

SHAW COMMUNICATIONS INC

Form 6-K

April 13, 2007

**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 April 2007  
**Shaw Communications Inc.**

(Translation of registrant's name into English)  
Suite 900, 630 4 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: April 13, 2007

Shaw Communications Inc.

By: /s/ Steve Wilson

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

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**NEWS RELEASE**

**Strong continued quarterly growth and dividend increase**

**Calgary, Alberta (April 13, 2007)** Shaw Communications Inc. announced results for the second quarter ended February 28, 2007. Consolidated service revenue of \$685.7 million and \$1.36 billion for the three and six month periods improved 12.2% and 13.0%, respectively, over the comparable periods last year. Total service operating income before amortization<sup>1</sup> of \$303.0 million and \$602.8 million increased by 13.1% and 15.2% respectively, over the same periods. Funds flow from operations<sup>2</sup> increased to \$252.4 million for the quarter and \$496.3 million for the year-to-date compared to \$208.3 million and \$405.5 million in the same periods last year.

During the quarter customer growth continued across all products. Internet and Digital subscribers increased by 40,694 to 1,389,333 and 28,641 to 725,528, respectively. Digital Phone lines increased 41,721 to 292,625. Basic subscribers were up 6,625 to 2,220,082 and DTH customers increased 928 to 872,562.

Jim Shaw, Chief Executive Officer, remarked: We are pleased with the performance across our divisions and saw strong growth in revenue and service operating income before amortization. This quarter we continued to drive performance through customer growth and as a result delivered solid business metrics to our shareholders.

Free cash flow<sup>1</sup> for the quarter was \$100.4 million bringing the year to date amount to \$176.5 million. This compares to \$82.0 million and \$114.1 million for the same periods last year, an improvement of \$18.4 million and \$62.4 million, respectively, despite an increase in capital spending of over \$20.0 million in each of the current three and six month periods. The growth in free cash flow was primarily related to the increase in service operating income before amortization.

Net income of \$79.8 million or \$0.37 per share for the second quarter ended February 28, 2007 compared to \$45.8 million or \$0.21 per share for the same quarter last year. Net income for the first six months of the year was \$160.9 million or \$0.75 per share compared to \$121.5 million and \$0.56 per share last year. The current and comparable three and six month periods included non-operating items which are more fully detailed in Management's Discussions and Analysis (MD&A). These included a tax recovery related to reductions in enacted income tax rates in the comparable six month period. Excluding the non-operating items, net income for the three and six month periods ended February 28, 2007 would have been \$78.9 million and \$159.9 million compared to net income of \$49.5 million and \$88.3 million in the comparable periods.<sup>3</sup>

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Shaw continued to roll-out Digital Phone during the quarter and the service is now available to approximately 2.6 million homes, representing over 75% of homes passed. During the quarter the Digital Phone footprint was expanded to include Kelowna, Kamloops and Penticton, all in British Columbia, as well as Fort Saskatchewan and Canmore, both in Alberta. Most recently, the service was rolled-out to Abbotsford and Chilliwack, British Columbia. During the quarter Shaw also introduced a new telephony product, Shaw Digital Phone Lite. This new service includes a local phone line, popular calling features, and long distance anytime calling at competitive per minute rates.

The success of Digital Phone has been achieved, until this quarter, with one offer in the market. With the introduction of Shaw Digital Phone Lite we now offer broader home phone services which appeal to a larger customer base. This new offering is tailored for light long distance users and gives our customers the opportunity to customize their home phone service to meet their needs. said Jim Shaw.

Cable service revenue increased 14.5% for the quarter to \$514.4 million and 15.1% on a year to date basis to \$1.01 billion. The improvement was driven by customer growth and rate increases. Service operating income before amortization increased 14.4% to \$244.2 million for the quarter and 14.5% to \$481.9 million for the six month period. Satellite division service revenue increased 5.7% and 7.1% to \$171.3 million and \$343.1 million, respectively, for the three and six month periods over the same periods last year primarily due to rate increases and customer growth. Service operating income before amortization for the three and six month periods increased 7.9% to \$58.9 million and 18.1% to \$120.9 million, respectively, largely due to growth in DTH revenues.

Mr. Shaw announced revisions to the guidance: As a result of our performance for the first half of the year and our outlook for the remaining two quarters, we anticipate service operating income before amortization will exceed \$1.2 billion. Consistent with previous guidance, fiscal 2007 free cash flow is expected to be in excess of \$310.0 million as we may accelerate certain capital spending in order to ensure that we continue to meet customer demand and maintain the high standards for delivery of services on our network.

Mr. Shaw continued, Our Board of Directors increased the equivalent annual dividend rate to \$1.12 on Shaw's Class B Non-Voting Participating shares and \$1.115 on Shaw's Class A Participating shares. This represents an increase of 12% or \$0.12 per share. Shaw's dividends are declared and paid on a monthly basis and this increase will commence June 30, 2007.

On March 2, 2007 the Company closed a \$400 million offering of 5.70% senior notes due March 2, 2017. The net proceeds were used for debt repayment, working capital and general corporate purposes.

In closing, Mr. Shaw summarized: We continue to see ongoing demand and prospects for growth across all our products. We believe we are well positioned to capture this growth by offering value to our customers across our triple play of entertainment and communications services. Our focus on strengthening and enhancing current products, developing innovative new

offerings and investing in our network to ensure it is fully capable of delivering these offerings is generating significant operating momentum and improved financial performance. We will continue with this focus through the remainder of the year.

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.

**For more information, please contact:**

Shaw Investor Relations Department  
Investor.relations@sjrb.ca

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

## Shaw Communications Inc.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FEBRUARY 28, 2007**

April 12, 2007

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, 2006 Annual Report and the Consolidated Financial Statements and the Notes thereto and the unaudited interim Consolidated Financial Statements of the current quarter.

**CONSOLIDATED RESULTS OF OPERATIONS**  
**SECOND QUARTER ENDING FEBRUARY 28, 2007**  
**SELECTED FINANCIAL HIGHLIGHTS**

	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change	2007	2006	Change
(\$000's Cdn except per share amounts)						
<b>Operations:</b>						
Service revenue	<b>685,730</b>	611,197	12.2	<b>1,356,736</b>	1,200,742	13.0
Service operating income before amortization <sup>(1)</sup>	<b>303,038</b>	267,924	13.1	<b>602,825</b>	523,246	15.2
Funds flow from operations <sup>(2)</sup>	<b>252,412</b>	208,273	21.2	<b>496,348</b>	405,481	22.4
Net income	<b>79,751</b>	45,790	74.2	<b>160,889</b>	121,471	32.5
<b>Per share data:</b>						
Earnings per share basic	<b>\$ 0.37</b>	\$ 0.21		<b>\$ 0.75</b>	\$ 0.56	
diluted	<b>\$ 0.37</b>	\$ 0.21		<b>\$ 0.74</b>	\$ 0.56	
Weighted average participating shares outstanding during period (000's)	<b>215,983</b>	217,620		<b>215,505</b>	218,331	

(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

	<b>Total February 28, 2007</b>	Growth		Six months ended February 28,	
		Three months ended February 28, 2007	2006	2007	2006
Subscriber statistics:					
Basic cable customers	<b>2,220,082</b>	<b>6,625</b>	6,838	<b>19,289</b>	36,267
Digital customers	<b>725,528</b>	<b>28,641</b>	18,594	<b>53,972</b>	46,890
Internet customers (including pending installs)	<b>1,389,333</b>	<b>40,694</b>	36,296	<b>76,571</b>	91,020
DTH customers	<b>872,562</b>	<b>928</b>	6,843	<b>3,354</b>	17,042
Digital phone lines (including pending installs)	<b>292,625</b>	<b>41,721</b>	28,018	<b>79,918</b>	62,106



**Shaw Communications Inc.**

**ADDITIONAL HIGHLIGHTS**

The expansion of Shaw's Digital Phone footprint continued with roll-outs during the quarter in Kelowna, Kamloops and Penticton, all in British Columbia, as well as Fort Saskatchewan and Canmore, both in Alberta. Most recently, the service was rolled-out to Abbotsford and Chilliwack, British Columbia. As at February 28, 2007 the number of Digital Phone lines, including pending installations, was 292,625.

Internet penetration of basic now stands at 62.6% up from 59.6% at August 31, 2006. Shaw added 40,694 Internet customers in the quarter and now has 1,389,333 customers. Customer growth continued across all other business lines with increases of 6,625 for Basic cable, 28,641 for Digital, 41,721 for Digital Phone and 928 for DTH in the second quarter.

Consolidated service revenue of \$685.7 million and \$1.36 billion for the three and six month periods, respectively, improved 12.2% and 13.0% over the comparable periods last year and total service operating income before amortization<sup>2</sup> of \$303.0 million and \$602.8 million increased by 13.1% and 15.2% respectively, over the same periods. Consolidated free cash flow of \$100.4 million and \$176.5 million year to date compares to \$82.0 million and \$114.1 million for the same periods last year.

