amounts in the comparable periods related to the retroactive adoption of a Canadian accounting standard. Excluding these non-operating items, net income for the three and twelve month periods ended August 31, 2006 would have been \$59.6 million and \$211.7 million compared to net income of \$32.9 million and \$106.8 million in the comparable periods.¹

Customer growth continued with gains recorded across all products. Digital Phone lines increased in the quarter by 43,744 for a total of 212,707 as at August 31, 2006. Internet and Digital subscribers increased by 25,907 and 9,630, respectively. Internet customers now exceed 1.3 million and Shaw's Internet penetration has increased to almost 60% of Basic customers. Basic cable and DTH added 2,766 and 3,221 subscribers respectively in the final quarter.

We are pleased with the customer response to our Digital Phone product. We have added over 210,000 digital phone lines in just 18 months since our initial launch of the product. This confirms that people appreciate having a real choice and that, given a chance, new entrants like Shaw can open up the market to future competition that is real and sustainable," said Jim Shaw, CEO of Shaw Communications Inc.

Our reputation for providing superior customer service along with new products and value enhancements to existing products are driving solid customer growth and improved financial performance throughout our business," added Mr. Shaw.

Consolidated service revenue of \$631.9 million and \$2.5 billion for the three and twelve month periods, respectively, increased 12.2% and 11.3% over the prior year. Total service operating income before amortization² of \$275.1 million and \$1.08 billion improved by 9.7% and 9.8%, respectively, over the comparable periods. Funds flow from operations³ increased to \$220.6 million and \$847.2 million for the quarter and year compared to \$191.5 million and \$728.5 million for the same periods last year.

Free cash flow² for the quarter and year was \$54.9 million and \$265.4 million, respectively, compared to \$81.7 million and \$277.3 million for the same periods last year. Free cash flow was marginally lower in the current year despite increased capital spending of \$120.6 million during this same period.

Through the efforts of our 8,200 employees and our strong management team we have delivered financial results for the year which exceed our preliminary and subsequent guidance, said Jim Shaw.

Cable division service revenue increased 14.2% for the quarter to \$467.3 million and 13.2% on an annual basis to \$1.81 billion primarily as a result of customer growth and rate increases. Service operating income before amortization for the three and twelve month periods increased 8.0% and 7.5% to \$216.8 million and \$857.5 million, respectively.

Satellite division service revenue increased 7.0% for the quarter to \$164.6 million and 6.4% on an annual basis to \$650.7 million primarily due to rate increases and customer growth in DTH. Service operating income before amortization for the quarter increased by 16.5% to \$58.3 million and by 19.5% to \$220.5 million on an annual basis. The improvement was largely due to growth in DTH revenues while the annual period also benefited from reduced costs.

The Company announced preliminary guidance for fiscal 2007 based on continued growth. The preliminary view is for service operating income before amortization to range from \$1.17 to \$1.20 billion. As previously announced, the preliminary view calls for fiscal 2007 capital investment to range from \$600 to \$630 million and, accordingly, the Company expects free cash flow to range from \$300 to \$320 million. Capital will be used to continue the roll-out of Digital Phone and fund ongoing upgrades to support growth and the delivery of new services to customers.

Mr. Shaw continued, With the Company's strong performance over the last year and prospects for continued growth in fiscal 2007, our Board approved a 67% increase in the annual equivalent dividend rate from \$0.60 per Class B Non-Voting Share to \$1.00 per Class B Non-Voting Share. At the current share price of approximately \$34.00, this represents a yield of approximately 3% which makes us a leader among North American cable companies. Our shareholders now benefit from both a higher monthly return of capital in addition to the potential for further share price appreciation as we continue to grow. We plan to use the balance of our free cash flow on an annual basis in fiscal 2007 to repurchase shares or to reduce debt. We previously indicated that at least 25% of free cash flow would be used for debt reduction, but in light of the growth in service operating income before amortization, we expect, even in the absence of debt reduction, that our credit metrics will continue to improve. Based on achieving the mid-point of our fiscal 2007 guidance for service operating income before amortization and assuming that debt remains constant, our ratio of net debt to service operating income before amortization will decline from 3.2 times at the end of fiscal 2006 to 2.9 times at the end of fiscal 2007. This is consistent with our focus to ensure that credit metrics continue to improve over time.

In closing, Mr. Shaw summarized: For the coming year we plan to focus on deployment of Digital Phone and enhancements to service offerings through new products, bundled offers, and the delivery of superior customer service. We believe the combination of value, products and service has been and will continue to be a successful strategy for both customers and shareholders.

During the quarter Shaw repurchased 2,759,900 of its Class B Non-Voting Shares for cancellation, pursuant to the normal course issuer bid for \$88.7 million (\$32.13 per share) bringing the annual total to \$146.6 million (\$28.64 per share) on the repurchase of 5,119,900 shares. For the year, share repurchases represent approximately 2.5% of the Class B Non-Voting Shares outstanding at August 31, 2005.

Shaw Communications Inc. is a diversified communications company whose core business is providing broadband cable television, High-Speed Internet, Digital Phone, telecommunications services (through Shaw Business Solutions) and satellite direct-to-home services (through Star Choice) to 3.2 million customers. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Symbol: TSX SJR.B, NYSE SJR).

This news release contains forward-looking statements, identified by words such as anticipate, believe, expect, plan, intend and potential. These statements are based on current conditions and assumptions and are not a guarantee of future events. Actual events could differ materially as a result of changes to Shaw's plans and the impact of events, risks and uncertainties. For a discussion of these factors, refer to Shaw's current annual information form, annual and quarterly reports to shareholders and other documents filed with regulatory authorities.

-30-

For further information, please contact:

Steve Wilson
Senior Vice President, Chief Financial Officer
Shaw Communications Inc.
403-750-4500

- 1 See reconciliation of Net Income in Consolidated Overview in MD&A
- 2 See definitions under Key Performance Drivers in MD&A.
- 3 Funds flow from operations is before changes in non-cash working capital as presented in the unaudited interim Consolidated Statement of Cash Flows.

Shaw Communications Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2006

October 25, 2006

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. Included herein is a Caution Concerning Forward-Looking Statements section which should be read in conjunction with this report.

The following should also be read in conjunction with Management's Discussion and Analysis included in the Company's August 31, 2005 Annual Report and the Consolidated Financial Statements and the Notes thereto and the unaudited interim Consolidated Financial Statements of the current quarter.

This report includes various schedules and reconciliations. Figures for 2005 reporting periods may have been restated. Details of the restatement are included in the section Adoption of recent Canadian accounting pronouncements included in this report.

CONSOLIDATED RESULTS OF OPERATIONS
FOURTH QUARTER ENDING AUGUST 31, 2006
SELECTED FINANCIAL HIGHLIGHTS

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
(\$000's Cdn except per share amounts)						
Operations:						
Service revenue	631,888	562,958	12.2	2,459,284	2,209,810	11.3
Service operating income before amortization ⁽¹⁾	275,127	250,759	9.7	1,077,917	981,993	9.8
Funds flow from operations ⁽²⁾	220,617	191,507	15.2	847,197	728,524	16.3
Net income	210,369	69,959	200.7	458,250	153,221	199.1
Per share data:						
Earnings per share basic and diluted	\$ 0.97	\$ 0.31		\$ 2.11	\$ 0.67	
Weighted average participating shares outstanding during period (000's)	216,397	222,263		217,666	228,210	

⁽¹⁾ See definition under Key Performance Drivers in Management's Discussion and Analysis.

