SHAW COMMUNICATIONS INC
Form 6-K
April 13, 2012

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, 2012

Shaw Communications Inc.

(Translation of registrant s name into English)

Suite 900, 630 3rd 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 x

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 x

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, 2012

Shaw Communications Inc.

By: /s/ Steve Wilson
Steve Wilson

Sr. V.P., Chief Financial Officer

Shaw Communications Inc.

NEWS RELEASE

Shaw announces second quarter financial and operating results

Calgary, Alberta (April 13, 2012) Shaw Communications Inc. announced consolidated financial and operating results for the three and six months ended February 29, 2012 and February 28, 2011. Consolidated revenue for the three and six month periods of $1.23 billion and $2.51 billion, respectively, was up 3% and 10% over the comparable periods last year. Total operating income before amortization[1] of $493 million declined 2% over the comparable quarterly period and the year-to-date amount of $1.06 billion, improved almost 8%.

Free cash flow[1] for the three and six month periods was $57 million and $176 million, respectively, compared to $174 million and $328 million for the same periods last year. Higher capital investment in the current periods related to various strategic initiatives and customer equipment subsidies were the main drivers of the decline.

Chief Executive Officer Brad Shaw said, We continue to execute on our strategic initiatives in this highly competitive environment, focusing on technology, customer service and value leadership. Our technology initiatives, including our Wi-Fi build and Digital Network Upgrade progressed as planned during the quarter. Through our upgraded network, Shaw EXO , we continue to lead and innovate, providing customers with the best in entertainment and technology offerings. We have made the necessary investments in customer service, adding staff and opening three new customer service centres, to ensure we deliver an exceptional customer experience. We have continued to refine our product packaging and recently implemented new EXO bundles that provide everyday value to our customers. Our focus is showing results as we gained momentum in subscriber growth during the quarter.

Net income from continuing operations of $178 million or $0.38 per share for the quarter ended February 29, 2012 compared to $172 million or $0.38 per share for the same period last year. Net income from continuing operations for the first six months of the year was $380 million or $0.81 per share compared to $189 million or $0.41 per share last year. All periods included non-operating items which are more fully detailed in Management s Discussions and Analysis (MD&A)[3]. The prior year-to-date period included a charge of $139 million for the discounted value of the CRTC benefit obligation related to the acquisition of Shaw Media, as well as business acquisition, integration and restructuring expenses of $61 million. Excluding the non-operating items, net income from continuing operations for the three and six month periods ended February 29, 2012 would have been $178 million and $388 million, respectively, compared to $171 million and $335 million in the same periods last year.

Revenue in the Cable division was up 5% for each of the three and six month periods, respectively, to $804 million and $1.60 billion. Operating income before amortization for the quarter of $352 million was down 5% compared to the same quarter last year and the year-to-date period was up 1%, to $729 million.

Revenue in the Satellite division was $211 million and $420 million for the three and six month periods, respectively, up from $204 million and $410 million for the same periods last year. Operating income before amortization for the current quarter and year-to-date period of $71 million and $140 million were comparable to the same periods last year.

Revenue in the Media division for the three and six month periods was $242 million and $541 million, respectively, and operating income before amortization was $70 million and $190 million. For the current quarter this represents an improvement of almost 8% in operating before amortization compared to the same quarter last year. For informational purposes, on a comparative basis to last year, Media revenues and operating income before amortization for the full six month period were each down approximately 2%.

Margin compression occurred in the Cable division during the quarter as new marketing strategies were employed, incremental expenses were incurred getting the new customer service centers on line, and revenue declined for several months mainly due to customer package migration and increased promotional activity. Softness in the advertising market also continued in the Media division due to ongoing global economic concerns. These have put short term pressure on financial results and financial guidance. As a result the Corporation is revising guidance and now expects to deliver consolidated free cash flow of approximately $450 million. Also anticipated is a marginal decline in Cable operating income before amortization year-over-year, modest growth in Satellite, and consistent operating income on a full year-over-year comparative basis in Media.

Brad Shaw concluded, For the remainder of this year we plan to continue to execute on and invest in our strategic initiatives and focus on sustainable growth. We believe our Digital Network Upgrade and our Wi-Fi build continue to increase the value of our existing services and maintain our technology leadership. We plan to work to exceed the expectations of our existing customers and continue to compete for new subscriber opportunities.

In January the Board of Directors approved a 5% increase in the equivalent annual dividend rate to $0.97 on Shaw s Class B Non-Voting Participating shares and $0.9675 on Shaw s Class A Participating shares. This new rate was effective commencing with the monthly dividends paid on March 29, 2012.

Shaw Communications Inc. is a diversified communications and media company, providing consumers with broadband cable television, High-Speed Internet, Home Phone, telecommunications services (through Shaw Business), satellite direct-to-home services (through Shaw Direct) and engaging programming content (through Shaw Media). Shaw serves 3.4 million customers, through a reliable and extensive fibre network. Shaw Media operates one of the largest conventional television networks in Canada, Global Television, and 18 specialty networks including HGTV Canada, Food Network Canada, History Television and Showcase. 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).

The accompanying Management s Discussion and Analysis forms part of this news release and the Caution Concerning Forward Looking Statements applies to all forward-looking statements made in this news release.