Consolidated free cash flow<sup>1</sup> of \$100.4 million and \$176.5 million for the three and six month periods, respectively, improved \$18.4 million and \$62.4 million over the same periods last year. To date in fiscal 2007, free cash flow has been used to repay debt and pay dividends.

The Company increased the equivalent annual dividend rate to \$1.12 on Shaw's Class B Non-Voting Participating shares and \$1.115 on Shaw's Class A Participating shares. This represents an increase of 12% or \$0.12 per share and will be payable in monthly installments commencing June 30, 2007.

On March 2, 2007 the Company closed a \$400 million offering of 5.70% senior notes due March 2, 2017. The net proceeds were used for debt repayment, working capital and general corporate purposes.

The Company recently completed the acquisition of several small systems in British Columbia that complement existing cable systems. The acquisition provides synergies with existing operations and represents growing markets.

**Consolidated Overview**

Consolidated service revenue of \$685.7 million and \$1.36 billion for the three and six month periods, respectively, improved by 12.2% and 13.0% over the same periods last year. Increased service revenue primarily resulted from customer growth and rate increases. Consolidated service operating income before amortization for the three and six month periods increased by 13.1% and 15.2% over the comparable periods to \$303.0 million and \$602.8 million primarily due to overall revenue growth. Increased expenditures incurred to support continued growth, the delivery of quality customer service, enhancements to products, and the launch of Digital Phone in new markets in the cable division partially offset these improvements.

**Shaw Communications Inc.**

Net income was \$79.8 million and \$160.9 million for the three and six months ended February 28, 2007, compared to \$45.8 million and \$121.5 million for the same periods last year. A number of non-operating items affected net income in each of the quarters including a future tax recovery recorded during the first quarter of fiscal 2006 related to a reduction in corporate income tax rates which contributed \$31.4 million to net income. Outlined below are further details on this and other operating and non-operating components of net income for each quarter.

<i>(\$000 s Cdn)</i>	Six months ended <b>February 28, 2007</b>	<b>Operating net of interest</b>	<b>Non- operating</b>	Six months ended <b>February 28, 2006</b>	<b>Operating net of interest</b>	<b>Non- operating</b>
<b>Operating income</b>	367,505			267,051		
Interest on long-term debt	(123,438)			(127,826)		
<b>Operating income after interest</b>	244,067	244,067		139,225	139,225	
Gain on sale of investment	415		415	1,690		1,690
Write-down of investment				(374)		(374)
Debt retirement costs				(8,123)		(8,123)
Foreign exchange gain on unhedged long-term debt				4,352		4,352
Fair value loss on foreign currency forward contract				(360)		(360)
Other gains	562		562	4,322		4,322
<b>Income before income taxes</b>	245,044	244,067	977	140,732	139,225	1,507
Income tax expense (recovery)	84,356	84,119	237	19,113	50,971	(31,858)
<b>Income before following</b>	160,688	159,948	740	121,619	88,254	33,365
Equity income (loss) on investees	201		201	(148)		(148)
<b>Net income</b>	160,889	159,948	941	121,471	88,254	33,217
	Three months ended <b>February 28, 2007</b>	<b>Operating net of interest</b>	<b>Non- operating</b>	Three months ended <b>February 28, 2006</b>	<b>Operating net of interest</b>	<b>Non- operating</b>
<i>(\$000 s Cdn)</i>						
<b>Operating income</b>	183,735			141,898		
Interest on long-term debt	(61,597)			(64,384)		
<b>Operating income after interest</b>	122,138	122,138		77,514	77,514	
Write-down of investment				(374)		(374)
Debt retirement costs				(8,123)		(8,123)
Foreign exchange gain on unhedged long-term debt				871		871
Other gains	1,045		1,045	2,191		2,191

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<b>Income before income taxes</b>	123,183	122,138	1,045	72,079	77,514	(5,435)
Income tax expense (recovery)	43,530	43,209	321	26,073	28,034	(1,961)
<b>Income before following</b>	79,653	78,929	724	46,006	49,480	(3,474)
Equity income (loss) on investees	98		98	(216)		(216)
<b>Net income</b>	79,751	78,929	822	45,790	49,480	(3,690)

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**Shaw Communications Inc.**

The changes in net income are outlined in the table below.

<i>(\$millions Cdn)</i>	<b>Increase (decrease) of February 28, 2007 net income compared to:</b>		
	Three months ended		Six months ended
	November 30, 2006	February 28, 2006	February 28, 2006
Increased service operating income before amortization	3,251	35,114	79,579
Decreased (increased) amortization	(3,286)	6,723	20,875
Decreased interest expense	244	2,787	4,388
Change in net other costs and revenue <sup>(1)</sup>	1,108	6,794	(181)
Decreased (increased) income taxes	(2,704)	(17,457)	(65,243)
	(1,387)	33,961	39,418

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

Earnings per share were \$0.37 and \$0.75 for the quarter and six months respectively which represents a \$0.16 and \$0.19 improvement over the same periods last year. The improvement in the current quarter was due to higher net income of \$34.0 million and included increased service operating income before amortization of \$35.1 million and decreased amortization of \$6.7 million. The current quarter also benefited as debt retirement costs of \$8.1 million

were included in the comparable quarter. These improvements were partially offset by increased income taxes of \$17.5 million. The increased income taxes were due to higher service operating income before amortization in the current quarter. On a year-to-date basis, the improvement was due to increased net income of \$39.4 million resulting primarily from increased service operating income before amortization of \$79.6 million, decreased amortization of \$20.9 million and decreased interest expense of \$4.4 million. These improvements were partially offset by increased income taxes of \$65.2 million that resulted from higher service operating income before amortization in the current period and a tax recovery of \$31.4 million in the comparable period related to reductions in corporate income tax rates.

Net income in the current quarter decreased \$1.4 million over the first quarter of fiscal 2007.

Funds flow from operations was \$252.4 million in the second quarter compared to \$208.3 million in the comparable quarter, and on a year-to-date basis was \$496.3 million compared to \$405.5 million in 2006. The growth over the respective quarterly and year-to-date comparative periods was principally due to increased service operating income before amortization and reduced interest expense.

Consolidated free cash flow for the quarter and year-to-date of \$100.4 million and \$176.5 million, respectively, increased \$18.4 million and \$62.4 million over the comparable periods. The improvement came despite increased capital spending of over \$20.0 million in each of the current three and six month periods and was primarily due to improved service operating income before amortization. The Cable division generated \$70.6 million of free cash flow for the quarter compared to \$59.5 million in the comparable period. The Satellite division achieved free cash flow of \$29.7 million compared to free cash flow of \$22.5 million in the same period last year.

**Shaw Communications Inc.**

As a result of the Company's performance for the first half of the year and the outlook for the remaining two quarters, the Company anticipates service operating income before amortization will exceed \$1.2 billion. Consistent with previous guidance fiscal 2007 free cash flow is expected to be in excess of \$310.0 million as the Company may accelerate certain capital spending in order to meet customer demand and maintain the high standards for delivery of services on our network.

Today Shaw's Board of Directors increased the equivalent annual dividend rate to \$1.12 on Shaw's Class B Non-Voting Participating shares and \$1.115 on Shaw's Class A Participating shares. This represents an increase of 12% or \$0.12 per share. Shaw's dividends are declared and paid monthly and this increase will commence June 30, 2007.

On March 2, 2007 the Company closed a \$400 million offering of 5.70% senior notes due March 2, 2017. The net proceeds were used for debt repayment, working capital and general corporate purposes.

**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

Service operating income before amortization is calculated as service revenue less operating, general and administrative expenses and is presented as a sub-total line item in the Company's unaudited interim Consolidated Statements of Income and Deficit. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before amortization (a non-cash expense) and interest. Service operating income before amortization is also one of the measures used by the investing community to value the business. 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. Free cash flow for cable and satellite is calculated as service operating income before amortization, less interest, cash taxes on net income, capital expenditures (on an accrual basis) and equipment costs (net). Consolidated free cash flow is calculated as follows:

**Shaw Communications Inc.**

(\$000 s Cdn)	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Cable free cash flow <sup>(1)</sup>	<b>70,615</b>	59,461	<b>115,060</b>	91,454
Combined satellite free cash flow <sup>(1)</sup>	<b>29,735</b>	22,494	<b>61,427</b>	22,604
Consolidated	<b>100,350</b>	81,955	<b>176,487</b>	114,058

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

**CABLE  
FINANCIAL HIGHLIGHTS**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %
Service revenue (third party)	<b>514,416</b>	449,195	14.5	<b>1,013,611</b>	880,256	15.1
<b>Service operating income before amortization <sup>(1)</sup></b>	<b>244,164</b>	213,383	14.4	<b>481,933</b>	420,898	14.5
Less:						
Interest	<b>51,465</b>	53,245	(3.3)	<b>102,855</b>	106,114	(3.1)
Cash taxes on net income		1,041	(100.0)		2,083	(100.0)
Cash flow before the following:	<b>192,699</b>	159,097	21.1	<b>379,078</b>	312,701	21.2
<b>Capital expenditures and equipment costs (net):</b>						
New housing development	<b>22,632</b>	18,317	23.6	<b>45,125</b>	41,583	8.5
Success based	<b>17,588</b>	24,483	(28.2)	<b>37,916</b>	47,793	(20.7)
Upgrades and enhancement	<b>61,051</b>	38,126	60.1	<b>138,199</b>	97,097	42.3
Replacement	<b>9,207</b>	12,040	(23.5)	<b>18,489</b>	22,175	(16.6)
Buildings/other	<b>11,606</b>	6,670	74.0	<b>24,289</b>	12,599	92.8