⁽²⁾

Funds flow
from operations
is before
changes in
non-cash
working capital
as presented in
the unaudited
interim
Consolidated
Statement of
Cash Flows.

SUBSCRIBER HIGHLIGHTS

	Total August 31, 2006	Growth			
		Three months ended August 31,		Year ended August 31,	
		2006	2005	2006	2005
Subscriber statistics:					
Basic cable customers	2,186,091	2,766	3,733	41,281	20,473
Digital customers	669,787	9,630	11,167	71,253	57,949
Internet customers (including pending installs)	1,306,991	25,907	39,804	138,581	147,125
DTH customers	869,208	3,221	8,760	25,546	16,759
Digital phone lines (including pending installs)	212,707	43,744	34,113	156,144	56,563

Shaw Communications Inc.**ADDITIONAL HIGHLIGHTS**

During the quarter the Company added 43,744 Digital Phone lines and at August 31, 2006, the number of Digital Phone lines, including pending installations, was 212,707. The expansion of Shaw's Digital Phone footprint continued with the roll-outs during the quarter in Strathmore, Alberta as well as Saanich Peninsula and Burnaby, both in British Columbia. Most recently, the service was launched in New Westminster, British Columbia as well as Lethbridge and Medicine Hat in Alberta.

Internet penetration of basic stands at almost 60%, up from 54.5% at August 31, 2005. Shaw has over 1.3 million Internet customers adding almost 26,000 in the quarter. Digital subscribers were up almost 10,000 in the quarter and Basic cable and DTH each posted modest increases.

On July 17, 2006 the Company redeemed the Cdn. \$150.0 million 8.875% Canadian Originated Preferred Securities. During the quarter the Company also amended the existing credit facility to extend the maturity date and implement new pricing terms. The facility provides \$1.0 billion of committed credit through May, 2011.

In the fourth quarter, the Company increased the equivalent annual dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares by \$0.06 per share to an equivalent annual dividend rate of \$0.595 per Class A Participating Share and \$0.60 per Class B Non-Voting Participating Share, payable in monthly installments commencing September 29, 2006. The Company announced a 67% increase in the equivalent annual dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares of \$0.40 per share to an equivalent annual dividend rate of \$0.995 per Class A Participating Share and \$1.00 per Class B Non-Voting Participating Share, payable in monthly installments commencing December 29, 2006. The total cash dividends paid per Class B Non-Voting Participating Share has increased each fiscal year as follows:

	Total Annual Dividend	Annual % Increase
2003	\$ 0.05	
2004	\$ 0.16	220%
2005	\$ 0.31	94%
2006	\$ 0.48	55%
2007 ⁽¹⁾	\$ 0.90	88%

(1) Expected cash dividend payment for fiscal 2007 is \$0.90 based on the assumption that the Company's Board of Directors will continue to approve monthly dividends in future periods consistent with those currently approved.

Shaw announced the acquisition of several cable systems that complement existing operations including Pemberton Cable, Saltspring Cablevision, Whistler Cable Television Ltd and Grand Forks, all in British Columbia, as well as Norcom Telecommunications Limited operating in Kenora, Ontario.

The Company has completed its internal control review in line with the requirements of Sarbanes Oxley section 404 and will be reporting no control weaknesses.

Shaw Communications Inc.

Consolidated Overview

Consolidated service revenue of \$631.9 million and \$2.5 billion for the three and twelve month periods, respectively, improved by 12.2% and 11.3% over the same periods last year. The growth in both periods was primarily due to customer growth and rate increases. Consolidated service operating income before amortization for the quarter and year increased by 9.7% and 9.8%, respectively, over the comparable periods to \$275.1 million and \$1.1 billion. The improvement over the comparative periods was primarily due to overall revenue growth while the annual period also benefited from reduced costs in the satellite division. These improvements were partially offset by increased costs in the cable division, including expenditures incurred to support continued growth, deliver quality customer service and to launch Digital Phone in new markets.

Net income was \$210.4 million and \$458.3 million for the three and twelve months ended August 31, 2006, respectively, compared to \$70.0 million and \$153.2 million for the same periods last year. A number of significant non-operating items affected net income in each of the periods: During the first, third and fourth quarters of fiscal 2006, the Company recorded future tax recoveries primarily related to a reduction in corporate income tax rates which contributed \$31.4 million, \$23.4 million and \$150.0 million, respectively, to net income. Also, during the third quarter of fiscal 2006 the Company reported a gain on the sale of a portfolio investment which contributed \$37.3 million on an after-tax basis. Effective September 1, 2005 the Company retroactively adopted the amended Canadian Standard, Financial Instruments Disclosure and Presentation, which classifies the Company's Canadian Originated Preferred Securities (COPrS) and the Zero Coupon Loan as debt instead of equity and treats the entitlements thereon as interest instead of dividends. The restatement of the comparative periods resulted in an increase to previously reported net income of \$3.6 million and a decrease of \$7.4 million, respectively, for the three and twelve months ended August 31, 2005. The components making up the change for the three months ended August 31, 2005 included an increase in the previously reported foreign exchange gain on unhedged long term debt of \$12.5 million and decreased taxes of \$1.5 million, partially offset by increased interest expense of \$10.4 million. The components making up the change for the year ended August 31, 2005 included an increase in interest expense of \$48.5 million and debt retirement costs of \$6.3 million partially offset by an increase in the foreign exchange gain on unhedged long-term debt of \$34.2 million and decreased taxes of \$13.4 million. Outlined below are further details on these and other operating and non-operating components of net income for each quarter and annual period. The fiscal 2006 tax recoveries, primarily related to reductions in corporate income tax rates recorded in the first, third and fourth quarters, have been reflected as non-operating.

Shaw Communications Inc.