For more information, please contact:

Shaw Investor Relations

Investor.relations@sjrb.ca

1 See definitions and discussion under Key Performance Drivers in MD&A.
2 See reconciliation of Net income from continuing operations in Consolidated Overview in MD&A.

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS

FEBRUARY 29, 2012

April 13, 2012

Certain statements in this report may constitute forward-looking statements. Included herein is a Caution Concerning Forward-Looking Statements section which should be read in conjunction with this report.

The following Management s Discussion and Analysis (MD&A) should also be read in conjunction with the unaudited interim consolidated Financial Statements and Notes thereto of the current quarter, the 2011 Annual MD&A included in the Company s August 31, 2011 Annual Report including the Consolidated Financial Statements and the Notes thereto.

The financial information presented herein has been prepared on the basis of International Financial Reporting Standards (IFRS) for interim financial statements and is expressed in Canadian dollars unless otherwise stated. The amounts in this MD&A and the Company s interim financial statements for the period ended February 28, 2011 have been restated to reflect the adoption of IFRS, with effect from September 1, 2010. Periods prior to September 1, 2010 have not been restated and are prepared in accordance with Canadian GAAP. Refer to note 13 of the February 29, 2012 interim financial statements for a summary of the differences between the financial statements previously prepared under Canadian GAAP and to those under IFRS.

The unaudited IFRS related disclosures and values in this MD&A have been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Company s first annual IFRS reporting period, August 31, 2012. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of policies to certain transactions or circumstances may be modified and as a result, the February 29, 2012 and August 31, 2011 underlying values prepared on a basis consistent with IFRS are subject to change.

CONSOLIDATED RESULTS OF OPERATIONS

SECOND QUARTER ENDING FEBRUARY 29, 2012

Selected Financial Highlights

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn except per share amounts)						
Operations:						
Revenue	**1,231**	1,196	2.9	**2,510**	2,275	10.3
Operating income before amortization [1]	**493**	505	(2.4)	**1,059**	984	7.6
Operating margin [1]	**40.0%**	42.2%	(2.2)	**42.2%**	43.3%	(1.1)
Funds flow from continuing operations [2]	**164**	384	(57.3)	**520**	649	(19.9)
Net income from continuing operations	**178**	172	3.5	**380**	189	>100.0
Per share data:						
Earnings per share from continuing operations						
Basic	**0.38**	0.38		**0.81**	0.41	
Diluted	**0.38**	0.38		**0.80**	0.41	
Weighted average participating shares outstanding during period (millions)	**440**	434		**439**	434	

(1) See definitions and discussion under Key Performance Drivers in MD&A.

(2) Funds flow from continuing operations is before changes in non-cash working capital balances related to continuing operations as presented in the unaudited interim Consolidated Statements of Cash Flows.

Shaw Communications Inc.

Subscriber Highlights

	Total	Three months ended		Six months ended	
	February 29, 2012	**February 29, 2012**	February 28, 2011	**February 29, 2012**	February 28, 2011
Subscriber statistics:					
Basic cable customers	**2,257,061**	**(9,946)**	(13,662)	**(32,714)**	(21,204)
Digital customers	**1,925,518**	**46,564**	35,403	**106,130**	97,619
Internet customers (including pending installs)	**1,906,597**	**18,681**	10,772	**29,366**	29,524
Digital phone lines (including pending installs)	**1,310,417**	**54,407**	32,512	**77,376**	82,354
DTH customers	**910,688**	**1,274**	2,176	**1,805**	637

Additional Highlights

Revenue of $1.23 billion and $2.51 billion for the three and six month periods improved 3% and 10% over the comparable periods last year.

Free cash flow[1] for the quarter and year-to-date periods was $57 million and $176 million, respectively, compared to $174 million and $328 million for the same periods last year.

In January the Board of Directors approved a 5% increase in the equivalent annual dividend rate to $0.97 on Shaw s Class B Non-Voting Participating shares and $0.9675 on Shaw s Class A Participating shares. This new rate was effective commencing with the monthly dividends paid on March 29, 2012.

Consolidated Overview

Consolidated revenue of $1.23 billion and $2.51 billion for the three and six month periods, respectively, improved 2.9% and 10.3% over the same periods last year. Both the current periods benefited from rate increases in the Cable and Satellite divisions while the year-to-date period also included a full six months of revenue from Shaw Media. Consolidated operating income before amortization for the three month period of $493 million declined 2.4% compared to the same period last year. On a year-to-date basis operating income before amortization was up 7.6% to $1.06 billion. The current year-to-date period included two full quarters of Shaw Media and revenue related growth in the Cable and Satellite divisions, partially offset by higher programming, employee related costs, and sales and marketing expenses.

Net income from continuing operations was $178 million and $380 million for the three and six months ended February 29, 2012, respectively, compared to $172 million and $189 million for the same periods last year. Non-operating items affected net income in both periods. The prior period included a charge of $139 million for the discounted value of the CRTC benefit obligation, net of incremental revenues, related to the Media acquisition, as well as business acquisition, integration and restructuring expenses of $61 million. Outlined below are further details on these and other operating and non-operating components of net income from continuing operations for each period.

[1] See definitions and discussion under Key Performance Drivers in MD&A.