Total as per Note 2 to the unaudited interim Consolidated Financial Statements	<b>122,084</b>	99,636	22.5	<b>264,018</b>	221,247	19.3
<b>Free cash flow</b> <sup>(1)</sup>	<b>70,615</b>	59,461	18.8	<b>115,060</b>	91,454	25.8
Operating margin	<b>47.5%</b>	47.5%		<b>47.5%</b>	47.8%	(0.3)

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

#### OPERATING HIGHLIGHTS

The expansion of Shaw's Digital Phone footprint continued with the service now available to over 75% of homes passed and included roll-outs during the quarter in Kelowna, Kamloops and Penticton, all in British Columbia, as well as Fort Saskatchewan and Canmore, both in Alberta. Most recently, the service was rolled-out to Abbotsford and Chilliwack, British Columbia. During the quarter the Company introduced a new Digital Phone product, Shaw Digital Phone Lite and added 41,721 Digital Phone lines to total 292,625, including pending installations, at February 28, 2007.

Customer growth continued in the second quarter with increases of 6,625 for Basic cable, 28,641 for Digital, and 40,694 for Internet. Internet penetration of basic now stands at 62.6% up from 59.6% at August 31, 2006.



**Shaw Communications Inc.**

The Company recently closed the acquisition of several small systems in British Columbia that complement existing cable systems adding approximately 5,000 cable subscribers. The acquisition provides synergies with existing operations and represents growing markets.

Cable service revenue improved 14.5% and 15.1% over the respective quarter and six month period last year. Customer growth, rate increases and the impact of acquisitions completed in the immediately preceding two quarters accounted for the increase. Service operating income before amortization grew 14.4% and 14.5% over the comparable three and six month periods. The increase was driven by revenue growth, partially offset by increased costs resulting from expenditures incurred to support continued growth, the delivery of quality customer service, and the launch of Digital Phone.

Service revenue improved \$15.2 million or 3.0% over the first quarter of fiscal 2007 as a result of customer growth, the impact of acquisitions that were completed in the first quarter and rate increases. Service operating income before amortization improved \$6.4 million or 2.7% over this same period mainly due to the revenue related growth.

Capital expenditures of \$122.1 million and \$264.0 million for the quarter and year-to-date respectively, increased \$22.4 million and \$42.8 million over the comparable periods last year. Shaw invested \$23.1 million in the second quarter of 2007 on Digital Phone compared to \$17.8 million in the same quarter last year. The increase was mainly due to spending on new launches, increasing softswitch capacity, and projects that will allow Shaw to operate independently as a Competitive Local Exchange Carrier ( CLEC ). Total spending to date on Digital Phone is now \$201.0 million.

Spending in the upgrade and enhancement category for the three and six month periods increased \$22.9 million and \$41.1 million, respectively, over the same periods last year primarily due to projects undertaken to increase network capacity to support digital phone and internet growth, and upgrades to support Video-On-Demand ( VOD ), digital cable and high definition ( HD ) TV initiatives. Spending in Buildings and Other was up \$4.9 million and \$11.7 million for the quarter and year-to-date, respectively, over the same periods last year primarily due to initiatives to upgrade certain corporate assets and various facilities projects.

Success based capital decreased over the comparable three and six month periods by \$6.9 million and \$9.9 million, respectively. Digital Phone and Internet success based capital increased during the current quarter as a result of customer growth and increased Internet promotions, however, this was more than offset by reduced success based capital primarily related to digital cable terminal ( DCT ) sales as a result of price increases implemented on sales units during the latter part of fiscal 2006.

Throughout the past quarter Shaw continued to deliver on its strategy of enhancing the various service offerings, and launching new products. In December, the Company introduced a Digital Phone Lite product to the range of service offerings. This new service includes a local phone line, popular calling features, and long distance anytime calling at competitive per minute rates. This new service offering is tailored for light long distance users and gives customers the opportunity to customize their home phone service to meet their needs.

**Shaw Communication Inc.**

The Company continues to expand its High Definition ( HD ) line-up, adding Showcase HD and National Geographic HD in December. Shaw currently has over 150,000 HD capable cable customers.

**SUBSCRIBER STATISTICS**

		August 31,	February 28, 2007			
	February 28,	2006 <sup>(1)</sup>	Three months ended	Change	Six months ended	Change
	2007		Growth	%	Growth	%
<b>CABLE:</b>						
Basic service:						
Actual	<b>2,220,082</b>	<b>2,200,793</b>	6,625	0.3	19,289	0.9
Penetration as % of homes passed	<b>65.2%</b>	<b>65.4%</b>				
Digital terminals	<b>945,760</b>	<b>855,647</b>	51,131	5.7	90,113	10.5
Digital customers	<b>725,528</b>	<b>671,556</b>	28,641	4.1	53,972	8.0
<b>INTERNET:</b>						
Connected and scheduled	<b>1,389,333</b>	<b>1,312,762</b>	40,694	3.0	76,571	5.8
Penetration as % of basic	<b>62.6%</b>	<b>59.6%</b>				
Standalone Internet not included in basic cable	<b>168,561</b>	<b>157,200</b>	5,239	3.2	11,361	7.2
<b>DIGITAL PHONE:</b>						
Number of lines <sup>(1)</sup>	<b>292,625</b>	<b>212,707</b>	41,721	16.6	79,918	37.6

<sup>(1)</sup> August 31, 2006 statistics are restated for comparative purposes to adjust subscribers as if the acquisitions of the Whistler and Grand Forks cable systems in British Columbia and the Kenora cable system in Ontario had

occurred on that date.

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

Churn <sup>(3)</sup>	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Digital customers	3.1%	3.3%	6.4%	6.7%
Internet customers	2.8%	3.0%	6.4%	6.1%

- (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.

**Shaw Communication Inc.****SATELLITE (DTH and Satellite Services)  
FINANCIAL HIGHLIGHTS**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %

- (1) See definitions and discussion 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 Shaw Satellite Services 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.

**OPERATING HIGHLIGHTS**

Free cash flow of \$29.7 million and \$61.4 million for the three and six month periods, respectively, improved \$7.2 million and \$38.8 million over the same periods last year.

On February 1, 2007 Star Choice implemented rate increases on a number of its packages. The increases, which were fully implemented in March, will generate additional revenue of approximately \$0.7 million per month.

Service revenue improved 5.7% over the same quarter last year and 7.1% for the year-to-date primarily as a result of rate increases and customer growth. Service operating income before amortization increased 7.9% and 18.1% over the comparable three and six month periods, respectively, to \$58.9 million and \$120.9 million. The improvement was primarily due to the growth in service revenue and was partially offset by costs to increase transponder capacity. The year-to-date period also benefited from recovery of provisions related to certain contractual matters.

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Service revenue decreased \$0.5 million over the first quarter of fiscal 2007 primarily due to increased programming credits. Service operating income before amortization declined \$3.1 million over this same quarter primarily due to the reduced revenues and various increased costs.

Capital expenditures of \$19.4 million and \$39.6 million for the quarter and year-to-date respectively, decreased \$1.8 million and \$19.0 million over the comparable periods last year. Quarterly and year-to-date success based capital expenditures of \$14.0 million and \$32.4 million, respectively, declined \$5.5 million and \$17.3 million over the comparable periods mainly due to favorable pricing on receivers and reduced activations. Current quarter spending in Transponders and Other increased \$3.6 million over the same period last year primarily due to current year investments to upgrade certain Satellite Service technology and increased office equipment to support call centre expansions. On a year-to-date basis, spending has decreased \$1.8 million mainly due to investments in the comparable period to add additional transponder capacity.

During the quarter, Star Choice announced plans to add a third call centre in Mississauga. The Company currently operates two call centres in Calgary and Montreal. Star Choice also expanded their channel line up with new HD programming adding Showcase HD and National Geographic HD. They now offer 20 HD channels and have over 110,000 HD capable customers.

**CUSTOMER STATISTICS**

	<b>February 28, 2007</b>	August 31, 2006	February 28, 2007			
			Three months ended		Six months ended	
			Growth	%	Growth	%
Star Choice customers <sup>(1)</sup>	<b>872,562</b>	869,208	928	0.1	3,354	0.4

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

	Three months ended February		Six months ended February	
	2007	2006	2007	2006
Churn <sup>(2)</sup>				
Star Choice customers	<b>2.4%</b>	2.2%	<b>5.6%</b>	5.6%

(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.

