SHAW COMMUNICATIONS INC
Form 6-K
July 02, 2003

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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 June, 2003

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 o Form 40-F þ

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 o No þ

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

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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.

SHAW COMMUNICATIONS INC.

Date: June 27, 2003

By: /s/ R.D. Rogers

R.D. Rogers
Sr. V.P., Chief Financial Officer
Shaw Communications Inc.

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NEWS RELEASE

Shaw Communications announces Third Quarter Results continued strong growth in free cash flow and customer levels

Calgary, Alberta, June 27, 2003 Shaw Communications Inc. announced today that, on a consolidated basis, the Company achieved net positive free cash flow (FCF) of approximately $44.1 million in the third quarter, bringing the year to date amount to $40.3 million. The Cable business unit generated $60.2 million of free cash flow for the quarter compared to a negative amount of $13.1 million last year.

Jim Shaw, chief executive officer of Shaw Communications Inc. said: Last year we set a tough target for everyone at Shaw Communications Inc. cable division to achieve $105 million of free cash flow. With the focus, dedication and commitment of everyone on the Shaw team, we have already achieved year to date FCF of $132.2 million for cable, significantly exceeding our target .

Basic cable subscription increased by 7,009 customers over Q2; internet customers grew by 25,925 over Q2; and the digital customer base increased by 6,705 over Q2.

This third quarter customer subscription growth is significant because, historically, seasonal disconnections result in a drop in subscribers. In addition to building our customer base, we are noticing reduced churn as a result of the use of targeted sales, bundling strategies and improved customer offerings including the sale of cable modems and digital boxes. noted Mr. Shaw. This is the direct result of a commitment to customer service by all the Shaw Communications staff .

One of the bright lights of the quarter was continued customer growth at the company s Star Choice division where the addition of 8,259 subscribers pushed Star Choice past the 800,000 customer level.

Total revenue increased on a quarterly and year to date basis by 5.9% and 9.9% respectively, while operating income before amortization improved by 20.2% and 33.1%.

We have increased revenue by adding new customers, increasing rates, introducing new services such as HDTV and VOD to various markets, and expanding our bundling options for customers. Operating income has improved not only from revenue growth but also benefited from the positive impact of cost reductions and rationalization of operations undertaken in the

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past twelve months. Shaw continues to be one of North America s most successful cable operators, our senior management team is focused on delivering shareholder value, and we are committed to continuing to strive to further improve our results and strengthen our financial position as we have in this quarter , said Mr. Shaw.

Cash flow from operations in the third quarter ended May 31, 2003 was $138.3 million ($0.55 per share) compared to $98.6 million ($0.38 per share) in the same period last year, representing an increase of 40.4%. For the nine months ended May 31, 2003, cash flow from operations was $378.6 million ($1.50 per share), a 68.4% improvement over the same period last year ($224.9 million; $0.83 per share).

Net loss for the third quarter ended May 31, 2003 was $13.2 million ($0.10 per share) compared to a loss of $79.3 million ($0.39 per share) for the same period last year.

We are extremely pleased with our results in the third quarter, particularly the strengthening in cable television, added Mr. Shaw. In addition, our achievement of net free cash flow for the second consecutive quarter underlines our resolve to strengthen the Company s operations through offering our customers an attractive array of services while at the same time managing our financial resources in a prudent fashion.

Shaw Communications Inc. is a diversified Canadian communications company whose core business is providing broadband cable television, Internet and satellite direct-to-home (DTH) services to approximately 2.9 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).

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For further information, please contact:

R.D. Rogers
Senior V.P., Chief Financial Officer
Shaw Communications Inc.
403-750-4500