	Year ended			Year ended		
	August 31, 2006	Operating net of interest	Non- operating	August 31, 2005	Operating net of interest	Non- operating
<i>(\$000 s Cdn)</i>						
Operating income	579,566			440,731		
Interest on long-term debt	(254,303)			(262,949)		
Operating income after interest	325,263	325,263		177,782	177,782	
Gain on sale of investments	50,315		50,315	32,163		32,163
Write-down of investments	(519)		(519)	(1,937)		(1,937)
Debt retirement costs	(12,248)		(12,248)	(6,311)		(6,311)
Foreign exchange gain on unhedged long-term debt	5,369		5,369	40,518		40,518
Fair value loss on foreign currency forward contracts	(360)		(360)	(19,342)		(19,342)
Other gains	6,724		6,724	11,016		11,016
Income before income taxes	374,544	325,263	49,281	233,889	177,782	56,107
Income tax (recovery) expense	(83,662)	113,537	(197,199)	80,382	71,021	9,361
Income before the following	458,206	211,726	246,480	153,507	106,761	46,746
Equity income (loss) on investees	44		44	(286)		(286)
Net income	458,250	211,726	246,524	153,221	106,761	46,460
	Three months ended			Three months ended		
	August 31, 2006	Operating net of interest	Non- operating	August 31, 2005	Operating net of interest	Non- operating
<i>(\$000 s Cdn)</i>						
Operating income	152,368			119,124		
	(62,721)			(62,962)		

Interest on long-term
debt

Operating income after interest	89,647	89,647		56,162	56,162	
Gain on sale of investments	3,180		3,180	31,025		31,025
Write-down of investments	(145)		(145)			
Debt retirement costs	(4,125)		(4,125)			
Foreign exchange gain on unhedged long-term debt	9		9	15,445		15,445
Fair value loss on a foreign currency forward contract				(4,811)		(4,811)
Other gains	1,080		1,080	5,954		5,954
Income (loss) before income taxes	89,646	89,647	(1)	103,775	56,162	47,613
Income tax (recovery) expense	(120,486)	30,041	(150,527)	33,947	23,293	10,654
Income (loss) before the following	210,132	59,606	(150,526)	69,828	32,869	36,959
Equity income on investees	237		237	131		131
Net income	210,369	59,606	150,763	69,959	32,869	37,090

7

Shaw Communications Inc.

The changes in net income are outlined in the table below. The fluctuations in net other costs and revenue are mainly due to the gains realized on the sale of a portfolio investment in the quarter ended May 31, 2006 and on the settlement of the Motorola investment forward sale in the quarter ended August 31, 2005. The impact of the foregoing and other changes to net income are outlined as follows:

	Increase of August 31, 2006 net income compared to:		
	Three months ended		Year ended
	May 31, 2006	August 31, 2005	August 31, 2005
<i>(\$millions Cdn)</i>			
Increased (decreased) service operating income before amortization	(4.4)	24.4	95.9
Decreased (increased) amortization	(3.3)	8.9	42.9
Decreased interest expense	1.0	0.2	8.6
Change in net other costs and revenue ⁽¹⁾	(47.5)	(47.5)	(6.4)
Decreased income taxes	138.2	154.4	164.0
	84.0	140.4	305.0

(1) Net other costs and revenue include: gain on sale of investments, write-down of investments, foreign exchange gain (loss) on unhedged long-term debt, fair value gain (loss) on foreign currency forward contracts, debt retirement costs, other gains and equity loss on investees as detailed in the unaudited interim Consolidated Statements of Income and Deficit.

Earnings per share were \$0.97 and \$2.11 for the quarter and year respectively, which represents a \$0.66 and \$1.44 improvement over the same periods last year. The improvement in the current quarter was due to higher net income of \$140.4 million and included decreased income taxes of \$154.4 million, primarily due to the tax recovery recorded in the current quarter related to reductions in corporate income tax rates, and increased service operating income before amortization of \$24.4 million. Decreased net other costs and revenues of \$47.5 million partially offset these increases. The comparable quarter included a gain on the settlement of the Motorola investment forward sale and foreign exchange gains on unhedged long term debt in net other costs and revenues. On an annual basis, the improvement of \$305.0 million was due to decreased income taxes of \$164.0 million, primarily due to the tax recoveries recorded in the current year related to reductions in corporate income tax rates partially offset by increased taxes on higher service operating income before amortization, increased service operating income before amortization of \$95.9 million and decreased amortization of \$42.9 million.

Net income in the current quarter increased \$84.0 million over the third quarter of fiscal 2006. The improvement was due to lower income taxes of \$138.2 million related to a larger tax recovery recorded in the current quarter. This improvement was partially offset by a pre-tax gain in the comparable quarter of \$45.3 million on the sale of a portfolio investment reflected in net other costs and revenues.

Funds flow from operations was \$220.6 million in the fourth quarter compared to \$191.5 million in the comparable quarter, and on an annual basis was \$847.2 million compared to \$728.5 million in 2005. The growth over the quarterly and annual comparative periods was principally due to increased service operating income before amortization of \$24.4 million and \$95.9 million, respectively, and reduced interest expense of \$0.2 million and \$8.6 million, respectively.

Shaw Communications Inc.

Consolidated free cash flow for the quarter of \$54.9 million decreased \$26.9 million over the comparable quarter. The decrease in the quarter was due to increased capital expenditures partially offset by improved service operating income before amortization. On an annual basis consolidated free cash flow of \$265.4 million was marginally lower than the \$277.3 million in 2005. The Cable division generated \$34.7 million and \$193.4 million of free cash flow for the quarter and year, respectively, compared to \$66.0 million and \$228.6 million in the comparable periods. The Satellite division achieved free cash flow of \$20.2 million and \$72.0 million for the quarter and year compared to free cash flow of \$15.7 million and \$48.7 million in the same periods last year.

The Company's preliminary guidance for fiscal 2007 is based on expected growth. The preliminary view is for service operating income before amortization to range from \$1.17 to \$1.20 billion. As previously announced, the preliminary view calls for fiscal 2007 capital investment to range from \$600 - \$630 million and, accordingly, the Company expects free cash flow to range from \$300 - \$320 million. Capital will be used to continue the roll-out of Digital Phone and the delivery of new services to customers. In addition, investments are also planned for continuing projects related to facilities expansion and the new customer management and billing system.

With the Company's strong performance over the last year and prospects for continued growth in fiscal 2007, the Board has approved a 67% increase in the annual equivalent dividend rate from \$0.60 per Class B Non-Voting Share to \$1.00 per Class B Non-Voting Share. At the current share price of approximately \$33.00, this represents a yield of approximately 3.0% which makes Shaw a leader among North American cable companies. Shaw shareholders now benefit from both a higher monthly return of capital in addition to the potential for further share price appreciation as the Company continues to grow. The Company plans to use the balance of free cash flow on an annual basis in fiscal 2007 to repurchase shares or to reduce debt. Shaw previously indicated that at least 25.0% of free cash flow would be used for debt reduction, but in light of the growth in service operating income before amortization, the Company expects, even in the absence of debt reduction, that its credit metrics will continue to improve.

During the quarter the Company increased the equivalent annual dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares by \$0.06 per share. The equivalent annual dividend rate was \$0.595 per Class A Participating Share and \$0.60 per Class B Non-Voting Participating Share, payable in monthly installments. Considering the most recent increase announced the equivalent annual dividend rate is now \$0.995 per Class A Participating Share and \$1.00 per Class B Non-Voting Participating Share, payable in monthly installments commencing December 29, 2006.

In early June the Company amended its existing credit facility to extend the maturity date from April, 2009 to May, 2011 and to implement new pricing terms effective May, 2007. Covenants and other material terms remain largely unchanged. On July 17, 2006 the Company redeemed all of its outstanding Cdn. \$150.0 million 8.875% COPrS. During the quarter, Shaw repurchased 2,759,900 of its Class B Non-Voting Shares for cancellation for \$88.7 million (\$32.13 per share). During the year ended August 31, 2006 the Company repurchased 5,119,900 of its Class B Non-Voting Shares for cancellation for \$146.6 million (\$28.64 per share). Repurchases, on an annual basis, of 5,119,900 Class B Non-Voting

Shaw Communications Inc.

shares represent approximately 2.5% of the Class B Non-Voting Shares outstanding at August 31, 2005.