**Shaw Communication Inc.****OTHER INCOME AND EXPENSE ITEMS:****Amortization**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %
Amortization revenue (expense) -						
Deferred IRU revenue	<b>3,136</b>	3,136		<b>6,273</b>	6,273	
Deferred equipment revenue	<b>25,771</b>	19,511	32.1	<b>48,989</b>	37,880	29.3
Deferred equipment cost	<b>(50,166)</b>	(50,326)	(0.3)	<b>(99,136)</b>	(99,903)	(0.8)
Deferred charges	<b>(1,236)</b>	(1,325)	(6.7)	<b>(2,473)</b>	(2,583)	(4.3)
Property, plant and equipment	<b>(96,808)</b>	(97,022)	(0.2)	<b>(188,973)</b>	(197,862)	(4.5)

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 property, plant and equipment decreased over the comparative six month period as the impact of assets that became fully depreciated in fiscal 2006 exceeded amortization on new capital purchases.

**Interest**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %
Interest	<b>61,597</b>	64,384	(4.3)	<b>123,438</b>	127,826	(3.4)

Interest expense decreased over the comparative periods as a result of lower average debt levels.

**Investment activity**

During the current and comparative six month periods, the Company realized gains of \$0.4 million and \$1.7 million, respectively, on the sale of minor interests in publicly traded companies.

**Foreign exchange gain on unhedged and hedged long-term debt**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %
Foreign exchange gain on unhedged long-term debt		871	(100)		4,352	(100)

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.





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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 4 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 \$346.5 million (August 31, 2006 \$408.7 million) which represents the corresponding hedged amounts included in deferred credits.

**Other gains and losses**

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 ( the Partnership ). Due to fluctuations of the Canadian dollar relative to the US dollar, the Company recorded a foreign exchange loss of \$0.6 million for the quarter (2006 nil), and \$1.9 million (2006 gain of \$1.2 million) for the six month period.

**Income Taxes**

Income taxes increased over the comparative periods primarily due to the future income tax recovery of \$31.4 million related to reductions in corporate income tax rates recorded in the first quarter of fiscal 2006 and increased income taxes on higher income in the current fiscal year.

**RISKS AND UNCERTAINTIES**

There have been no material changes in any risks or uncertainties facing the Company since August 31, 2006. A discussion of risks affecting the Company and its business is set forth in the Company's August 31, 2006 Annual Report under the Introduction to the Business Known Events, Trends, Risks and Uncertainties in Management's Discussion and Analysis.

**FINANCIAL POSITION**

Total assets at February 28, 2007 were \$7.7 billion compared to \$7.5 billion at August 31, 2006. Following is a discussion of significant changes in the consolidated balance sheet since August 31, 2006.

Current assets increased by \$38.5 million due to increases in accounts receivable of \$21.7 million and inventory of \$15.6 million. Accounts receivable increased mainly due to customer growth, rate increases and timing of equipment shipments to retailers. Inventories increased due to timing of purchases, continued growth and to ensure adequate stock levels are on hand during a supplier's plant relocation.

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Investments and other assets decreased by \$9.2 million due to the sale of an interest in a publicly traded company. Property, plant and equipment increased by \$84.1 million as current year capital expenditures exceeded amortization. Deferred charges increased \$10.2 million primarily due to an increase in deferred equipment costs of \$8.7 million. Broadcast licenses increased by \$67.4 million due to the acquisition of Whistler and Grand Forks cable systems in British Columbia and the Kenora cable system in Ontario.

Current liabilities (excluding current portion of long-term debt) increased by \$26.6 million due to an increase in bank indebtedness of \$21.8 million and unearned revenue of \$6.2 million. Unearned revenue increased due to customer growth and rate increases.

Total long-term debt decreased by \$33.0 million as a result of repayment of bank borrowings and Partnership debt of \$95.2 million partially offset by an increase of \$62.2 million relating to the translation of hedged US denominated debt.

Deferred credits decreased by \$49.3 million principally due to the decrease in deferred foreign exchange gains on the translation of hedged US dollar denominated debt of \$62.2 million offset by an increase in deferred equipment revenue of \$22.1 million. Future income taxes increased by \$99.2 million due to the impact of cable system acquisitions and the future income tax expense recorded in the current year.

Share capital increased by \$59.7 million primarily due to the issuance of Class B Non-Voting Shares. During the six months ended February 28, 2007, the Company issued 89,794 Class B Non-Voting Shares for \$3.0 million as partial consideration in respect of a cable system acquisition and 1,707,302 Class B Non-Voting Shares were issued for \$55.2 million under the Company's option and warrant plans. As of March 31, 2007, share capital is as reported at February 28, 2007 with the exception of the issuance of 150,056 Class B Non-Voting Shares upon exercise of options subsequent to the quarter end.

**LIQUIDITY AND CAPITAL RESOURCES**

In the current year, Shaw generated \$176.5 million of consolidated free cash flow. Shaw used its free cash flow along with proceeds on issuance of Class B Non-Voting Shares of \$55.2 million, proceeds on the sale of various assets of \$10.3 million, and other net items of \$9.2 million to repay bank debt of 73.2 million, fund the cash component of cable systems acquisitions of \$52.9 million, pay common share dividends of \$86.2 million, purchase inventory of \$15.6 million and fund the net change in working capital requirements of \$23.3 million.

On November 14, 2006, Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to an additional 15,300,000 Class B Non-Voting Shares, representing approximately 10% of the public float of Class B Non-Voting Shares, during the period November 17, 2006 to November 16, 2007.

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On March 2, 2007, Shaw issued \$400 million of senior unsecured notes at a rate of 5.7% due March 2, 2017. Net proceeds (after issue and underwriting expenses) of \$394.8 million were used for repayment of unsecured bank loans and general working capital purposes. The notes were issued at a discount of \$0.9 million.

At February 28, 2007, Shaw had access to \$832.4 million of available credit facilities. Based on available credit facilities and forecasted free cash flow, the Company expects to have sufficient 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**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Change %	2007	2006	Change %
Funds flow from operations	<b>252,412</b>	208,273	21.2	<b>496,348</b>	405,481	22.4
Net decrease (increase) in non-cash working capital balances related to operations	<b>37,989</b>	10,991	245.6	<b>(23,356)</b>	(11,202)	(108.5)
	<b>290,401</b>	219,264	32.4	<b>472,992</b>	394,279	20.0

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 the timing of payment of accounts payable and accrued liabilities.

**Investing Activities**

(\$000 s Cdn)	Three months ended February 28,			Six months ended February 28,		
	2007	2006	Increase	2007	2006	Increase
Cash flow used in investing activities	<b>(166,920)</b>	(124,670)	(42,250)	<b>(368,600)</b>	(292,437)	(76,163)

The cash used in investing activities increased \$42.2 million over the comparative quarter due to higher expenditures on capital and inventory, partially offset by lower cash requirements for equipment costs (net). The cash used in investing activities increased \$76.2 million over the comparative six month period due to cable system acquisitions and higher capital expenditures, partially offset by lower cash requirements for equipment costs (net).

**Shaw Communication Inc.****Financing Activities**

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

<i>(In \$millions Cdn)</i>	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Bank loans and bank indebtedness net repayments	(115.8)	(65.3)	(73.2)	(235.7)
Proceeds on \$450 million senior unsecured notes				450.0
Dividends	(54.0)	(22.3)	(86.2)	(44.7)
Purchase of Class B Non-Voting Shares for cancellation				(58.0)
Repayment of Partnership debt	(0.1)	(0.1)	(0.2)	(0.2)
Proceeds on bond forward				2.5
Issue of Class B Non-Voting Shares	46.4	0.1	55.2	0.1
Proceeds on prepayment of IRU		0.1		0.2
Cost to terminate foreign currency forward contract		(15.8)		(15.8)
Redemption of COPrS		(201.9)		(201.9)
	(123.5)	(305.2)	(104.4)	(103.5)

**SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION**

<i>( \$000 s Cdn except per share amounts)</i>	Service	Service operating income before	Net	Basic	Funds flow
	revenue	amortization <sup>(1)</sup>	income	earnings per share <sup>(2)</sup>	from operations <sup>(3)</sup>
<b>2007</b>					
Second	685,730	303,038	79,751	0.37	252,412
First	671,006	299,787	81,138	0.38	243,936
<b>2006</b>					
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
<b>2005</b>					
Fourth	562,958	250,759	69,959	0.31	191,507
Third	559,883	252,899	32,836	0.14	190,144

(1)

See definition and discussion under 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 are the second quarter of 2006 and the first and second quarters of 2007. Net income declined by

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\$29.9 million in the second quarter of 2006 and by \$129.2 million in the first quarter of 2007 due to income tax recoveries primarily related to reductions in corporate income tax rates which contributed \$31.4 million and \$150.0 million to net income in the first and fourth quarters of 2006, respectively. The decline in the second quarter of 2007 was marginal. 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, 2006 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. The unaudited interim Consolidated Financial Statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