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SHAREHOLDERS REPORT
THIRD QUARTER ENDING MAY 31, 2003

SELECTED FINANCIAL HIGHLIGHTS
CONSOLIDATED RESULTS OF OPERATIONS
THIRD QUARTER ENDING MAY 31, 2003

	Three months ended May 31,			Nine months ended May 31,		
($000 s Cdn. except per share amounts)	**2003**	**2002**	**Change %**	**2003**	**2002**	**Change %**
Operations:						
Revenue	**521,659**	492,731	5.9	**1,556,421**	1,415,933	9.9
Operating income before amortization (1)	**206,449**	171,757	20.2	**595,749**	447,458	33.1
Cash flow from operations	**138,339**	98,559	40.4	**378,626**	224,851	68.4
Net loss	**(13,240)**	(79,328)	83.3	**(51,972)**	(211,971)	75.5
Per share data:						
Cash flow per share basic (2)	**$ 0.55**	$ 0.38		**$ 1.50**	$ 0.83	
Loss per share basic and diluted (2)	**$ (0.10)**	$ (0.39)		**$ (0.35)**	$ (1.05)	
Weighted average participating shares outstanding during period (000 s)	**231,848**	231,839		**231,848**	231,812	

(1) Operating income (loss) before amortization is presented because it is a widely accepted financial indicator of a company s ability to service and/or incur debt. Operating income (loss) before amortization is not a measurement in accordance with Canadian or US GAAP and should not be considered as an alternative to net income or any other measure of performance required by Canadian or US GAAP.

(2) After deducting entitlements on the equity instruments, net of income taxes, amounting to $10,007 or $0.04 per share [2002 $10,704 or $0.05 per share] and $30,058 or $0.13 per share [2002 $32,354 or $0.14 per share] for the quarter and year to date respectively.

OPERATING HIGHLIGHTS

Consolidated net free cash flow was $44.1 million in the third quarter compared to negative net free cash flow of $66.2 million in the same period last year.

Cable division free cash flow was $60.2 million compared to negative cash flow of $13.1 million in the same quarter last year.

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Satellite division third quarter negative free cash flow improved to $16.1 million from $53.1 million in the third quarter of 2002.

Positive customer growth in digital of 6,705, Internet of 25,925 and DTH of 8,259 continued in the third quarter. Basic cable growth was 7,009 versus a loss of 19,325 last year.

Shaw sold its Star Choice Business Television division for $6.5 million and its shares in Cogeco Cable for $13.4 million.

Shaw has continued to build on the momentum established in the second quarter with improved free cash flow as well as growth in its customer base in basic and digital cable, Internet and DTH. It is Management s dedication and focus that has allowed Shaw to exceed its targeted levels of free cash flow and establish a base on which to grow and thereby enhance shareholder value.

JR Shaw Executive Chair	Jim Shaw Chief Executive Officer

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MANAGEMENT S DISCUSSION AND ANALYSIS
MAY 31, 2003

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 the Management s Discussion and Analysis included in the Company s August 31, 2002 Annual Report and Financial Statements and the Notes thereto.

Consolidated Overview

Revenue increased by 5.9% over the same quarter last year and by 9.9% on a year to date basis due to growth in DTH, Internet and Digital customers, price increases in cable and DTH, the sale of additional digital services plus the effect of the Viewer s Choice acquisition effective June 1, 2002. Operating income before amortization surpassed revenue growth in both the three and nine months ended May 31, 2003 compared to the same periods last year with increases of 20.2% and 33.1% respectively. This was due to the effect of revenue growth combined with the positive impact of factors such as cost saving initiatives and restructuring introduced during the third quarter last year, the elimination of the Excite@Home fee in the second quarter last year and operational enhancements and cost reductions in Big Pipe. The quarterly and year to date growth in cash flow from operations of 40.4% and 68.4% respectively resulted primarily from the increase in operating income before amortization.

In April 2002 the CRTC modified its structural separation requirements to allow Star Choice and Shaw to integrate accounting and other administrative functions subject to the establishment of procedures to protect confidential information. In light of this, the Satellite division developed a restructuring plan to streamline its operations. In respect of the restructuring plan, a $4.8 million provision was taken in the first quarter to cover severance costs of approximately $4 million in respect of 400 employees and $0.8 million of exit costs to centralize certain operational functions in Calgary. The restructuring should result in approximate annual savings of $6 million. As of May 2003, approximately $3.4 million of severance costs have been incurred in respect of the restructuring.