Key Performance Drivers

The Company's continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by Canadian GAAP or US GAAP and therefore may not be comparable to similar measures disclosed by other companies. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others, utilize these measures in assessing the Company's financial performance and as an indicator of its ability to service debt. These non-GAAP financial measures have not been presented as an alternative to net income or any other measure of performance required by Canadian or US GAAP.

The following contains a listing of the Company's use of non-GAAP financial measures and provides a reconciliation to the nearest GAAP measurement or provides a reference to such reconciliation.

Service operating income before amortization and operating margin

The Company utilizes these measurements as they are accepted financial indicators of a company's ability to service and/or incur debt. In respect of the calculation of consolidated service operating income before amortization, it is presented as a sub-total line item in the Company's unaudited interim Consolidated Statements of Income and Deficit. It is calculated as service revenue less operating, general and administrative expenses. Operating margin is calculated by dividing service operating income before amortization by service revenue.

Free cash flow

The Company utilizes this measurement as it measures the Company's ability to repay debt and return cash to shareholders. Consolidated free cash flow is calculated as follows:

	Three months ended August		Year ended August	
	2006	2005	2006	2005
<i>(\$000 s Cdn)</i>				
Cable free cash flow ⁽¹⁾	34,694	66,011	193,398	228,617
Combined satellite free cash flow ⁽¹⁾	20,158	15,731	72,047	48,702
Consolidated	54,852	81,742	265,445	277,319

(1) The reconciliation of free flow for both cable and satellite is provided in the following segmented analysis.

Shaw Communications Inc.

**CABLE
FINANCIAL HIGHLIGHTS**

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
<i>(\$000 s Cdn)</i>						
Service revenue (third party)	467,252	409,145	14.2	1,808,583	1,598,369	13.2
Service operating income before amortization ⁽¹⁾	216,802	200,710	8.0	857,466	797,583	7.5
Less:						
Interest	51,955	52,531	(1.1)	210,758	220,388	(4.4)
Cash taxes on net income	(1,357)	369	(467.8)	1,761	5,410	(67.4)
Cash flow before the following:	166,204	147,810	12.4	644,947	571,785	12.8
Capital expenditures and equipment costs (net):						
New housing development	18,199	18,571	(2.0)	79,230	79,656	(0.5)
Success based	18,830	15,259	23.4	87,365	60,320	44.8
Upgrades and enhancement	59,740	31,597	89.1	192,875	140,776	37.0
Replacement	8,702	8,000	8.8	38,807	30,181	28.6
Buildings/other	26,039	8,372	211.0	53,272	32,235	65.3
Total as per Note 2 to the unaudited interim Consolidated Financial Statements	131,510	81,799	60.8	451,549	343,168	31.6
Free cash flow ⁽¹⁾	34,694	66,011	(47.4)	193,398	228,617	(15.4)
Operating margin	46.4%	49.1%	(2.7)	47.4%	49.9%	(2.5)

⁽¹⁾ See definitions under Key Performance Drivers in Management's Discussion and

Analysis.

OPERATING HIGHLIGHTS

During the quarter the Company added 43,744 Digital Phone lines and at August 31, 2006, the number of Digital Phone lines, including pending installations, was 212,707. The expansion of Shaw's Digital Phone footprint continued with the service now available to almost 60% of homes passed and included roll-outs during the quarter in Strathmore, Alberta as well as Saanich Peninsula and Burnaby, both in British Columbia. Most recently, the service was launched in New Westminster, British Columbia as well as Lethbridge and Medicine Hat in Alberta. Internet penetration of basic is now at almost 60%, up from 54.5% at August 31, 2005. Shaw has in excess of 1.3 million Internet customers having added almost 26,000 in the quarter. Digital subscribers were up almost 10,000 in the quarter and Basic cable posted a modest increase.

Shaw announced the acquisition of several cable systems that complement existing operations including Pemberton Cable, Saltspring Cablevision, Whistler Cable Television Ltd and Grand Forks, all in British Columbia, as well as Norcom Telecommunications Limited operating in Kenora, Ontario.

Cable service revenue improved 14.2% and 13.2% over the comparable quarter and annual periods last year to \$467.3 million and \$1.8 billion, respectively. The increases were primarily driven by customer growth and rate increases. Service operating income before amortization increased 8.0% and 7.5% for the comparable three and twelve month periods, respectively, to \$216.8 million and \$857.5 million. The investment in people and services to support ongoing

Shaw Communications Inc.

service and product enhancements, as well as increased marketing and maintenance related service costs for software and equipment contributed to this reduced pace of growth.

Service revenue improved \$6.2 million or 1.3% over the third quarter of fiscal 2006 as a result of customer growth. Service operating income before amortization decreased \$3.0 million over this same period mainly due to increased costs related to employee growth and maintenance.

The Shaw Digital Phone service is now available to approximately 2,000,000 homes, which represents 60% of homes passed. During the quarter, Shaw expanded its Digital Phone footprint to Strathmore, Alberta as well as Saanich Peninsula on Vancouver Island and Burnaby, British Columbia. Most recently, the service was launched in New Westminister, British Columbia and Lethbridge and Medicine Hat, both in Alberta. Shaw Digital Phone is a primary line telephone service that uses Shaw's private managed broadband network (not the public internet), allowing Shaw to ensure a superior level of quality and reliability to its phone customers.

Capital spending for the quarter and year of \$131.5 million and \$451.5 million, respectively, increased \$49.7 million and \$108.4 million over the comparable three and twelve month periods. Shaw invested \$20.6 million in the fourth quarter of 2006 on Digital Phone compared to \$14.7 million in the same quarter last year. Total spending to date on Digital Phone is now \$148.7 million.

Spending in the upgrade and enhancement, and replacement categories was up a combined \$28.8 million and \$60.7 million, respectively, over the comparable three and twelve months periods primarily due to spending to maintain a leading network on fibre, node and channel expansion projects to support digital phone and internet growth as well as headend expenditures to support Video-On-Demand (VOD) and digital cable improvements and purchases related to new vehicles. The annual period also included spending on office equipment to support call centre expansions. Spending in Buildings and Other was up \$17.7 million and \$21.0 million, respectively, over the comparable three and twelve month periods primarily due to spending on the new customer management and billing system and increased facilities projects.

Success based capital was up over the comparable three and twelve month periods \$3.6 million and \$27.0 million, respectively. These increases were due to Digital Phone customer growth.