Shaw Communications Inc.

($millions Cdn)	Six months ended February 29, 2012	Operating net of interest	Non-operating	Six months ended February 28, 2011	Operating net of interest	Non-operating
Operating income	**658**			612		
Amortization of financing costs long-term debt	**(2)**			(2)		
Interest expense	**(165)**			(154)		
Operating income after interest	**491**	**491**		456	456	
Gain on repurchase of debt				10		10
CRTC benefit obligation				(139)		(139)
Business acquisition, integration and restructuring expenses				(61)		(61)
Gain (loss) on derivative instruments	**1**		**1**	(23)		(23)
Accretion of long-term liabilities and provisions	**(7)**		**(7)**	(6)		(6)
Foreign exchange gain on unhedged long-term debt				23		23
Other gains (losses)	**(5)**		**(5)**	7		7
Income (loss) before income taxes	**480**	**491**	**(11)**	267	456	(189)
Current income tax expense (recovery)	**146**	**148**	**(2)**	115	126	(11)
Deferred income tax recovery	**(45)**	**(45)**		(23)	(5)	(18)
Income (loss) before following	**379**	**388**	**(9)**	175	335	(160)
Equity income from associates	**1**		**1**	14		14
Net income (loss) from continuing operations	**380**	**388**	**(8)**	189	335	(146)

($millions Cdn)	Three months ended February 29, 2012	Operating net of interest	Non-operating	Three months ended February 28, 2011	Operating net of interest	Non-operating
Operating income	**286**			313		
Amortization of financing costs long-term debt	**(1)**			(1)		
Interest expense	**(83)**			(85)		
Operating income after interest	**202**	**202**		227	227	
Gain on repurchase of debt				10		10
Business acquisition, integration and restructuring expenses				(3)		(3)
Gain (loss) on derivative instruments	**1**		**1**	(22)		(22)
Accretion of long-term liabilities and provisions	**(3)**		**(3)**	(4)		(4)
Foreign exchange gain on unhedged long-term debt				20		20
Other gains	**1**		**1**	5		5
Income (loss) before income taxes	**201**	**202**	**(1)**	233	227	6
Current income tax expense (recovery)	**62**	**64**	**(2)**	60	66	(6)
Deferred income tax expense (recovery)	**(38)**	**(40)**	**2**	1	(10)	11
Income (loss) before following	**177**	**178**	**(1)**	172	171	1
Equity income from associates	**1**		**1**			
Net income from continuing operations	**178**	**178**		172	171	1

The changes in net income from continuing operations are outlined in the table below.

	February 29, 2012 net income from continuing operations compared to:		
	Three months ended		Six months ended
	November 30, 2011	February 28, 2011	February 28, 2011
($millions Cdn)			
Increased (decreased) operating income before before amortization	(73)	(12)	75
Increased amortization	(13)	(15)	(29)
Decreased (increased) interest expense	(1)	2	(11)
Change in net other costs and revenue [1]	10	(6)	165
Decreased (increased) income taxes	53	37	(9)
	(24)	6	191

[1] Net other costs and revenue includes gain on repurchase of debt, CRTC benefit obligation, business acquisition, integration and restructuring expenses, gain (loss) on derivative instruments, accretion of long-term liabilities and provisions, foreign exchange gain on unhedged long-term debt, other gains (losses) and equity income from associates as detailed in the unaudited interim Consolidated Statements of Income.

Basic earnings per share were $0.38 and $0.81 for the quarter and year-to-date, respectively, compared to $0.38 and $0.41 in the same periods last year. In the current quarter, reduced operating income before amortization of $12 million and increased amortization of $15 million were offset by lower income taxes of $37 million. The lower taxes included a tax recovery related to the resolution of certain tax matters with Canada Revenue Agency (CRA). The year-to-date increase was primarily due to the favorable change in net other costs and revenue of $165 million along with improved operating income before amortization of $75 million, both of which were partially reduced by increased amortization of $29 million and interest expense of $11 million. The change in net other costs and revenue was primarily due to amounts included in the prior year related to the CRTC benefit obligation and various acquisition, integration and restructuring costs. Operating income before amortization was up in the current period mainly due to the inclusion of Shaw Media for the full six months.

Net income in the current quarter decreased $24 million compared to the first quarter of fiscal 2012 mainly due to lower operating income before amortization of $73 million, due to seasonality in the Media business as well as lower operating income in the Cable division, partially offset by reduced income taxes of $53 million, due to the lower operating income before amortization as well as the tax recovery related to the resolution reached with CRA on certain tax matters.

Free cash flow for the quarter and year-to-date periods of $57 million and $176 million, respectively, compared to $174 million and $328 million in the same periods last year. The decrease in the current quarter was mainly due to higher capital investment of $87 million related to strategic initiatives, including the Digital Network Upgrade (DNU) and Wi-Fi build, as well as higher customer equipment subsidies. The lower year-to-date amount was mainly due to higher capital investment of $137 million related to the strategic initiatives and customer equipment subsidies, as well as increased interest and cash taxes of $21 million and $22 million, respectively, partially reduced by improved operating income before amortization of $75 million. Operating income before amortization was up primarily due to the full six month inclusion of Media.

Shaw Communications Inc.