As part of the restructuring process implemented by the Company during the 2002 fiscal year, and consistent with its stated objectives to improve profitability and increase net free cash flow, the Company has carried out a further review of its activities and operations at the corporate, cable and satellite locations. Based upon this review, it has developed a restructuring plan which will result in the elimination of a further 350 positions. The plan, which was communicated to our employees in June 2003, will entail severance costs of approximately $4 million, and should result in annual savings of $15 million. The costs of the restructuring will be recognized in the fourth quarter. During the operations review, Star Choice evaluated its inventory and distribution logistics with respect to replacement of customers DTH receivers and as a result,

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determined its inventory was overstated. The overstatement amounted to $4.4 million accumulated over the last three years. Accordingly, during the quarter the Company recorded a corresponding one-time charge against operating income before amortization.

Net loss in the current quarter was $13.2 million ($0.10 per share) compared to a loss of $79.3 million ($0.39 per share) in the same period last year. The main components of the $66.1 million change are: the improvement in operating income before amortization of $34.7 million, pre-tax income on investment-related transactions of $61.5 million versus a pre-tax loss of $50.4 million in 2002, the write-down of intangible assets of $80.0 million in the current period, the provision for income tax expense of $18.9 million in 2003 compared to a tax recovery of $20.5 million in the same quarter last year, and the decrease in equity losses on investees of $18.2 million.

New Accounting Standards

An understanding of new accounting standards adopted in the current year is necessary for a complete analysis of our results, financial position, liquidity and trends. We focus your attention to Note 1 to the Consolidated Financial Statements which discusses the adoption of the new Canadian standards with respect to foreign currency translation and stock-based compensation and other stock-based payments.

With respect to the adoption of the amended standard on foreign currency translation, unrealized translation gains and losses on non-current monetary assets and liabilities which are not hedged are recognized in income immediately as opposed to being deferred and amortized over the life of the underlying non-current monetary instrument. U.S. $57.2 million of Shaw s credit facility and the U.S. $150 million Star Choice Senior secured notes are unhedged and subject to foreign currency fluctuations. The Canadian dollar has strengthened against the U.S. dollar by approximately $0.116 (7.8%) since February 28, 2003. This has resulted in a foreign exchange gain of $23.9 million in the current quarter, or approximately $2.0 million for each $0.01 change in the Canadian dollar versus the U.S. dollar.

There is no effect on the Company s results with respect to the adoption of the new standard for stock based compensation and other stock-based payments. The new standard permits the Company to continue its current policy of not recording any compensation cost on the grant of stock options to employees.

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Shaw Communications Inc.

Cable

FINANCIAL HIGHLIGHTS

($000 s Cdn)	Three months ended May 31 2003	2002	Change %	Nine months ended May 31 2003	2002	Change %
Revenue (third party) [(1)]	**376,403**	356,522	5.6	**1,117,766**	1,027,240	8.8
Operating income before amortization [(2)]	**185,428**	160,127	15.8	**541,181**	435,033	24.4
Less:						
Interest	**45,777**	49,834	(8.1)	**143,205**	146,597	(2.3)
Entitlements on equity instruments, net of current taxes	**10,007**	10,704	(6.5)	**30,058**	32,354	(7.1)
Cash taxes on net income	**8,162**	9,385	(13.0)	**25,831**	28,385	(9.0)
Cash flow before the following:	**121,482**	90,204	34.7	**342,087**	227,697	50.2
Capital expenditures and equipment subsidies:						
New housing development	**24,870**	7,041	253.2	**71,568**	75,929	(5.7)
Success based	**13,053**	13,946	(6.4)	**61,550**	170,923	(64.0)
Upgrades and enhancement	**10,169**	55,550	(81.7)	**44,356**	232,439	(80.9)
Replacement	**3,478**	5,015	(30.6)	**11,258**	25,111	(55.2)
Buildings/other [(3)]	**9,702**	21,789	(55.5)	**21,171**	79,003	(73.2)
	61,272	103,341	(40.7)	**209,903**	583,405	(64.0)
Free cash flow	**60,210**	(13,137)	558.3	**132,184**	(355,708)	137.2
Operating margin	**49.3%**	44.9%	4.4	**48.4%**	42.3%	6.1

(1) In order to be consistent with the approach taken for DTH equipment sales, during the current year the Company has retroactively changed the presentation of equipment revenue and cost of sales in respect of the sale of DCT and modem equipment at a subsidized cost. Revenue includes equipment revenue received on the sale of DCT and modem equipment of $6,416 [2002 $3,126] and $20,612 [2002 21,983,] for the quarter and year to date respectively, offset by an equal cost of sale. There is no impact on operating income or earnings as a result of this change.