The Company continued to enhance its various service offerings throughout the quarter, many at no additional charge to customers. With the Internet product, Shaw increased the speed of its premier Internet service by over 40%. The High-Speed Xtreme-I service now allows customers to download Internet files at an enhanced speed of 10Mb per second. Shaw Xtreme-I is the fastest Internet service available in Western Canada and provides customers with superior speed and performance. Xtreme-I customers received the upgraded service at no additional cost. The Company introduced a new television network as part of its traditional analog cable service, American Movie Classics (AMC), a 24 hour movie-based network that offers a comprehensive library of popular movies. Shaw is the first Canadian communications company to distribute AMC outside of the United States. Earlier this quarter, Shaw also added Encore Avenue to its traditional analog cable line-up to meet the needs of customers wanting a richer and more diverse selection of feature films. Both of these networks have been added at no additional cost to customers. This is part of the Company's strategy to bring popular programming services to analog cable customers who represent almost 70% of total basic subscribers. Shaw has also

Shaw Communications Inc.

added value for hockey fans with the announcement that 2006/2007 regular season games for the Calgary Flames, Vancouver Canucks and Edmonton Oilers will be available on Shaw Pay Per View (PPV) in Western Canada. Shaw has partnered with western Canada's NHL teams to offer a package of PPV games in digital quality, with no commercial breaks. Each PPV broadcast will feature pre-game and post-game shows, giving fans a unique behind the scenes look at their favorite team.

Shaw recently expanded its High Definition (HD) offering adding Discovery HD, A&E HD and CTV HD. Over 90,000 cable customers are now HD capable, having purchased a HD receiver from Shaw.

In September the company announced further enhancements at no additional cost to the customer to the High-Speed Lite Internet service, doubling the download speed from 128 Kbps to 256 Kbps, which is 10 times faster than any traditional dial-up Internet connection. The Company also added VOD content with the agreement with CBS Paramount to provide Survivor: Cook Islands on Shaw's VOD service.

SUBSCRIBER STATISTICS

			August 31, 2006			
	August 31, 2006	August 31, 2005 ⁽¹⁾	Three months ended Change	Year ended Change		
			Growth	%	Growth	%
CABLE:						
Basic service:						
Actual	2,186,091	2,144,810	2,766	0.1	41,281	1.9
Penetration as % of homes passed	65.6%	66.1%				
Digital terminals	853,160	739,783	17,966	2.2	113,377	15.3
Digital customers	669,787	598,534	9,630	1.5	71,253	11.9
INTERNET:						
Connected and scheduled	1,306,991	1,168,410	25,907	2.0	138,581	11.9
Penetration as % of basic	59.8%	54.5%				
Standalone Internet not included in basic cable	156,018	135,697	1,292	0.8	20,321	15.0
DIGITAL PHONE:						
Number of lines ⁽²⁾	212,707	56,563	43,744	25.9	156,144	276.1

(1) August 31, 2005 statistics are restated for comparative purposes to adjust subscribers as if the acquisition

of the Salt Spring and Pemberton cable systems in British Columbia had occurred on that date.

- (2) Represents primary and secondary lines on billing plus pending installs.

Churn ⁽³⁾	Three months ended August 31,		Year ended August 31,	
	2006	2005	2006	2005
Digital customers	4.2%	4.2%	14.7%	15.1%
Internet customers	4.5%	4.3%	14.9%	15.1%

- (3) Calculated as the number of new customer activations less the net gain of customers during the period divided by the average of the opening and closing customers for the applicable period.

The cable division gained customers across all product lines in the quarter. Basic cable increased 2,766 in the quarter compared to 3,733 in the same quarter last year. On an annual basis, basic cable subscribers increased 41,281 compared to 20,473 last year. Digital customer growth for the quarter and year was 9,630 and 71,253, respectively, compared to 11,167 and 57,949 for the same periods last year. Internet customers increased by 25,907 during the fourth quarter

Shaw Communications Inc.

compared to 39,804 in the same quarter last year. On an annual basis the growth in internet customers of 138,581 compares to the gain of 147,125 last year. Shaw continues to increase its penetration of Internet to 59.8% of basic, up from 54.5% at August 31, 2005. Digital Phone lines increased 43,744 during the quarter and as at August 31, 2006 Shaw had 212,707 Digital Phone lines.

Shaw announced the acquisition of several cable systems that complement existing systems including Pemberton Cable, Saltspring Cablevision, Whistler Cable Television Ltd and Grand Forks, all in British Columbia, as well as Norcom Telecommunications Limited operating in Kenora, Ontario. These acquisitions provide synergies with existing operations and represent growing markets. It is anticipated that all acquisitions will be completed by the end of the first quarter of fiscal 2007. When all acquisitions are completed the basic subscriber increase will be approximately 16,000 for the total purchase price of approximately \$64.0 million.

**SATELLITE (DTH and Satellite Services)
FINANCIAL HIGHLIGHTS**

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
<i>(\$000 s Cdn)</i>						
Service revenue (third party)						
DTH (Star Choice)	143,652	132,968	8.0	567,807	530,729	7.0
Satellite Services	20,984	20,845	0.7	82,894	80,712	2.7
	164,636	153,813	7.0	650,701	611,441	6.4
Service operating income before amortization⁽¹⁾						
DTH (Star Choice)	46,338	38,458	20.5	175,401	141,687	23.8
Satellite Services	11,987	11,591	3.4	45,050	42,723	5.4
	58,325	50,049	16.5	220,451	184,410	19.5
Less:						
Interest ⁽²⁾	10,408	10,048	3.6	42,100	41,384	1.7
Cash taxes on net income	(68)	86	(179.1)	98	334	(70.7)
Cash flow before the following:	47,985	39,915	20.2	178,253	142,692	24.9
Capital expenditures and equipment costs (net):						
Success based ⁽³⁾	19,833	23,368	(15.1)	85,341	82,780	3.1
Transponders and other	7,994	816	879.7	20,865	11,210	86.1
Total as per Note 2 to the unaudited interim Consolidated Financial	27,827	24,184	15.1	106,206	93,990	13.0

Statements

Free cash flow ⁽¹⁾	20,158	15,731	28.1	72,047	48,702	47.9
Operating Margin	35.4%	32.5%	2.9	33.9%	30.2%	3.7

(1) See definitions under Key Performance Drivers in Management's Discussion and Analysis.

(2) Interest is allocated to the Satellite division based on the actual cost of debt incurred by the Company to repay prior outstanding Satellite debt and to fund accumulated cash deficits of Cancom and Star Choice.

(3) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

Shaw Communications Inc.

OPERATING HIGHLIGHTS

Free cash flow for the quarter and annual period was \$20.2 million and \$72.0 million, respectively, representing an improvement of \$4.4 million and \$23.3 million over the comparable periods last year.

Star Choice added 25,546 customers on an annual basis compared to an increase of 16,759 in the comparative period. Subscriber growth for the year was 2.9%.

Service revenue improved 7.0% over the same quarter last year and 6.4% for the year primarily as a result of rate increases and customer growth. Service operating income before amortization increased 16.5% and 19.5% for the comparable three and twelve month periods, respectively, to \$58.3 million and \$220.5 million. The improvement in both periods was primarily due to the growth in service revenue, lower bad debt, and the recovery of provisions related to certain contractual matters while the annual period also benefited from reduced marketing and distribution related expenses.

Service revenue decreased 0.6% over the third quarter of this year due to increased promotional programming credits offered in the fourth quarter. Service operating income before amortization decreased 2.4% over this same quarter primarily due to decreased revenues and increased costs for marketing activities.