Key Performance Drivers

The Company s continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company s continuous disclosure documents may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings, and sub-totals included in the financial statements. 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 operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. The non-IFRS financial measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance required by IFRS.

The following contains a listing of non-IFRS financial measures and additional GAAP measures used by the Company and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before amortization and operating margin

Operating income before amortization is calculated as 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. 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. 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 operating income before amortization by revenue.

Free cash flow

The Company utilizes this measure to assess the Company s ability to repay debt and return cash to shareholders.

Free cash flow is calculated as operating income before amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), adjusted to exclude share-based compensation expense, less cash amounts associated with funding the new and assumed CRTC benefit obligations related to the acquisition of Shaw Media as well as excluding non-controlling interest amounts that are consolidated in the operating income before amortization, capital expenditure and cash tax amounts. Free cash flow also includes changes in receivable related balances with respect to customer equipment financing transactions as a cash item, and is adjusted for cash funding of pension amounts net of pension expense. Dividends paid on the Company s Cumulative Redeemable Rate Reset Preferred Shares are also deducted.

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Commencing in 2012 free cash flow has not been reported on a segmented basis. Certain components of free cash flow including operating income before amortization, capital expenditures (on an accrual basis) net of proceeds on capital dispositions and equipment costs (net), CRTC benefit obligation funding, and non-controlling interest amounts continue to be reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow is calculated as follows:

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011 [2]	Change %	**February 29, 2012**	February 28, 2011 [2]	Change %
($millions Cdn)						
Revenue						
Cable	**804**	769	4.6	**1,596**	1,527	4.5
Satellite	**211**	204	3.4	**420**	410	2.4
Media	**242**	244	(0.8)	**541**	369	46.6
	1,257	1,217	3.3	**2,557**	2,306	10.9
Intersegment eliminations	**(26)**	(21)	23.8	**(47)**	(31)	51.6
	1,231	1,196	2.9	**2,510**	2,275	10.3
Operating income before amortization [1]						
Cable	**352**	369	(4.6)	**729**	722	1.0
Satellite	**71**	71		**140**	140	
Media	**70**	65	7.7	**190**	122	55.7
	493	505	(2.4)	**1,059**	984	7.6
Capital expenditures and equipment costs (net):						
Cable	**234**	156	50.0	**457**	334	36.8
Satellite	**25**	18	38.9	**50**	42	19.0
Media	**7**	5	40.0	**13**	7	85.7
Total as per Note 3 to the unaudited interim Consolidated Financial Statements	**266**	179	48.6	**520**	383	35.8
Free cash flow before the following	**227**	326	(30.4)	**539**	601	(10.3)
Less:						
Interest	**(82)**	(79)	3.8	**(164)**	(143)	14.7
Cash taxes	**(64)**	(66)	(3.0)	**(148)**	(126)	17.5
Other adjustments:						
Non-cash share-based compensation	**1**	2	(50.0)	**3**	5	(40.0)
CRTC benefit obligation funding	**(11)**	(5)	>100.0	**(21)**	(7)	>100.0
Non-controlling interests	**(9)**	(7)	28.6	**(20)**	(11)	81.8
Pension adjustment	**4**	3	33.3	**8**	9	(11.1)
Customer equipment financing	**(5)**		>100.0	**(13)**		>100.0
Preferred share dividends	**(4)**		>100.0	**(8)**		>100.0
Free cash flow [1]	**57**	174	(67.2)	**176**	328	(46.3)

Operating margin [1]						
Cable	**43.8%**	48.0%	(4.2)	**45.7%**	47.3%	(1.6)
Satellite	**33.6%**	34.8%	(1.2)	**33.3%**	34.1%	(0.8)
Media	**28.9%**	26.6%	2.3	**35.1%**	33.1%	2.0

(1) See definitions and discussion under Key Performance Drivers in MD&A.

(2) Restated to reflect changes in the calculation related to the pension adjustment and customer equipment financing.

Shaw Communications Inc.

CABLE

FINANCIAL HIGHLIGHTS

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn)						
Revenue	**804**	769	4.6	**1,596**	1,527	4.5
Operating income before amortization [(1)]	**352**	369	(4.6)	**729**	722	1.0
Capital expenditures and equipment costs (net):						
New housing development	**27**	20	35.0	**49**	46	6.5
Success based	**75**	43	74.4	**165**	106	55.7
Upgrades and enhancement	**91**	62	46.8	**178**	124	43.5
Replacement	**10**	11	(9.1)	**21**	23	(8.7)
Buildings and other	**31**	20	55.0	**44**	35	25.7
Total as per Note 3 to the unaudited interim Consolidated Financial Statements	**234**	156	50.0	**457**	334	36.8
Operating margin [(1)]	**43.8%**	48.0%	(4.2)	**45.7%**	47.3%	(1.6)

(1) See definitions and discussion under Key Performance Drivers in MD&A.

Operating Highlights

Digital Phone lines increased 54,407 during the three month period to 1,310,417 and Internet was up 18,681 to total 1,906,597 as at February 29, 2012. During the quarter Basic cable subscribers decreased 9,946.