**CAUTION CONCERNING FORWARD LOOKING STATEMENTS**

Certain statements included and incorporated by reference herein 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. When used, the words anticipate , believe , expect , plan , intend , target , guideline , goal , and similar expressions generally identify forward-looking statements. These forward-looking statements include, but are not limited to, references to future capital expenditures (including the amount and nature thereof), financial guidance for future performance, business strategies and measures to implement strategies, competitive strengths, goals, expansion and growth of Shaw's business and operations, plans and references to the future success of Shaw. These forward-looking statements are based on certain assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with expectations and predictions of the Company is subject to a number of risks and uncertainties. These factors include include general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by Shaw; increased competition in the markets in which Shaw operates and from the development of new markets for emerging technologies; changes in laws, regulations and decisions by regulators in Shaw's industries in both Canada and the United States; Shaw's status as a holding company with separate operating subsidiaries; changing conditions in the entertainment, information and communications industries; risks associated with the economic, political and regulatory policies of local governments and laws and policies of Canada and the United States; and other factors, many of which are beyond the control of Shaw. Should one or more of these risks materialize or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those as described herein. Consequently, all of the forward-looking statements made in this report and the documents incorporated by reference herein are qualified by these

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cautionary statements, and there can be no assurance that the actual results or developments anticipated by Shaw will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

You should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement (and such risks, uncertainties and other factors) speaks only as of the date on which it was originally made and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. New factors affecting the Company emerge from time to time, and it is not possible for the Company to predict what factors will arise or when. In addition, the Company cannot assess the impact of each factor on its business or the extent to which any particular factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.



## Shaw Communications Inc.

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

[thousands of Canadian dollars]	February 28, 2007	August 31, 2006
<b>ASSETS</b>		
<b>Current</b>		
Accounts receivable	159,793	138,142
Inventories	69,564	53,994
Prepays and other	22,187	20,870
	<b>251,544</b>	213,006
Investments and other assets	8,823	17,978
Property, plant and equipment	2,334,140	2,250,056
Deferred charges	272,096	261,908
Intangibles		
Broadcast licenses	4,758,862	4,691,484
Goodwill	88,111	88,111
	<b>7,713,576</b>	7,522,543
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Current</b>		
Bank indebtedness	42,163	20,362
Accounts payable and accrued liabilities	459,672	461,119
Income taxes payable	4,985	4,918
Unearned revenue	112,719	106,497
Current portion of long-term debt <i>[note 4]</i>	297,223	449
	<b>916,762</b>	593,345
Long-term debt <i>[note 4]</i>	2,666,183	2,995,936
Other long-term liabilities <i>[note 9]</i>	49,580	37,724
Deferred credits	1,051,643	1,100,895
Future income taxes	1,084,155	984,938
	<b>5,768,323</b>	5,712,838
<b>Shareholders equity</b>		
Share capital <i>[note 5]</i>	2,036,706	1,976,966
Contributed surplus <i>[note 5]</i>	6,212	5,110
Deficit	(98,021)	(172,701)
Cumulative translation adjustment	356	330
	<b>1,945,253</b>	1,809,705
	<b>7,713,576</b>	7,522,543

*See accompanying notes*

**Shaw Communications Inc.****CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT  
(Unaudited)**

[thousands of Canadian dollars except per share amounts]	Three months ended February 28,		Six months ended February 28,	
	<b>2007</b>	2006	<b>2007</b>	2006
Service revenue <i>[note 2]</i>	<b>685,730</b>	611,197	<b>1,356,736</b>	1,200,742
Operating, general and administrative expenses	<b>382,692</b>	343,273	<b>753,911</b>	677,496
<b>Service operating income before amortization <i>[note 2]</i></b>	<b>303,038</b>	267,924	<b>602,825</b>	523,246
Amortization:				
Deferred IRU revenue	<b>3,136</b>	3,136	<b>6,273</b>	6,273
Deferred equipment revenue	<b>25,771</b>	19,511	<b>48,989</b>	37,880
Deferred equipment cost	<b>(50,166)</b>	(50,326)	<b>(99,136)</b>	(99,903)
Deferred charges	<b>(1,236)</b>	(1,325)	<b>(2,473)</b>	(2,583)
Property, plant and equipment	<b>(96,808)</b>	(97,022)	<b>(188,973)</b>	(197,862)
<b>Operating income</b>	<b>183,735</b>	141,898	<b>367,505</b>	267,051
Interest on long-term debt <i>[note 2]</i>	<b>(61,597)</b>	(64,384)	<b>(123,438)</b>	(127,826)
	<b>122,138</b>	77,514	<b>244,067</b>	139,225
Gain on sale of investment			<b>415</b>	1,690
Write-down of investment		(374)		(374)
Foreign exchange gain on unhedged long-term debt		871		4,352
Fair value loss on a foreign currency forward contract				(360)
Debt retirement costs		(8,123)		(8,123)
Other gains	<b>1,045</b>	2,191	<b>562</b>	4,322
<b>Income before income taxes</b>	<b>123,183</b>	72,079	<b>245,044</b>	140,732
Income tax expense	<b>43,530</b>	26,073	<b>84,356</b>	19,113
<b>Income before the following</b>	<b>79,653</b>	46,006	<b>160,688</b>	121,619
Equity income (loss) on investees	<b>98</b>	(216)	<b>201</b>	(148)
<b>Net income</b>	<b>79,751</b>	45,790	<b>160,889</b>	121,471
Deficit, beginning of period	<b>(123,804)</b>	(410,792)	<b>(172,701)</b>	(428,855)
Reduction on Class B Non-Voting Shares purchased for cancellation				(35,085)
Amortization of opening fair value loss on a foreign currency forward contract		(1,612)		(1,705)
Dividends - Class A and Class B Non-Voting Shares	<b>(53,968)</b>	(22,292)	<b>(86,209)</b>	(44,732)
<b>Deficit, end of period</b>	<b>(98,021)</b>	(388,906)	<b>(98,021)</b>	(388,906)
<b>Earnings per share <i>[note 6]</i></b>				
Basic	<b>0.37</b>	0.21	<b>0.75</b>	0.56

Diluted	<b>0.37</b>	0.21	<b>0.74</b>	0.56
[thousands of shares]				
Weighted average participating shares outstanding during period	<b>215,983</b>	217,620	<b>215,505</b>	218,331
Participating shares outstanding, end of period	<b>216,739</b>	217,623	<b>216,739</b>	217,623

*See accompanying notes*

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## Shaw Communications Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

[thousands of Canadian dollars]	Three months ended February 28,		Six months ended February 28,	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>OPERATING ACTIVITIES</b> <i>[note 7]</i>				
<b>Funds flow from operations</b>	<b>252,412</b>	208,273	<b>496,348</b>	405,481
Net decrease (increase) in non-cash working capital balances related to operations	<b>37,989</b>	10,991	<b>(23,356)</b>	(11,202)
	<b>290,401</b>	219,264	<b>472,992</b>	394,279
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment <i>[note 2]</i>	<b>(131,875)</b>	(105,456)	<b>(271,250)</b>	(214,854)
Additions to equipment costs (net) <i>[note 2]</i>	<b>(19,014)</b>	(26,632)	<b>(38,812)</b>	(65,377)
Net reduction (addition) to inventories	<b>(15,830)</b>	1,916	<b>(15,570)</b>	(17,071)
Cable business acquisitions <i>[note 3]</i>	<b>(492)</b>		<b>(52,918)</b>	
Proceeds on sale of investments and other assets	<b>476</b>	5,799	<b>10,315</b>	13,662
Additions to deferred charges	<b>(185)</b>	(297)	<b>(365)</b>	(8,797)
	<b>(166,920)</b>	(124,670)	<b>(368,600)</b>	(292,437)
<b>FINANCING ACTIVITIES</b>				
Increase in bank indebtedness	<b>4,164</b>	29,677	<b>21,801</b>	29,677
Increase in long-term debt	<b>25,000</b>	125,000	<b>60,000</b>	650,000
Long-term debt repayments	<b>(145,111)</b>	(421,999)	<b>(155,221)</b>	(667,590)
Cost to terminate foreign currency forward contract		(15,774)		(15,774)
Issue of Class B Non-Voting Shares, net of after-tax expenses	<b>46,426</b>	116	<b>55,216</b>	116
Proceeds on bond forward				2,486
Proceeds on prepayment of IRU		76		228
Purchase of Class B Non-Voting Shares for cancellation				(57,954)
Dividends paid on Class A and Class B Non-Voting Shares	<b>(53,968)</b>	(22,292)	<b>(86,209)</b>	(44,732)
	<b>(123,489)</b>	(305,196)	<b>(104,413)</b>	(103,543)
<b>Effect of currency translation on cash balances and cash flows</b>	<b>8</b>	(8)	<b>21</b>	(12)
<b>Decrease in cash</b>		(210,610)		(1,713)
Cash, beginning of the period		210,610		1,713

**Cash, end of the period**

Cash includes cash and term deposits

*See accompanying notes*

**Shaw Communications Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)**

**February 28, 2007 and 2006**

**[all amounts in thousands of Canadian dollars, except per share amounts]**

**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited interim Consolidated Financial Statements include the accounts of Shaw Communications Inc. and its subsidiaries (collectively the Company). The notes presented in these unaudited interim Consolidated Financial Statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed in the Company's annual audited consolidated financial statements. As a result, these unaudited interim Consolidated Financial Statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2006.