Capital spending for the quarter and year of \$27.8 million and \$106.2 million, respectively, increased \$3.6 million and \$12.2 million over the comparable three and twelve month periods. Spending in Transponders and Other was up \$7.2 million and \$9.7 million, respectively, over the comparable three and twelve month periods. The increase was primarily due to spending in the current quarter on facilities projects and uplink equipment to add additional transponder capacity, while the annual amount also included the cost of a license for the Satellite Services business. Quarterly success based capital expenditures of \$19.8 million decreased \$3.5 million over the comparable period last year. The decrease was mainly due to reduced activations of new customers in the quarter. The current annual amount of \$85.3 million increased \$2.6 million over the comparable period primarily due to increased shipment volumes to retailers and dealers.

On September 1, 2006, Star Choice continued with its strategy of enhancing the customer offering and focusing on great customer service by announcing the addition of AMC to its growing channel line up. Star Choice has launched more than 25 channels in the past 24 months.

Similar to the Cable division, Star Choice also recently expanded its HD offerings adding Discovery HD, A&E HD and SRC HD. SRC HD is the first French HD channel to join the lineup.

Shaw Communications Inc.
CUSTOMER STATISTICS

	August 31, 2006	August 31, 2005	August 31, 2006			
			Three months ended		Year ended	
			Growth	%	Growth	%
Star Choice customers ⁽¹⁾	869,208	844,662	3,221	0.4	25,546	2.9

(1) Including seasonal customers who temporarily suspend their service.

	Three months ended August 31,		Year ended August 31,	
	2006	2005	2006	2005
Churn ⁽²⁾				
Star Choice customers	3.0%	3.6%	11.5%	14.6%

(2) Calculated as the number of new customer activations less the net gain of customers during the period divided by the average of the opening and closing customers for the applicable period.

OTHER INCOME AND EXPENSE ITEMS:

Amortization

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
<i>(\$000 s Cdn)</i>						
Amortization revenue (expense) -						
Deferred IRU revenue	3,137	3,134	0.1	12,546	12,999	(3.5)
Deferred equipment revenue	21,714	18,308	18.6	80,256	71,677	12.0

Deferred equipment cost	(49,609)	(49,870)	(0.1)	(200,218)	(210,477)	(4.9)
Deferred charges	(1,242)	(1,558)	(20.3)	(5,328)	(6,595)	(19.2)
Property, plant and equipment	(96,759)	(101,649)	(4.8)	(385,607)	(408,866)	(5.7)

The increase in amortization of deferred equipment revenue over the comparative periods is primarily due to growth in sales of higher priced HD digital equipment commencing in fiscal 2005. Amortization of deferred equipment costs decreased over the annual period last year mainly due to decreases in the cost of modems and DTH equipment and continued strengthening of the Canadian dollar relative to the US dollar. Amortization of property, plant and equipment decreased over the comparative periods as the impact of assets becoming fully depreciated exceeded amortization on new capital purchases.

Interest

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
(\$000 s Cdn)						
Interest	62,721	62,962	(0.4)	254,303	262,949	(3.3)

Interest expense decreased over the comparative year mainly as a result of lower average costs of borrowing.

Shaw Communications Inc.**Investment activity**

In the fourth quarter of 2006, the Company disposed of its investment in two specialty channels and realized a gain of \$3.2 million. In previous quarters, the Company realized gains of \$45.3 million on the sale of its investment in Canadian Hydro Developers, Inc. and \$1.8 million on the disposal of certain investments.

In the fourth quarter of 2005, Shaw realized a \$31.0 million gain on settlement of the forward sale contract in respect of its investment in Motorola and, in previous quarters, realized a gain of \$1.1 million on the sale of certain investments.

Foreign exchange gain on unhedged and hedged long-term debt

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
(\$000 s Cdn)						
Foreign exchange gain on unhedged long-term debt	9	15,445	(99.9)	5,369	40,518	(86.7)

In June 2006, the Company amended its existing credit facility and repaid US dollar denominated bank loans. Until that time Shaw recorded foreign exchange gains on the translation of foreign denominated unhedged bank debt. In addition, the Company recorded a foreign exchange gain on the US \$172.5 million COPrS prior to entering into a US dollar forward purchase contract in the first quarter of 2006 to hedge the redemption of the issue. The comparative periods also include gains on the previously outstanding US \$142.5 million COPrS and Zero Coupon Loan. Currently the Company does not have any foreign denominated unhedged long-term debt and therefore, does not anticipate recording any further foreign exchange gains and losses.

Under Canadian generally accepted accounting principles (GAAP), the Company translates long-term debt at period-end foreign exchange rates. Because the Company follows hedge accounting, the resulting foreign exchange gains or losses on translating hedged long-term debt are included in deferred credits or deferred charges. As a result, the amount of hedged long-term debt that is reported under GAAP is often different than the amount at which the hedged debt would be settled under existing cross-currency interest rate agreements. As outlined in Note 3 to the unaudited interim Consolidated Financial Statements, if the rate of translation was adjusted to reflect the hedged rates of the Company's cross-currency agreements (which fix the liability for interest and principal), long-term debt would increase by \$408.7 million (August 31, 2005 \$329.8 million) which represents the corresponding hedged amounts included in deferred credits.

Fair value adjustments on a foreign currency forward contracts

The Company had a forward purchase contract which provided US funds required for the quarterly interest payments on the US dollar denominated COPrS. This forward purchase contract was not designated as a hedge. Accordingly, the carrying value of this financial instrument was adjusted to reflect the current market value, which resulted in a pre-tax loss of \$0.4 million (2005 \$23.6 million). In the second quarter of 2006, in line with the redemption of the US \$172.5 million COPrS, the Company paid \$15.8 million to unwind and cancel the contract. The comparative year also includes a gain of \$4.3 million in respect of a US forward

Shaw Communications Inc.

contract entered into to fund the principal repayment of the US \$142.5 million COPrS in February 2005. The forward contract was not treated as a hedge for accounting purposes and as a result was required to be fair valued.

Debt retirement costs

The debt retirement costs arise on the write-off of the remaining deferred financing charges associated with the redemption of the US \$172.5 million COPrS and \$150.0 million COPrS in the second and fourth quarters of 2006, respectively and the US \$142.5 million COPrS in the prior year.

Other gains

This category consists mainly of realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. Due to fluctuations of the Canadian dollar relative to the US dollar, the Company recorded a foreign exchange gain of \$0.1 million (2005 \$1.5 million) for the quarter and \$1.5 million (2005 \$2.5 million) for the year.

Burrard Landing Lot 2 Holdings Partnership (the Partnership)

The Partnership was formed to build Shaw Tower (a mixed-use structure, with office/retail space and living/working space) in Vancouver. The Company records revenue and expenses in respect of the commercial activities of the building which have a nominal impact on net income. Residential construction of Shaw Tower was completed in the second quarter of fiscal 2006 and the Company has recorded annual gains on the sale of residential units of \$1.7 million (2005 \$6.2 million). These amounts are included in Other Gains on the Consolidated Statements of Income and Deficit.