Digital customers increased 46,564 during the quarter to 1,925,518. Shaw s Digital penetration of Basic is now 85.3%, up from 79.5% and 70.7% at August 31, 2011 and 2010, respectively.

Cable revenue for the three and six month periods of $804 million and $1.60 billion improved 4.6% and 4.5%, respectively, over the comparable periods last year. Rate increases and customer growth in Internet and Digital Phone partially offset by lower Basic subscribers accounted for the improvement.

Operating income before amortization of $352 million for the quarter decreased 4.6% over the same period last year. Revenue growth was more than offset by increased sales and marketing costs of $18 million, higher programming amounts of $13 million related to new services and increased rates as contracts renewed, and higher employee related amounts of $10 million mainly related to bringing the new customer service centres on line.

Margin compression occurred during the quarter as new marketing strategies were employed, incremental expenses were incurred related to the new customer service centers, and revenue declined for several months mainly due to customer package migration and increased promotional activity.

Operating income before amortization for the year-to-date period increased modestly over last year. The revenue improvement of $69 million was reduced by higher programming amounts of $21 million related to new services and increased rates as contracts renewed, higher sales and marketing costs of $17 million, increased employee related amounts of $12 million mainly related to bringing the new customer service centres on line, and various other cost increases.

Shaw Communications Inc.

Revenue increased 1.5% over the first quarter of fiscal 2012 primarily due to rate increases. Growth in Internet, VOD and Digital Phone were offset by lower Basic cable subscribers, customer migration to lower priced packages, and higher promotional discounts. Operating income before amortization declined $25 million over this same period primarily due to higher employee related amounts of $12 million mainly related to bringing the new customer service centres on line, increased sales and marketing costs of $12 million, as well as higher programming costs of $5 million related to increased rates as contracts renewed.

Total capital investment of $234 million for the quarter increased $78 million over the same period last year. Capital investment for the six month period of $457 million was $123 million higher than the same period last year.

Success-based capital was up $32 million and $59 million over the comparable three and six month periods, respectively. The increases were primarily due to higher subsidies on sales of HDPVRs resulting from lower customer pricing and increased volumes, deployment of digital set-top boxes related to the DNU, and spend on wireless internet modems in support of new broadband offerings. The increase in the year-to-date success based capital was partially offset by lower HDPVR rentals and phone modem purchases.

Investment in Upgrades and enhancement and Replacement categories combined increased $28 million and $52 million for the quarter and year-to-date periods, respectively, compared to the same periods last year. The current quarter and year-to-date investment included higher spending on hub upgrades and network electronics related to the DNU, Digital Phone infrastructure to support business growth and soft-switch upgrades, and investment related to the Wi-Fi build.

Investment in Buildings and other was up $11 million and $9 million over the comparable three and six month periods last year. The increase was mainly due to higher spend related to back office infrastructure replacement projects, as well as increased facility amounts related to the new Calgary data centre and customer service centres. The year-to-date increase was partially reduced by proceeds on the sale of redundant real estate and other corporate assets.

Spending in New housing development increased $7 million and $3 million over the comparable three and six month periods mainly due to higher activity and the timing of bulk purchases.

During the quarter Shaw announced the launch of its upgraded network SHAW EXO . With new services like 1080p HD quality on the Shaw Gateway, and On Demand television content from Global, CTV and CityTV, the EXO network delivers the latest in entertainment and technology to customers. Most recently Shaw broadcast coverage of the Masters in 3D-HD, giving subscribers a greenside seat on the back nine holes of Georgia s Augusta National Golf Club. These service offerings have led the way in Shaw exceeding the one million customer milestone in HD capable subscribers.

Shaw Communications Inc.

Shaw Business announced successful bids in the quarter including contracts with the City of Calgary and Snamprogetti Canada. Telecommunication services provided by Shaw Business deliver standard and customized offerings on a competitive basis.

Subscriber Statistics

			February 29, 2012			
			Three months ended		Six months ended	
	February 29, 2012	August 31, 2011	Growth	Change %	Growth	Change %
CABLE:						
Basic service:						
Actual	**2,257,061**	2,289,775	(9,946)	(0.4)	(32,714)	(1.4)
Penetration as % of homes passed	**57.7%**	59.0%				
Digital customers	**1,925,518**	1,819,388	46,564	2.5	106,130	5.8
INTERNET:						
Connected and scheduled	**1,906,597**	1,877,231	18,681	1.0	29,366	1.6
Penetration as % of basic	**84.5%**	82.0%				
Standalone Internet not included in basic cable	**203,535**	217,068	(6,726)	(3.2)	(13,533)	(6.2)
DIGITAL PHONE:						
Number of lines [1]	**1,310,417**	1,233,041	54,407	4.3	77,376	6.3

[1] Represents primary and secondary lines on billing plus pending installs.