(2) Operating income (loss) before amortization is presented because it is a widely accepted financial indicator of a company s ability to service and/or incur debt. Operating income (loss) before amortization is not a measurement in accordance with Canadian or US GAAP and should not be considered as an alternative to net income or any other measure of performance required by Canadian or US GAAP.

(3) Excludes $3,066 and $7,320 for the three and nine months ended May 31, 2003 respectively of capital expenditures in respect of the Burrard Landing Lot 2 Holdings Partnership (Partnership) which the Company is required to proportionately consolidate (see Note 1 to the Company s 2002 Consolidated Financial Statements.) As the Partnership is financed by its own credit facility, this is a non-cash item for the Company.

HIGHLIGHTS FOR THE QUARTER

Cable generated free cash flow of $60.2 million in the third quarter compared to negative cash flow of $13.1 million last year and positive free cash flow $43.7 million in the second quarter of the current year.

Basic subscribers grew by 7,009 in the current quarter compared to a loss of 19,325 in the same quarter last year as a result of new sales initiatives.

Shaw launched Video-on-demand (VOD) in Saskatoon and Fort McMurray in April and Edmonton in May 2003.

Shaw introduced High Definition television (HDTV) services in Saskatoon in April and in Edmonton in May 2003.

Shaw s HDTV Channel lineup continues to grow and now contains five channels broadcasting in full HDTV.

Shaw Communications Inc.

Effective May 1, 2003 Shaw increased its monthly charge on certain packages affecting approximately 550,000 customers, which is anticipated to generate additional monthly revenue of approximately $1.0 million when fully implemented.

Cable generated positive free cash flow for the third consecutive quarter, bringing the year to date total to $132.2 million compared to negative cash flow of $355.7 million in the same period last year. The year to date results exceed our target for full year free cash flow of $105 million, and fourth quarter operations will continue to generate free cash flow.

The improvement in free cash flow has been obtained through growth in operating income before amortization of approximately $106.1 million and a decline of $373.5 million in capital expenditures and equipment subsidies. These achievements are clearly the result of the dedication by the employees of Shaw to execute on the objectives approved by the Board of Directors and thereby enhance stakeholder value. The most significant reductions in capital expenditures have occurred in the success-based category, due to a leveling off of digital and Internet customer growth from record levels of the past two years, and in the upgrades and enhancement category as a result of substantially completing the upgrade program last year.

Cable revenue (excluding equipment revenue) in the third quarter increased by 4.7% over the same period last year as a result of rate increases on Internet, tiers and bundled packages and non-bundled subscribers implemented at various times during 2002 and 2003, the acquisition of Viewers Choice in June 2002 and customer growth in Internet and digital services. Cable revenue (excluding equipment revenue) increased by approximately $3.1 million or 0.9% over the second quarter as a result of growth in Internet customers, the rate increases implemented in January and May, 2003, and increased pay-per-view and VOD activity.

Operating income before amortization increased by 15.8% and 24.4% over the comparable quarterly and year to date results last year, and by $5.3 million (2.9%) over the second quarter of the current year. The improvement in results from last year primarily arise from the impact of rate increases, customer growth in Internet and digital services, cost savings such as the elimination of the Excite@Home fee, decreases in Big Pipe bandwidth costs and the benefit of cost reduction programs implemented in the third quarter of fiscal 2002. The quarterly change in the current year is principally due to the rate increases in January and May of this year, Internet customer growth and improved results in Big Pipe. Growth in its customer base, together with decreased bandwidth costs, enabled Big Pipe to generate positive operating income for the second consecutive quarter in the current fiscal year.