Income Taxes

Income taxes decreased over the comparative periods primarily due to the impact of future income tax recoveries related to reductions in corporate income tax rates partially offset by increased taxes on higher pre-tax income. In the first, third and fourth quarters, the Company recorded \$31.4 million, \$23.4 million and \$150.0 million, respectively, of future tax recoveries primarily related to reductions in corporate income tax rates.

RISKS AND UNCERTAINTIES

There have been no material changes in any risks or uncertainties facing the Company since August 31, 2005. A discussion of risks affecting the Company and its business is set forth in the Company's August 31, 2005 Annual Report under the Introduction to the Business Known Events, Trends, Risks and Uncertainties in Management's Discussion and Analysis.

Shaw Communications Inc.

FINANCIAL POSITION

Total assets at August 31, 2006 were \$7.5 billion compared to \$7.4 billion at August 31, 2005. Following is a discussion of significant changes in the consolidated balance sheet since August 31, 2005.

Current assets increased by \$32.3 million due to increases in accounts receivable of \$23.5 million and inventories of \$8.8 million. Accounts receivable increased primarily due to customer growth, rate increases and higher equipment shipments while inventories were up mainly due to timing of purchases in order to ensure sufficient supply for increased activity.

Investments and other assets decreased by \$18.3 million primarily due to the sale of the shares of Canadian Hydro Developers, Inc.

Property, plant and equipment increased by \$60.8 million as current year capital expenditures exceeded amortization for the year.

Deferred charges increased by \$10.7 million mainly due to an increase in financing costs of \$10.9 million, deferred discounts totaling \$8.5 million (incurred on the issuance of the \$450 million and \$300 million senior unsecured notes in the first quarter and third quarters respectively), partially offset by the write-off of \$12.2 million of deferred financing costs upon redemption of the US \$172.5 million 8.5% COPrS and \$150 million 8.875% COPrS in the current year.

Broadcast licenses increased by \$6.8 million due to the acquisition of Pemberton Cable and Saltspring Cablevision in British Columbia.

Current liabilities (excluding current portion of long-term debt) increased by \$80.2 million due to increases in bank indebtedness of \$20.4 million, accounts payable of \$53.1 million and unearned revenue of \$8.1 million. Accounts payable increased primarily due to higher capital expenditure accruals and increased network fees associated with subscriber growth, new services and network rate increases. Unearned revenue increased due to customer growth and rate increases.

Total long-term debt decreased by \$203.2 million as a result of a net decrease in bank line borrowings and Partnership debt of \$517.0 million, repayment of the US \$172.5 million 8.5% COPrS for \$201.9 million and the \$150 million 8.875% COPrS, a decrease of \$84.3 million relating to the translation of US denominated debt, partially offset by the issuance of \$450 million and \$300 million senior unsecured notes.

Other long-term liabilities decreased by \$3.1 million due to payment of \$15.8 million to unwind and cancel the foreign currency forward contract in respect of the entitlement payments on the US \$172.5 million COPrS. This was partially offset by an increase in the pension liability.

Deferred credits increased by \$90.2 million principally due to the increase in deferred foreign exchange gains on the translation of hedged US dollar denominated debt of \$78.9 million and an increase of \$22.5 million in deferred equipment revenue, both of which were partially offset by amortization of prepaid IRU rental of \$12.5 million. Future income taxes decreased by \$83.9

Shaw Communications Inc.

million primarily due to income tax recoveries related to reductions in corporate income tax rates partially offset by the future income tax expense recorded in the current year.

Share capital decreased by \$47.2 million, of which \$49.6 million was due to the repurchase of 5,119,900 Class B Non-Voting Shares for cancellation for \$146.6 million in the year. The balance of the cost of the shares repurchased of \$97.0 million was charged to the deficit. During the year, 53,000 Class A Shares were converted into 53,000 Class B Non-Voting Shares and 82,799 Class B Non-Voting Shares were issued for \$2.2 million under the Company's option and warrant plans. As of October 23, 2006, share capital is as reported at August 31, 2006 with the exception of the issuance of 23,250 Class B Non-Voting Shares upon exercise of options subsequent to year end.

LIQUIDITY AND CAPITAL RESOURCES

In the current year, Shaw generated \$265.4 million of consolidated free cash flow. Shaw used its free cash flow along with the increase in bank indebtedness of \$22.1 million, proceeds on the sale of various assets of \$77.5 million, cash distributions from the Partnership of \$8.5 million, and net change in working capital requirements of \$32.3 million to repay \$118.6 million in debt, purchase \$146.6 million of Class B Non-Voting Shares for cancellation, pay common share dividends of \$103.3 million, pay \$21.5 million in financing costs (including debt discounts) and pay \$15.8 million to terminate a foreign currency forward contract.

On May 9, 2006, Shaw issued \$300 million of senior unsecured notes at a rate of 6.15% due May 9, 2016. Net proceeds (after issue and underwriting expenses) of \$289.1 million were used for repayment of unsecured bank loans. The notes were issued at a discount of \$5.8 million. In conjunction with the issuance of the notes, the \$100 million revolving credit facility established by the Company on February 1, 2006, which had not been drawn upon, was terminated.

On November 16, 2005, Shaw issued \$450 million of senior unsecured notes at a rate of 6.10% due November 16, 2012. Net proceeds (after issue and underwriting expenses) of \$441.5 million were used for debt repayment, including the redemption of the Series B COPrS on December 16, 2005, the repayment of unsecured bank loans, and for working capital purposes. The notes were issued at a discount of \$2.7 million.

Pursuant to an amended normal course issuer bid expiring November 7, 2005 and a renewed normal course issuer bid expiring November 16, 2006, Shaw repurchased 2,360,000 of its Class B Non-Voting Shares for cancellation in the first quarter for \$58.0 million. In the fourth quarter the Company repurchased an additional 2,759,900 Class B Non-Voting Shares for cancellation for \$88.6 million. Repurchases, on an annual basis, of 5,119,900 Class B Non-Voting Shares represent approximately 2.5% of the Class B Non-Voting Shares outstanding at August 31, 2005. During the current quarter, the Company amended its existing credit facility to extend the maturity date from April 2009 to May 2011 and implement new pricing terms effective May 2007. In conjunction with the amendment, the remainder of the non-revolving term facilities, due in fiscal 2007, were repaid early.

At August 31, 2006, Shaw had access to \$759.3 million of available credit facilities. Based on available credit facilities and forecasted free cash flow, the Company expects to have sufficient

Shaw Communications Inc.

liquidity to fund operations and obligations during the current fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and to refinance maturing debt.

CASH FLOW**Operating Activities**

	Three months ended August 31			Year ended August 31,		
	2006	2005	Change %	2006	2005	Change %
<i>(\$000 s Cdn)</i>						
Funds flow from operations	220,617	191,507	15.2	847,197	728,524	16.3
Net decrease (increase) in non-cash working capital balances related to operations	33,414	25,595	30.5	(324)	(86)	276.7
	254,031	217,102	17.0	846,873	728,438	16.3

Funds flow from operations increased over comparative periods as a result of growth in service operating income before amortization and lower interest expense. The net change in non-cash working capital balances over the comparative periods is mainly due to timing of interest payments and increases in accounts receivable resulting from subscriber growth and rate increases.