SATELLITE (DTH and Satellite Services)

FINANCIAL HIGHLIGHTS

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn)						
Revenue						
DTH (Shaw Direct)	**191**	184	3.8	**380**	369	3.0
Satellite Services	**20**	20		**40**	41	(2.4)
	211	204	3.4	**420**	410	2.4
Operating income before amortization [1]						
DTH (Shaw Direct)	**61**	60	1.7	**120**	119	0.8
Satellite Services	**10**	11	(9.1)	**20**	21	(4.8)
	71	71		**140**	140	
Capital expenditures and equipment costs (net):						
Success based [2]	**22**	17	29.4	**45**	40	12.5

Buildings and other	**3**	1	>100.0	**5**	2	>100.0
Total as per Note 3 to the unaudited interim Consolidated Financial Statements	**25**	18	38.9	**50**	42	19.0
Operating margin [(1)]	**33.6%**	34.8%	(1.2)	**33.3%**	34.1%	(0.8)

(1) See definitions and discussion under Key Performance Drivers in MD&A.
(2) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

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Operating Highlights

During the quarter Shaw Direct had a net gain of 1,274 customers and as at February 29, 2012 DTH customers totaled 910,688. Revenue of $211 million and $420 million for the three and six month periods, respectively, was up 3.4% and 2.4% over the same periods last year. The improvement was primarily due to rate increases. Operating income before amortization of $71 million and $140 million for the three and six months, respectively, were comparable with the same periods last year.

Operating income before amortization improved $2 million over the first quarter of fiscal 2012 primarily due to the full quarter impact of the November 2011 rate increases.

Total capital investment of $25 million and $50 million for the three and six month periods, respectively, compared to $18 million and $42 million in the same periods last year. The year-to-date increase was mainly due to new customer activations, customer equipment upgrades to new receivers, outfitting outdoor equipment to access triple satellites, and purchases of certain ground equipment to uplink to the Anik G1 satellite. Construction of Anik G1, which will provide capacity to add over 100 HD channels, continues to progress and is on track for a fall launch.

During the quarter Shaw Direct launched Food TV HD and year-to-date has added ten HD channels. Most recently Shaw Direct broadcast coverage of the Masters in 3D-HD. Shaw Direct has over 540,000 HD subscribers representing an HD penetration of approximately 60%.

Subscriber Statistics

			February 29, 2012			
			Three months ended		Six months ended	
	February 29, 2012	August 31, 2011	Growth	Change %	Growth	Change %
DTH customers [1]	**910,688**	908,883	1,274	0.1	1,805	0.2

[1] Including seasonal customers who temporarily suspend their service.

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MEDIA

FINANCIAL HIGHLIGHTS

	Three months ended			Six months ended	Period from	
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	October 27, 2010 to February 28, 2011	Change %
($millions Cdn)						
Revenue	**242**	244	(0.8)	**541**	369	46.6
Operating income before amortization [1]	**70**	65	**7.7**	**190**	122	**55.7**
Capital expenditures:						
Broadcast and transmission	**3**	2	50.0	**6**	3	100.0
Buildings and other	**4**	3	33.3	**7**	4	75.0
Total as per Note 3 to the unaudited interim Consolidated Financial Statements	**7**	5	40.0	**13**	7	85.7
Other adjustments:						
CRTC benefit obligation funding	**(11)**	(5)	>100.0	**(21)**	(7)	>100.0
Non-controlling interests	**(9)**	(7)	28.6	**(20)**	(11)	81.8
Operating margin [1]	**28.9%**	26.6%	2.3	**35.1%**	33.1%	2.0

(1) See definitions and discussion under Key Performance Drivers in MD&A.

Operating Highlights

Revenue and operating income before amortization for the quarter was $242 million and $70 million, respectively. Although revenue was down marginally compared to the same period last year mainly due to lower advertising revenues, operating income improved 7.7% primarily due to lower programming costs and marketing expenses. For the six months ending February 29, 2012 revenue was $541 million and operating income before amortization was $190 million. Advertising revenue in the six months was driven by growth in the media, government, household supplies, and alcohol beverages categories. For informational purposes, on a comparative basis to the full six months ended February 28, 2011, each of Media revenues and operating income before amortization were down approximately 2%, reflecting the softness in the advertising market as a result of the economic uncertainty.

Compared to the first quarter of fiscal 2012, revenue and operating income before amortization decreased $57 million and $50 million, respectively. The declines were primarily due to the cyclical nature of the Media business, with higher advertising revenues in the first quarter driven by the fall launch of season premieres and high demand.

During the current quarter, Global launched Global National Mandarin, the first Mandarin language newscast produced by a national network in Canada, and continued the Morning News show launches with the Winnipeg Morning News. In addition, Global delivered solid programming results, increasing the number of top 10 and 20 positions nationally. Mid-season premieres on Global include Touch, which delivered strong audience in its special premiere that aired in January, and Awake.

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Media s Specialty schedule continued to deliver solid results with History, Showcase and HGTV delivering shows in the top 25 entertainment specialty programs. The digital channels also performed well with seven of Media s digital channels positioned in the spring top 10 digital rankers under the adult 25-54 category, with National Geographic and Action holding the number one and two spots, respectively.

Capital investment in the quarter continued on various projects and included upgrading production equipment, infrastructure and facility investments.

OTHER INCOME AND EXPENSE ITEMS

Amortization

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn)						
Amortization revenue (expense) -						
Deferred equipment revenue	**28**	26	7.7	**56**	53	5.7
Deferred equipment costs	**(57)**	(50)	14.0	**(110)**	(102)	7.8
Property, plant and equipment, intangibles and other	**(178)**	(168)	6.0	**(347)**	(323)	7.4

Amortization of deferred equipment revenue and deferred equipment costs increased over the comparative periods due to the sales mix of equipment, changes in customer pricing on certain equipment and the impact of rental programs.