The unaudited interim Consolidated Financial Statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

## Shaw Communications Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

**2. BUSINESS SEGMENT INFORMATION**

The Company provides cable television services, high-speed Internet access, Digital Phone and Internet infrastructure services ( Cable ); DTH satellite services (Star Choice); and, satellite distribution services ( Satellite Services ). All of these operations are located in Canada. Information on operations by segment is as follows:

**Operating information**

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Service revenue</b>				
Cable	515,257	449,967	1,015,263	881,718
DTH	151,990	142,662	303,682	281,467
Satellite Services	21,896	21,474	44,390	43,099
Inter segment -	689,143	614,103	1,363,335	1,206,284
Cable	(841)	(772)	(1,652)	(1,462)
DTH	(1,697)	(1,249)	(3,197)	(2,310)
Satellite Services	(875)	(885)	(1,750)	(1,770)
	<b>685,730</b>	611,197	<b>1,356,736</b>	1,200,742
<b>Service operating income before amortization</b>				
Cable	244,164	213,383	481,933	420,898
DTH	47,579	43,532	97,261	80,225
Satellite Services	11,295	11,009	23,631	22,123
	<b>303,038</b>	267,924	<b>602,825</b>	523,246
<b>Interest on long-term debt <sup>(1)</sup></b>				
Cable	51,465	53,245	102,855	106,114
DTH and Satellite Services	9,776	10,777	19,870	20,986
Burrard Landing Lot 2 Holdings Partnership	356	362	713	726
	<b>61,597</b>	64,384	<b>123,438</b>	127,826
<b>Cash taxes <sup>(1)</sup></b>				
Cable		1,041		2,083
DTH and Satellite Services		66		131
		1,107		2,214



- (1) The Company reports interest and cash taxes on a segmented basis for Cable and combined satellite only. It does not report interest and cash taxes on a segmented basis for DTH and Satellite Services.

## Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

## Capital expenditures

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Capital expenditures accrual basis</b>				
Cable	109,777	88,344	242,047	197,931
Corporate	8,110	4,867	17,161	9,083
Sub-total Cable including corporate	117,887	93,211	259,208	207,014
Satellite (net of equipment profit)	4,546	997	5,593	7,483
	122,433	94,208	264,801	214,497
<b>Equipment costs (net of revenue received)</b>				
Cable	4,197	6,425	4,810	14,233
Satellite	14,817	20,207	34,002	51,144
	19,014	26,632	38,812	65,377
<b>Capital expenditures and equipment costs (net)</b>				
Cable	122,084	99,636	264,018	221,247
Satellite	19,363	21,204	39,595	58,627
	141,447	120,840	303,613	279,874
<b>Reconciliation to Consolidated Statements of Cash Flows</b>				
Additions to property, plant and equipment	131,875	105,456	271,250	214,854
Additions to equipment costs (net)	19,014	26,632	38,812	65,377
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	150,889	132,088	310,062	280,231
Decrease in working capital related to capital expenditures	(8,566)	(9,863)	(4,733)	3,138
Less: Partnership capital expenditures <sup>(1)</sup>		(533)		(1,803)
Less: IRU prepayments <sup>(2)</sup>		(60)	(7)	(161)

Less: Satellite equipment profit <sup>(3)</sup>	<b>(876)</b>	(792)	<b>(1,709)</b>	(1,531)
Total capital expenditures and equipment costs (net) reported by segments	<b>141,447</b>	120,840	<b>303,613</b>	279,874

(1) Consolidated capital expenditures include the Company's proportionate share of the Burrard Landing Lot 2 Holdings Partnership ( Partnership ) capital expenditures which the Company is required to proportionately consolidate (see Note 1 to the Company's 2006 Consolidated Financial Statements). As the Partnership is financed by its own debt with no recourse to the Company, the Partnership's capital expenditures are subtracted from the calculation of segmented capital expenditures and equipment costs (net).

(2) Prepayments on infeasible rights to use ( IRUs ) certain specifically identified fibres

in amounts not exceeding the costs to build the fiber subject to the IRUs are subtracted from the calculation of segmented capital expenditures and equipment costs (net).

- (3) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment.

**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)****February 28, 2007 and 2006****[all amounts in thousands of Canadian dollars, except per share amounts]****Assets**

	<b>February 28, 2007</b>			
	<b>Cable</b>	<b>DTH</b>	<b>Satellite Services</b>	<b>Total</b>
	\$	\$	\$	\$
Segment assets	<b>6,078,390</b>	<b>862,463</b>	<b>532,805</b>	<b>7,473,658</b>
Corporate assets				<b>239,918</b>
Total assets				<b>7,713,576</b>

	<b>August 31, 2006</b>			
	<b>Cable</b>	<b>DTH</b>	<b>Satellite Services</b>	<b>Total</b>
	\$	\$	\$	\$
Segment assets	5,891,103	859,941	536,044	7,287,088
Corporate assets				235,455
Total assets				7,522,543

**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)**

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

**3. CABLE BUSINESS ACQUISITIONS**

	February 28, 2007			Total
	Cash	Accounts payable	Issuance of Class B Non-Voting Shares	purchase price
	\$	\$	\$	\$
Cable systems	52,893	447	3,000	56,340

A summary of net assets acquired on cable business acquisitions, accounted for as purchases, is as follows:

	\$
<b>Identifiable net assets acquired at assigned fair values</b>	
Property, plant and equipment	6,588
Broadcast licenses	67,378
	73,966
Working capital deficiency	2,801
Future income taxes	14,825
	17,626
Purchase price	56,340

During the three months ended November 30, 2006, the Company purchased three cable systems serving approximately 14,700 basic subscribers in British Columbia and Ontario. The \$3,000 value of the 89,794 Class B Non-Voting Shares, issued as partial consideration for one of the acquisitions, was determined based upon the average market price over the five day period prior to the date the terms of the purchase were agreed to and announced. The purchase price allocation may be impacted by settlement of final closing adjustments.

## Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

## 4. LONG-TERM DEBT

	February 28, 2007				August 31, 2006		
	Effective interest rates %	Translated at period end exchange rate	Adjustment for hedged debt <sup>(1)</sup>	Translated at hedged rate	Translated at year end exchange rate	Adjustment for hedged debt <sup>(1)</sup>	Translated at hedged rate
		\$	\$	\$	\$	\$	\$
<b>Corporate</b>							
Bank loans <sup>(2)</sup>	Fixed and variable	<b>185,000</b>		<b>185,000</b>	280,000		280,000
Senior notes-							
Due November 16, 2012	6.11	<b>450,000</b>		<b>450,000</b>	450,000		450,000
Due May 9, 2016	6.34	<b>300,000</b>		<b>300,000</b>	300,000		300,000
Due October 17, 2007	7.40	<b>296,760</b>		<b>296,760</b>	296,760		296,760
US \$440,000 due April 11, 2010	7.88	<b>514,712</b>	<b>127,908</b>	<b>642,620</b>	486,332	156,288	642,620
US \$225,000 due April 6, 2011	7.68	<b>263,205</b>	<b>92,633</b>	<b>355,838</b>	248,693	107,145	355,838
US \$300,000 due December 15, 2011	7.61	<b>350,940</b>	<b>125,910</b>	<b>476,850</b>	331,590	145,260	476,850
Due November 20, 2013	7.50	<b>350,000</b>		<b>350,000</b>	350,000		350,000
COPrS -							
Due September 30, 2027	8.54	<b>100,000</b>		<b>100,000</b>	100,000		100,000
		<b>2,810,617</b>	<b>346,451</b>	<b>3,157,068</b>	2,843,375	408,693	3,252,068
<b>Other subsidiaries and entities</b>							
Videon CableSystems Inc. 8.15% Senior Debentures Series A due April 26, 2010	7.63	<b>130,000</b>		<b>130,000</b>	130,000		130,000
Burrard Landing Lot 2 Holdings Partnership	6.31	<b>22,789</b>		<b>22,789</b>	23,010		23,010
		<b>152,789</b>		<b>152,789</b>	153,010		153,010
Total consolidated debt		<b>2,963,406</b>	<b>346,451</b>	<b>3,309,857</b>	2,996,385	408,693	3,405,078
Less current portion <sup>(3)</sup>		<b>297,223</b>		<b>297,223</b>	449		449

**2,666,183**    **346,451**    **3,012,634**    2,995,936    408,693    3,404,629

- (1) Foreign denominated long-term debt is translated at the period-end foreign exchange rates. Because the Company follows hedge accounting, the resulting exchange gains and losses on translating hedged long-term debt are included in deferred charges or deferred credits. If the rate of translation was adjusted to reflect the hedged rates of the Company's cross-currency interest rate agreements (which fix the liability for interest and principal), long-term debt would increase by \$346,451 (August 31, 2006 \$408,693) representing a corresponding amount in deferred credits. The hedged rates on the Senior notes of US \$440,000,



US \$225,000  
and US  
\$300,000 are  
1.4605, 1.5815  
and 1.5895,  
respectively.