Investing Activities

	Three months ended August 31,			Year ended August 31,		
	2006	2005	Decrease	2006	2005	Decrease
<i>(\$000 s Cdn)</i>						
Cash flow used in investing activities	(148,171)	(26,892)	(121,279)	(489,096)	(380,032)	(109,064)

The cash used in investing activities increased \$121.3 million over the comparative quarter due to higher proceeds on sale of investments in the prior quarter and increased capital expenditures in the current quarter. On an annual basis, the cash outlay for investing activities was \$109.1 million higher than the prior year due to increased expenditures on capital and deferred financing costs.

Shaw Communications Inc.**Financing Activities**

The changes in financing activities during the comparative periods were as follows:

	Three months ended August		Year ended August 31,	
	2006	31, 2005	2006	2005
<i>(In \$millions Cdn)</i>				
Bank loans and bank indebtedness net borrowings (repayments)	150.7	1.2	(496.3)	505.6
Proceeds on \$300 million senior unsecured notes			300.0	
Proceeds on \$450 million senior unsecured notes			450.0	
Dividends	(29.2)	(22.2)	(103.3)	(70.5)
Purchase of Class B Non-Voting Shares for cancellation	(88.6)	(127.7)	(146.6)	(287.1)
Decrease in Partnership debt	(0.1)	(24.2)	(0.4)	(8.6)
Repayment of \$275 million Senior Notes				(275.0)
Settlement of Zero Coupon Loan		(27.9)		(27.9)
Proceeds on bond forward			2.5	
Issue of Class B Non-Voting Shares	1.9	0.2	2.3	0.2
Proceeds on prepayment of IRU		1.2	0.2	1.2
Cost to terminate foreign currency forward contract			(15.8)	(12.2)
Redemption of COPrS	(150.0)		(351.9)	(172.4)
Repayment of long-term debt acquired on business acquisition	(0.2)		(0.2)	
	(115.5)	(199.4)	(359.5)	(346.7)

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION

	Service revenue	Service operating income before amortization (1)	Net income	Basic earnings per share (2)	Funds flow from operations ⁽³⁾
<i>\$000 s Cdn except per share amounts)</i>					
2006					
Fourth	631,888	275,127	210,369	0.97	220,617
Third	626,654	279,544	126,410	0.58	221,099
Second	611,197	267,924	45,790	0.21	208,273
First	589,545	255,322	75,681	0.35	197,208
2005					
Fourth	562,958	250,759	69,959	0.31	191,507
Third	559,883	252,899	32,836	0.14	190,144
Second	549,919	244,311	5,721	0.02	176,557
First	537,050	234,024	44,705	0.19	170,316

- (1) See Key Performance Drivers in Management's Discussion and Analysis.
- (2) Diluted earnings per share equals basic earnings per share except in the fourth quarter of 2006 where diluted earnings per share is \$0.96.
- (3) Funds flow from operations is presented before changes in net non-cash working capital as presented in the unaudited interim Consolidated Statements of Cash Flows.

Generally, service revenue and service operating income before amortization have grown quarter-over-quarter mainly due to customer growth and rate increases. Net income has generally trended positively quarter-over-quarter as a result of the growth in service operating income before amortization described above, reductions of interest expense as a result of debt repayment and retirement, the impact of the net change in non-operating items such as gains on sale of investments, foreign currency fluctuations on unhedged US denominated debt, fair value adjustments on foreign currency forward contracts and the impact of corporate income tax rate reductions. The exceptions to the consecutive quarter-over-quarter increases in net income is in

Shaw Communications Inc.

the second quarters of both 2005 and 2006. Earnings declined by \$39.0 million in the second quarter of 2005. In the first quarter of 2005, the Company recorded a net gain of \$27.7 million in respect of the foreign exchange impact on unhedged long-term debt and fair value changes on a foreign currency forward contract while in the second quarter of 2005, the Company recorded a net loss of \$13.6 million in respect of those same items. Net income declined by \$29.9 million in the second quarter of 2006 due to the \$31.4 million income tax recovery recorded in the first quarter in respect of corporate rate reductions. As a result of the aforementioned changes in net income, basic and diluted earnings per share have trended accordingly.

ACCOUNTING STANDARDS

Update to critical accounting policies and estimates

The Management's Discussion and Analysis (MD&A) included in the Company's August 31, 2005 Annual Report outlined critical accounting policies including key estimates and assumptions that management has made under these policies and how they affect the amounts reported in the Consolidated Financial Statements. The MD&A also describes significant accounting policies where alternatives exist. Also described therein were a number of new accounting policies that the Company was required to adopt in 2006 as a result of recent changes in Canadian accounting pronouncements. The ensuing discussion provides additional information as to the date that the Company was required to adopt the new standards, the methods of adoption permitted by the standards and the method chosen by the Company and the effect on the financial statements as a result of adopting the new policy.

Adoption of recent Canadian accounting pronouncements

Equity Instruments

In the first quarter of 2006, the Company retroactively adopted the amended Canadian standard, Financial Instruments Disclosure and Presentation, which requires obligations that may be settled at the issuer's option by a variable number of the issuer's own shares to be presented as liabilities, which is consistent with US standards. As a result, the Company's COPrS and the Zero Coupon Loan have been classified as debt instead of equity and the entitlements thereon are treated as interest expense instead of dividends. In addition, such US denominated instruments are translated at period-end exchange rates and to the extent they are unhedged, the resulting gains and losses are included in the Consolidated Statements of Income. The impact on the Consolidated Balance Sheets at August 31, 2006 and August 31, 2005 and on the Consolidated Statements of Income and Cash Flows for the three and twelve months ended August 31, 2006 and 2005 is as follows:

Shaw Communications Inc.

	August 31, 2006	August 31, 2005
Increase (decrease)		
<i>(\$000 s Cdn)</i>		
Consolidated balance sheets:		
Deferred charges	793	13,247
Long-term debt	100,000	454,775
Future income taxes	267	14,033
Equity instruments	(98,467)	(498,194)
Deficit	1,007	(42,633)
Increase (decrease) in deficit:		
Adjusted for change in accounting policy	(42,633)	(36,403)
Decrease in equity entitlements (net of income taxes)	(16,788)	(31,318)
Decrease in gain on redemption of COPrS	40,484	12,803
Decrease in gain on settlement of Zero Coupon Loan		4,921
Decrease in net income	19,944	7,364
	1,007	(42,633)

	Three months ended August		Year ended August 31,	
	31, 2006	2005	2006	2005
<i>(\$000 s Cdn except per share amounts)</i>				
Consolidated statements of income:				
Increase in amortization of deferred charges	(17)	(51)	(206)	(258)
Increase in interest on long-term debt	(3,828)	(10,392)	(25,341)	(48,541)
Increase in debt retirement costs	(4,125)		(12,248)	(6,311)
Increase in foreign exchange gain on unhedged long-term debt		12,522	2,881	34,258