Amortization of property, plant and equipment, intangibles and other increased over the comparable periods as the amortization of new expenditures and inclusion of the Media division for the full six months in the current year exceeded the impact of assets that became fully depreciated.

Amortization of financing costs and Interest expense

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn)						
Amortization of financing costs long-term debt	**1**	1		**2**	2	
Interest expense	**83**	85	(2.4)	**165**	154	7.1

Interest expense fluctuated over the comparative periods primarily due to changes in debt levels. Approximately $1 billion was required to complete the Media acquisition in October 2010 including repayment of a term loan and breakage of related currency swaps. The transaction was initially funded by the Company s credit facility which was subsequently repaid during the second quarter of 2011 with the net proceeds from the three senior notes offerings totaling $1.3 billion. In addition, the Company assumed US $338 million senior unsecured notes as part of the Media transaction of which US $56 million were repurchased in December 2010 and remaining US $282 million redeemed in the fourth quarter of 2011.

Gain on repurchase of debt

During the second quarter of the prior year, the Company repurchased and cancelled US $56 million of the Media unsecured notes and recorded a gain of $10 million as result of recognizing the related remaining unamortized acquisition date fair value adjustment.

CRTC benefit obligation

As part of the CRTC decision approving the Media acquisition during the first quarter of 2011, the Company is required to contribute approximately $180 million in new benefits to the Canadian broadcasting system over the following seven years. The fair value of the obligation of $139 million was recorded in the income statement.

Business acquisition, integration and restructuring expenses

During the three and six months ended February 28, 2011, the Company recorded $3 million and $61 million, respectively related to the acquisition of the broadcasting business of Canwest and organizational restructuring. Amounts included acquisition related costs to effect the acquisition, such as professional fees paid to lawyers and consultants. The integration and restructuring costs related to integrating the new business and increasing organizational effectiveness for future growth as well as package costs for the former CEO of Shaw.

Gain (loss) on derivative instruments

For derivative instruments where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, the Company records changes in the fair value of derivative instruments in the income statement. In addition, the Media senior unsecured notes had a variable prepayment option which represented an embedded derivative that was accounted for separately at fair value until the Company gave notice of redemption in the fourth quarter of 2011. The fluctuation in amounts recorded in 2012 compared to 2011 is due to a reduction in the number of outstanding contracts as well as the amounts recorded in respect of the embedded derivative in the prior year.

Accretion of long-term liabilities and provisions

The Company records accretion expense in respect of the discounting of certain long-term liabilities and provisions which are accreted to their estimated value over their respective terms. The expense is primarily in respect of CRTC benefit obligations as well as the liability which arose in 2010 when the Company entered into amended agreements with the counterparties to certain cross-currency agreements to fix the settlement of the principal portion of the swaps in December 2011.

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Foreign exchange gain on unhedged long-term debt

In conjunction with the Media business acquisition in October 2010, the Company assumed a US $390 million term loan and US $338 million senior unsecured notes. Shortly after closing the acquisition, the Company repaid the term loan including breakage of the related cross currency interest rate swaps. A portion of the senior unsecured notes were repurchased during the second quarter of 2011 and the Company elected to redeem the remaining notes in the fourth quarter. As a result of fluctuations of the Canadian dollar relative to the US dollar, foreign exchange gains of $20 million and $23 million were recorded for the three and six months ended February 28, 2011, respectively.

Other gains (losses)

This category generally includes 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.

Income taxes

Income taxes fluctuated over the comparative periods due to a tax recovery included in the current quarter related to resolution with CRA on certain tax matters.

Equity income from associates

During the first quarter of the prior year, the Company recorded income of $14 million primarily in respect of its 49.9% equity interest in CW Media Investments Co. (CW Media) for the period September 1 to October 26, 2010. On October 27, 2010, the Company acquired the remaining equity interest in CW Media as part of its purchase of all the broadcasting assets of Canwest. Results of operations are consolidated effective October 27, 2010. The remaining equity income is in respect of interests in several specialty channels.

Loss from discontinued operations

During the fourth quarter of 2011, the Company discontinued further construction of its traditional wireless network and accordingly, all traditional wireless activities in the comparative year have been classified as discontinued operations.

RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company s August 31, 2011 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 29, 2012 were relatively unchanged from August 31, 2011 at $12.6 billion. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2011.

Current assets decreased $197 million primarily due to decreases in cash of $286 million and assets held for sale of $15 million partially offset by increases in accounts receivable of $41 million, inventories of $43 million and other current assets of $21 million. Cash decreased as the cash outlay for investing and financing activities exceeded the funds provided by operations. Assets held for sale decreased as the sale of the wireless assets was completed during the first quarter. Accounts receivable were up primarily due to higher advertising revenue during the second quarter of the current year in comparison to the fourth quarter of the prior year and higher subscriber receivables including the impact of customer equipment financing. Inventories were higher due to timing of equipment purchases while other current assets were up primarily as a result of increases in program rights and prepaid maintenance and support contracts.

Investments increased $10 million primarily due to purchase of a minor investment.