(2) Availabilities  
under banking  
facilities are as  
follows at  
February 28,  
2007:

	<b>Total</b>	<b>Bank loans <sup>(a)</sup></b>	<b>Operating credit facilities</b>
	\$	(b) \$	(a) \$
Total facilities	1,060,000	1,000,000	60,000
Amount drawn (excluding letters of credit of \$428)	227,163	185,000	42,163
	832,837	815,000	17,837

**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)****February 28, 2007 and 2006****[all amounts in thousands of Canadian dollars, except per share amounts]**

- (a) Bank loans represent liabilities classified as long-term debt. Operating credit facilities are for terms less than one year and accordingly are classified as bank indebtedness.
- (b) The \$1 billion revolving credit facility is due May 31, 2011 and is unsecured and ranks pari passu with the senior unsecured notes.
- (3) Current portion of long-term debt includes the Senior notes due October 17, 2007 and the amount due within one year on the Partnership's mortgage bonds.

**5. SHARE CAPITAL****Issued and outstanding**

Changes in Class A and Class B Non-Voting Share capital in the six months ended February 28, 2007 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	\$	Number	\$
<b>August 31, 2006</b>	11,291,932	2,475	203,649,904	1,974,491
Class A Share conversion				
Stock option plans exercises			1,707,302	56,745
Issued in respect of acquisition			89,794	3,000
Share issue costs				(5)
<b>February 28, 2007</b>	11,291,932	2,475	205,447,000	2,034,231

**Stock option plan**

In our stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed 10 years from the date of grant. Twenty-five percent of the options are exercisable on each of the first four anniversary dates from the date of the original grant. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under this plan and the warrant plan described below may not exceed 16,000,000. To date, 1,762,768 Class B Non-Voting Shares have been issued under these plans. During the three and six months ended February 28, 2007, 1,418,683 and 1,688,901 options were exercised for \$46,172 and \$54,847, respectively.

The changes in options for the six months ended February 28, 2007 are as follows:

	Shares	Weighted average exercise price \$
Outstanding at beginning of period	9,558,801	32.60
Granted	2,036,250	34.24
Forfeited	(612,133)	33.16
Exercised	(1,688,901)	32.47
Outstanding at end of period	9,294,017	32.90



## Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

The following table summarizes information about the options outstanding at February 28, 2007:

Range of prices	Number	Weighted		Number	Weighted
	Outstanding at February 28, 2007	average remaining contractual life	Weighted average exercise price	exercisable at February 28, 2007	average exercise price
\$17.37	10,000	6.64	\$ 17.37	7,500	\$ 17.37
\$29.70 - \$35.57	9,284,017	6.55	\$ 32.91	4,767,897	\$ 32.65

For all common share options granted to employees up to August 2003, had the Company determined compensation costs based on the fair values at grant dates of the common share options consistent with the method prescribed under CICA Handbook Section 3870, the Company's net income and earnings per share would have been reported as the pro forma amounts indicated below:

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Net income for the period	<b>79,751</b>	45,790	<b>160,889</b>	121,471
Fair value of stock options	<b>30</b>	468	<b>60</b>	935
Pro forma net income for the period	<b>79,721</b>	45,322	<b>160,829</b>	120,536
Pro forma basic earnings per share	<b>0.37</b>	0.21	<b>0.75</b>	0.55
Pro forma diluted earnings per share	<b>0.37</b>	0.21	<b>0.74</b>	0.55

The weighted average estimated fair value at the date of the grant for common share options granted was \$6.42 per option (2006 \$1.76 per option) and \$6.45 per option (2006 \$2.30 per option) for the quarter and year-to-date, respectively. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	Three months ended February 28,		Six months ended February 28,	
	2007	2006	2007	2006
Dividend yield	<b>2.84%</b>	2.25%	<b>2.92%</b>	1.96%
Risk-free interest rate	<b>3.99%</b>	3.89%	<b>3.99%</b>	3.70%
Expected life of options	<b>4 years</b>	4 years	<b>4 years</b>	4 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	<b>24.1%</b>	20.6%	<b>24.9%</b>	22.2%

For the purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period.

**Other stock options**

In conjunction with the acquisition of Satellite Services, holders of Satellite Services options elected to receive 0.9 of a Shaw Class B Non-Voting Share in lieu of one Satellite Services share which would have been received upon the exercise of an option under the Satellite Services plan.

At February 28, 2007 there were 18,668 Satellite Services options outstanding with an exercise price of \$7.75. The weighted average remaining contractual life of the Satellite Services options is 1.3 years. At February 28, 2007,

**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)****February 28, 2007 and 2006****[all amounts in thousands of Canadian dollars, except per share amounts]**

18,668 Satellite Services options were exercisable into 16,801 Class B Non-Voting Shares of the Company at \$8.61 per Class B Non-Voting Share. During the three and six month periods ended February 28, 2007, 15,168 options were exercised into 13,651 Class B Non-Voting Shares for \$251 and 20,168 options were exercised into 18,151 Class B Non-Voting Shares for \$367, respectively.

**Warrants**

Prior to the Company's acquisition and consolidation of Satellite Services effective July 1, 2000, Satellite Services and its subsidiary Star Choice had established a plan to grant warrants to acquire Satellite Services common shares at a price of \$22.50 per share to distributors and dealers. The Company provided for this obligation (using \$25 per equivalent Shaw Class B Non-Voting Share) in assigning fair values to the assets and liabilities in the purchase equation on consolidation based on the market price of the Shaw Class B Non-Voting Shares at that time.

Accordingly, the issue of the warrants under the plan had no impact on the earnings of the Company.

On September 1, 2006, 250 warrants were exercised for \$6 and the remaining 5,350 warrants expired.

**Contributed surplus**

The changes in contributed surplus are as follows:

	<b>February 28, 2007</b>	<b>August 31, 2006</b>
	\$	\$
Balance, beginning of period	<b>5,110</b>	1,866
Stock-based compensation	<b>2,627</b>	3,272
Stock options exercised	<b>(1,525)</b>	(28)
Balance, end of period	<b>6,212</b>	5,110

**6. EARNINGS PER SHARE**

Earnings per share calculations are as follows:

	Three months ended February 28,		Six months ended February 28,	
	<b>2007</b>	2006	<b>2007</b>	2006
<b>Numerator for basic and diluted earnings per share (\$)</b>				
Net income	<b>79,751</b>	45,790	<b>160,889</b>	121,471
<b>Denominator (thousands of shares)</b>				
Weighted average number of Class A and Class B Non-Voting Shares for basic earnings per share	<b>215,983</b>	217,620	<b>215,505</b>	218,331
Effect of dilutive securities	<b>1,942</b>		<b>1,270</b>	
	<b>217,925</b>	217,620	<b>216,775</b>	218,331

Weighted average number of Class A and  
Class B Non- Voting Shares for diluted  
earnings per share

**Earnings per share (\$)**

Basic	<b>0.37</b>	0.21	<b>0.75</b>	0.56
Diluted	<b>0.37</b>	0.21	<b>0.74</b>	0.56

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## Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

## 7. STATEMENTS OF CASH FLOWS

Disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from operations

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Net income	<b>79,751</b>	45,790	<b>160,889</b>	121,471
Non-cash items:				
Amortization				
Deferred IRU revenue	<b>(3,136)</b>	(3,136)	<b>(6,273)</b>	(6,273)
Deferred equipment revenue	<b>(25,771)</b>	(19,511)	<b>(48,989)</b>	(37,880)
Deferred equipment cost	<b>50,166</b>	50,326	<b>99,136</b>	99,903
Deferred charges	<b>1,236</b>	1,325	<b>2,473</b>	2,583
Property, plant and equipment	<b>96,808</b>	97,022	<b>188,973</b>	197,862
Future income tax expense	<b>43,530</b>	24,966	<b>84,356</b>	16,899
Write-down of investment		374		374
Gain on sale of investment			<b>(415)</b>	(1,690)
Foreign exchange gain on unhedged long-term debt		(871)		(4,352)
Equity loss (income) on investee	<b>(98)</b>	216	<b>(201)</b>	148
Fair value loss on foreign currency forward contracts				360
Debt retirement costs		8,123		8,123
Stock option expense	<b>1,475</b>	662	<b>2,627</b>	1,282
Defined benefit pension plan	<b>8,218</b>	3,153	<b>11,856</b>	6,306
Other	<b>233</b>	(166)	<b>1,916</b>	365
Funds flow from operations	<b>252,412</b>	208,273	<b>496,348</b>	405,481

(ii) Changes in non-cash working capital balances related to operations include the following:

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounts receivable	<b>(5,198)</b>	(8,420)	<b>(20,795)</b>	(23,080)
Prepays and other	<b>(3,866)</b>	(4,390)	<b>(7,397)</b>	(2,993)
Accounts payable and accrued liabilities	<b>46,777</b>	24,262	<b>(1)</b>	8,136
Income taxes payable	<b>125</b>	15	<b>(600)</b>	(7)
Unearned revenue	<b>151</b>	(476)	<b>5,437</b>	6,742



**37,989**

10,991

**(23,356)**

(11,202)

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**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)****February 28, 2007 and 2006****[all amounts in thousands of Canadian dollars, except per share amounts]**

(iii) Interest and income taxes paid (recovered) and classified as operating activities are as follows:

	Three months ended February 28,		Six months ended February 28,	
	<b>2007</b>	2006	<b>2007</b>	2006
	\$	\$	\$	\$
Interest	<b>22,048</b>	33,786	<b>121,376</b>	123,131
Income taxes	<b>(127)</b>	1,095	<b>592</b>	2,225

(iv) Non-cash transaction:

The Consolidated Statements of Cash Flows exclude the following non-cash transaction:

	Six months ended February 28,	
	<b>2007</b>	2006
	\$	\$
Issuance of Class B Non-Voting Shares on a cable system acquisition	<b>3,000</b>	

## Shaw Communications Inc.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

**8. UNITED STATES ACCOUNTING PRINCIPLES**

The unaudited interim Consolidated Financial Statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada ( Canadian GAAP ). The following adjustments and disclosures would be required in order to present these unaudited interim Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States ( US GAAP ).