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SUBSCRIBER STATISTICS

			Three months ended		Nine months ended	
	May 31, 2003	**August 31, 2002**	**Growth**	**Change %**	**Growth**	**Change %**
CABLE:						
Basic service:						
Actual	**2,124,853**	2,105,113	7,009	0.3	19,740	0.9
Penetration as % of homes passed	**68.1%**	68.5%				
Full cable service:						
Tier I	**1,706,207**	1,708,736	(1,140)	(0.1)	(2,529)	(0.1)
Penetration as % of basic	**80.3%**	81.2%				
Tier II	**1,628,127**	1,617,031	2,288	0.1	11,096	0.7
Penetration as % of basic	**76.6%**	76.8%				
Tier III	**1,452,045**	1,402,346	14,077	1.0	49,699	3.5
Penetration as % of basic	**68.3%**	66.6%				
Digital terminals	**547,219**	495,604	11,678	2.2	51,615	10.4
Digital customers	**488,279**	452,293	6,705	1.4	35,986	8.0
INTERNET:						
Connected and scheduled	**880,606**	770,348	25,925	3.0	110,258	14.3
Penetration as % of basic	**41.4%**	36.6%				
Stand-alone Internet not included in basic cable	**103,259**	90,234	(1,082)	(1.0)	13,025	14.4

Despite incurring a seasonal loss of approximately 1,600 customers, basic customers grew by 7,009 in the third quarter compared to a loss of 19,325 in the same period last year. During the quarter, a sales campaign was introduced offering discounted analogue basic services packages to stand-alone Internet customers and households that had recently disconnected their cable service or that had never been a Shaw customer. After six months, the accounts will be billed at the full rate. The intent of the offer is that these customers will develop viewing habits that enable them to perceive value in the monthly cable subscription and therefore continue as customers after the end of the promotional period. At May 31, 2003 approximately 8,600 customers were participating in this program.

Shaw s bundling strategy, introduction of HDTV and video on demand and timely marketing campaigns, have enabled us to meet the competitive challenges in our markets and maintain the growth in our customer base that occurred in the first two quarters of the current year. Deployment of digital terminals and growth in Internet customers continue to show strong growth in the current quarter, with both services growing by over 10% on a year to date basis.

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COMBINED SATELLITE (DTH and Satellite Services)

FINANCIAL HIGHLIGHTS

($000s Cdn)	Three months ended May 31, 2003	Three months ended May 31, 2002	Change %	Nine months ended May 31, 2003	Nine months ended May 31, 2002	Change %
Revenue (third party)	**145,256**	136,209	6.6	**438,655**	388,693	12.9
Operating income before amortization and restructuring charge and inventory write-down	**25,421**	11,630	118.6	**63,818**	17,025	274.8
Less:						
Interest	**17,522**	17,467	0.3	**53,554**	52,616	1.8
Cash taxes on net income	**246**	163	50.9	**707**	607	16.5
Cash flow before the following	**7,653**	(6,000)	227.5	**9,557**	(36,198)	126.4
Less capital expenditures and equipment subsidies:						
Success	**22,623**	26,160	(13.5)	**97,266**	103,768	(6.3)
Transponders		14,400	(100.0)		14,400	(100.0)
Other	**1,174**	6,501	(81.9)	**4,180**	20,835	(79.9)
	23,797	47,061	(49.4)	**101,446**	139,003	(27.0)
Free cash flow	**(16,144)**	(53,061)	69.6	**(91,889)**	(175,201)	47.6

Consistent with previous quarterly results, the satellite division achieved positive cash flow before capital expenditures in the current period, and overall negative free cash flow has improved significantly on a quarterly and year to date basis. The improvement is due to increased operating income resulting from economies of scale on a larger DTH subscriber base, rate increases, reduced capital expenditures and equipment subsidies and cost reduction programs, including the restructuring plan undertaken during the current year. Management s focus and execution of its objective of profitable growth is clearly generating the desired results.

DTH (Star Choice)

FINANCIAL HIGHLIGHTS

($000s Cdn)	Three months ended May 31, 2003	Three months ended May 31, 2002	Change %	Nine months ended May 31, 2003	Nine months ended May 31, 2002	Change %
Revenue (third party)[1]	**120,317**	109,414	10.0	**362,366**	309,158	17.2
	15,010	399	3,661.9	**32,558**	(16,367)	298.9

Operating income (loss) before amortization and inventory write-down						
Operating margin	**12.5%**	0.4%	12.1	**9.0%**	(5.3%)	14.3

(1) Includes equipment revenue on sale of DTH equipment of $6,179 [2002 $13,350] and $31,581 [2002 $45,035] for the quarter and year to date respectively.