Property, plant and equipment increased $72 million as current year capital investment exceeded amortization.

Other long-term assets were up $70 million primarily due to an increase in deferred equipment costs.

Intangibles increased $43 million due to higher program rights and advances. Program rights and advances (current and noncurrent) increased as advances and additional investment in acquired rights exceeded the amortization for the current year.

Current liabilities were up $263 million due to increases in income taxes payable of $32 million and current portion of long-term debt of $449 million partially offset by decreases in accounts payable and accrued liabilities of $49 million, other current liability of $161 million and derivative instruments of $8 million. Income taxes payable increased due to the current year provision partially offset by tax installment payments. The current portion of long-term debt increased and long-term debt decreased due to the reclassification of the 6.1% $450 million senior notes which are due in November 2012. Accounts payable and accrued liabilities decreased due to lower trade and other payables primarily in respect of timing of payment of capital expenditures. The other liability decreased due to settlement of previously amended cross-currency interest rate agreements and derivative instruments decreased due to settlement of contracts.

Deferred credits were up $16 million due to an increase in deferred equipment revenue.

Deferred income tax liabilities, net of deferred income tax assets, decreased $45 million due to the current year recovery.

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Shareholders equity increased $212 million primarily due to increases in share capital of $58 million, retained earnings of $146 million and non-controlling interests of $7 million. Share capital increased due to the issuance of 2,952,331 Class B Non-Voting Shares under the Company s option plan and Dividend Reinvestment Plan (DRIP). As of March 31, 2012, share capital is as reported at February 29, 2012 with the exception of the issuance of a total of 491,315 Class B Non-Voting Shares under the DRIP and upon exercise of options under the Company s option plan subsequent to the quarter end. Retained earnings increased due to current year earnings of $361 million partially offset by dividends of $215 million while non-controlling interests increased as their share of earnings exceeded the distributions declared during the year.

LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $176 million of free cash flow. Shaw used its free cash flow along with cash of $286 million and proceeds on issuance of Class B Non-Voting Shares of $10 million to fund the $162 million on settlement of amended cross-currency interest rate agreements, pay common share dividends of $155 million, fund the net change in working capital requirements and inventory of $90 million, invest an additional net $49 million in program rights, purchase an investment for $9 million and fund other items totaling $7 million.

During the current quarter, the Company entered into a five-year $1 billion bank credit facility which matures in January 2017. This facility replaces the prior credit facility which was scheduled to mature in May 2012. The new facility will be used for general corporate purposes.

On November 29, 2011 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 20,000,000 Class B Non-Voting Shares during the period December 1, 2011 to November 30, 2012. No shares have been repurchased during the current year.

The Company issues Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $47 million during the six months ending February 29, 2012.

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 refinance maturing debt.

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CASH FLOW

Operating Activities

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Change %	**February 29, 2012**	February 28, 2011	Change %
($millions Cdn)						
Funds flow from continuing operations	**164**	384	(57.3)	**520**	649	(19.9)
Net decrease (increase) in non-cash working capital balances related to continuing operations	**40**	(44)	>(100.0)	**(7)**	(244)	(97.1)
	204	340	(40.0)	**513**	405	26.7

Funds flow from continuing operations decreased over the comparative quarter due to lower operating income before amortization adjusted for non-cash program rights expenses, higher program rights purchases and the settlement of the amended cross-currency interest rate agreements in the current year. Funds flow from continuing operations decreased over the comparative six month period as the higher operating income before amortization adjusted for non-cash program rights expenses in the current year and charges in the prior year for termination of swap contracts and business acquisition, integration and restructuring expenses were more than offset by the combined impact of the settlement of the amended cross-currency interest rate agreements as well as higher interest, current income taxes, program rights purchases and CRTC benefit obligation funding in the current year. The net change in non-cash working capital balances related to continuing operations fluctuated over the comparative periods due to fluctuations in accounts receivable and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing Activities

	Three months ended			Six months ended		
	February 29, 2012	February 28, 2011	Increase	**February 29, 2012**	February 28, 2011	Decrease
($millions Cdn)						
Cash flow used in investing activities	**(320)**	(191)	129	**(625)**	(894)	(269)

The cash used in investing activities increased over the comparable quarter primarily due to higher capital expenditures in the current period. The cash used in investing activities decreased over the comparable six month period due to amounts paid to complete the Media business acquisition in the first quarter of 2011 partially offset by the aforementioned higher capital expenditures in the current year.

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Financing Activities

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

	Three months ended		Six months ended	
	February 29, 2012	February 28, 2011	**February 29, 2012**	February 28, 2011
($millions Cdn)				
Bank loans and bank indebtedness net borrowings (repayments)		(925)		75
Bank credit facility arrangement costs	**(4)**		**(4)**	
Issuance of Cdn $500 million 5.50% senior notes		498		498
Issuance of Cdn $800 million 6.75% senior notes		779		779
Senior notes issuance costs		(7)		(7)
Repayment of CW Media US $390 million term loan				(395)
Repurchase US $56 million of CW Media 13.5% senior notes		(56)		(56)
Senior notes repurchase premium		(1)		(1)
Dividends	**(83)**	(95)	**(163)**	(191)
Issue of Class B Non-Voting Shares	**3**	6	**10**	24