	Three months ended		Six months ended	
	February 28,		February 28,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Net income using Canadian GAAP</b>	<b>79,751</b>	45,790	<b>160,889</b>	121,471
Add (deduct) adjustments for:				
Deferred charges (2)	<b>2,898</b>	5,019	<b>9,685</b>	(1,759)
Foreign exchange gains (losses) on hedged long-term debt (8)	<b>(26,634)</b>	28,848	<b>(62,243)</b>	49,058
Reclassification of hedge gains (losses) from other comprehensive income (7)	<b>26,634</b>	(28,848)	<b>62,243</b>	(49,058)
Income tax effect of adjustments	<b>(891)</b>	(1,732)	<b>(2,978)</b>	607
Effect of future income tax rate reductions on differences				(785)
<b>Net income using US GAAP</b>	<b>81,758</b>	49,077	<b>167,596</b>	119,534
Unrealized foreign exchange gain (loss) on translation of Self-sustaining foreign operations	<b>11</b>	(13)	<b>26</b>	(20)
Unrealized gains on available-for-sale securities, net of tax (6)				
Unrealized holding gains arising during the period		1,235		8,024
Less: reclassification adjustment for gains included in net income				(1,371)
	<b>11</b>	1,222	<b>26</b>	6,633
Adjustment to fair value of derivatives (7)	<b>35,187</b>	(17,276)	<b>77,368</b>	(22,732)
Reclassification of derivative losses (gains) to income to offset foreign exchange gains/losses on hedged long-term debt (7)	<b>(22,539)</b>	23,872	<b>(52,673)</b>	40,596
Effect on future income tax rate reductions on differences				(1,036)
	<b>12,659</b>	7,818	<b>24,721</b>	23,461

<b>Comprehensive income using US GAAP</b>	<b>94,417</b>	56,895	<b>192,317</b>	142,995
<b>Net income per share using US GAAP</b>	<b>0.38</b>	0.23	<b>0.78</b>	0.55
<b>Comprehensive income per share using US GAAP</b>	<b>0.44</b>	0.26	<b>0.89</b>	0.65

## Shaw Communications Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

February 28, 2007 and 2006

[all amounts in thousands of Canadian dollars, except per share amounts]

Balance sheet items using US GAAP

	February 28, 2007		August 31, 2006	
	Canadian GAAP \$	US GAAP \$	Canadian GAAP \$	US GAAP \$
Deferred charges (2) (9) (10)	272,096	186,663	261,908	164,053
Broadcast licenses (1) (4) (5)	4,758,862	4,733,628	4,691,484	4,666,250
Other long-term liabilities (7) (10)	49,580	530,899	37,724	612,306
Deferred credits (8) (9)	1,051,643	695,380	1,100,895	679,652
Future income taxes	1,084,155	1,042,510	984,938	933,990
Shareholders' equity	1,945,253	1,751,175	1,809,705	1,584,225

The cumulative effect of these adjustments on consolidated shareholders' equity is as follows:

	February 28, 2007 \$	August 31, 2006 \$
<b>Shareholders' equity using Canadian GAAP</b>	<b>1,945,253</b>	1,809,705
Amortization of intangible assets (1)	(130,208)	(130,208)
Deferred charges (2)	(1,464)	(8,171)
Equity in loss of investees (3)	(35,710)	(35,710)
Gain on sale of subsidiary (4)	16,052	16,052
Gain on exchange of cable television systems (5)	50,063	50,063
Foreign exchange gains on hedged long-term debt (8)	293,187	345,860
Reclassification of hedge losses from other comprehensive income (7)	(293,187)	(345,860)
Accumulated other comprehensive loss	(92,455)	(117,176)
Cumulative translation adjustment	(356)	(330)
<b>Shareholders' equity using US GAAP</b>	<b>1,751,175</b>	1,584,225

Included in shareholders' equity is accumulated other comprehensive income (loss), which refers to revenues, expenses, gains and losses that under US GAAP are included in comprehensive income (loss) but are excluded from income (loss) as these amounts are recorded directly as an adjustment to shareholders' equity, net of tax. The Company's accumulated other comprehensive loss is comprised of the following:

**Shaw Communications Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)****February 28, 2007 and 2006****[all amounts in thousands of Canadian dollars, except per share amounts]**

	<b>February 28, 2007</b>	<b>August 31, 2006</b>
	\$	\$
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized foreign exchange gain on translation of self-sustaining foreign operations	<b>356</b>	330
Fair value of derivatives (7)	<b>(78,419)</b>	(103,114)
Minimum liability for pension plan (10)	<b>(14,392)</b>	(14,392)
	<b>(92,455)</b>	(117,176)

Areas of material difference between accounting principles generally accepted in Canada and the United States and their impact on the unaudited interim Consolidated Financial Statements are as follows:

- (1) Amortization of intangibles prior to September 1, 2001 is required on a straight-line basis for US GAAP purposes, instead of an increasing charge method.
- (2) US GAAP requires the excess of equipment cost deferrals over equipment revenue deferrals to be expensed as incurred instead of being deferred and amortized.
- (3) Equity in loss of investees have been adjusted to reflect US GAAP.
- (4) Gain on a sale of a subsidiary that was not permitted to be recognized under Canadian GAAP was required to be recognized under US GAAP.
- (5) Gain on an exchange of cable systems was required to be recorded under US GAAP but may not be recorded under Canadian GAAP.
- (6) US GAAP requires equity securities included in investments to be carried at fair value rather than cost as required by Canadian GAAP.
- (7) Under US GAAP, all derivatives are recognized in the balance sheet at fair value with gains and losses recorded in income or comprehensive income (loss).
- (8) Foreign exchange gains (losses) on translation of hedged long-term debt are deferred under Canadian GAAP but included in income (loss) for US GAAP.
- (9) US GAAP requires subscriber connection revenue and related costs to be recognized immediately instead of being deferred and amortized.
- (10) The Company's unfunded non-contributory defined benefit pension plan for certain of its senior executives had an accumulated benefit obligation of \$79,902 as at August 31, 2006. Under US GAAP, an additional minimum liability is to be recorded for the difference between the accumulated benefit obligation and the accrued pension

liability. The additional liability is offset in deferred charges up to an amount not exceeding the unamortized past service costs. The remaining difference is recognized in other comprehensive income (loss), net of tax. Under Canadian GAAP, the accumulated benefit obligation and additional minimum liability are not recognized.

**Shaw Communications Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)**

**February 28, 2007 and 2006**

**[all amounts in thousands of Canadian dollars, except per share amounts]**

**9. OTHER LONG-TERM LIABILITIES**

Other long-term liabilities include the long-term portion of the Company's defined benefit pension plan of \$49,580 (August 31, 2006 \$37,724). The total benefit costs expensed under the Company's defined benefit pension were \$8,910 (2006 \$3,425), and \$12,821 (2006 \$6,850) for the three and six months ended February 28, 2007 respectively.

**10. SUBSEQUENT EVENT**

On March 2, 2007, the Company issued \$400,000 of senior unsecured notes at a rate of 5.70% due March 2, 2017.

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**Form 52-109F2 Certification of Interim Filings**

I, Jim Shaw, Chief Executive Officer of Shaw Communications Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings*) of Shaw Communications Inc. (the issuer), for the interim period ending February 28, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 13, 2007

(signed) Jim Shaw

Jim Shaw  
Chief Executive Officer

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**Form 52-109F2 Certification of Interim Filings**

I, Steve Wilson, Senior Vice President and Chief Financial Officer of Shaw Communications Inc., certify that:

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers Annual and Interim Filings*) of Shaw Communications Inc. (the issuer), for the interim period ending February 28, 2007;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: April 13, 2007

(signed) Steve Wilson

Steve Wilson  
Senior Vice President and Chief Financial Officer