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Customer Statistics

	May 31, 2003	August 31, 2002	Three months ended Growth	Three months ended %	Nine months ended Growth	Nine months ended %
Star Choice customers (1)	**804,516**	760,024	8,259	1.0	44,492	5.9

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

Churn (2)	For three months ended May 31, 2003	For nine months ended May 31, 2003	For year ended August 31, 2002
Star Choice customers	3.51%	12.94%	14.41%

(2) Based on average customers during the period

HIGHLIGHTS FOR THE QUARTER

Star Choice added 8,259 customers in this quarter and surpassed the 800,000 customer level at May 31, 2003.

Effective April 1, 2003 a $3.00 rate increase was implemented for most of the programming packages that were not included in the September 2002 rate increase affecting 150,000 customers.

Effective June 1, 2003 Star Choice implemented a rate increase of $3.00 affecting the majority of customers, which is anticipated to generate revenues of approximately $2.0 million per month when fully implemented.

Revenue increased by 10.0% over the same quarter last year and 17.2% for the nine-month period as a result of subscriber growth and price increases. These factors, combined with the impact of cost reductions, enabled Star Choice to generate operating income of $15.0 million in the current quarter compared to $0.4 million last year. On a year to date basis, operating income was $32.6 million compared to an operating loss of $16.4 million last year. The current quarter operating income improved by $5.0 million (49.5% increase) over the second quarter as a result of the factors noted above.

Customer growth in the current quarter of 8,259 (1.0%) was consistent with second quarter experience. On a year-to-date basis, customers increased by 5.9% compared to 20.1% in the same period last year. The decline reflects a leveling off of the growth rate as the industry is approaching maturity in terms of penetration levels. Current quarter churn has significantly improved compared to the first six months of the year, and the new system for billing and customer care is now performing to expectation and provides the necessary infrastructure for the future.

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Satellite Services

FINANCIAL HIGHLIGHTS

	Three months ended May 31,			Nine months ended May 31,		
	2003	**2002**	**Change %**	**2003**	**2002**	**Change %**
($000 s Cdn)						
Revenue (third party)	**24,939**	26,795	(6.9)	**76,289**	79,535	(4.1)
Operating income before amortization	**10,411**	11,231	(7.3)	**31,260**	33,392	(6.4)
Operating margin	**41.7%**	41.9%	(0.2)	**41.0%**	42.0%	(1.0)

Satellite services revenue, consisting of Broadcast, Truck Tracking and Business Television (learning), decreased in the third quarter primarily as a result of the sale of Gulfcom in May, 2002, and the sale of the Star Choice Business Television division effective March 21, 2003. However, this was offset to some extent by an increase in Truck Tracking and SRDU revenue in the current quarter. These factors have impacted year-to-date results as well.

OTHER INCOME ITEMS:

Investment activity gains and losses

	Three months ended May 31,			Nine months ended May 31,		
	2003	**2002**	**Increase (decrease) in income**	**2003**	**2002**	**Increase (decrease) in income**
($000s Cdn)						
Gain on redemption of SHELS	**75,342**	218,327	(142,985)	**119,521**	218,327	(98,806)
Gain on sale of investments	**1,111**	247	864	**1,228**	2,604	(1,376)
Dilution loss on issuance of stock by equity investee					(571)	571

In the current quarter, the Liberate shares were surrendered to settle the SHELS III and IV equity linked debentures, resulting in a gain of $75.3 million ($61.8 million after-tax). In the prior quarter, the Terayon shares were surrendered to settle the SHELS V equity linked debentures, resulting in a gain of $44.2 million ($36.2 million after-tax). The settlement of the three series of SHELS will improve annual cash flow by approximately $3.5 million (before-tax) with the elimination of the annual dividend entitlements. During the three and nine months ended May 31, 2002, the At Home shares were surrendered to settle the SHELS I and II equity linked debentures.

For the three and nine months ended May 31, 2003, the gain on sale of investments primarily relates to the sale of 1,100,000 Cogeco shares. For the nine months ended May 31, 2002, the gain on sale of investments of $2.6 million primarily related to the sale of approximately 673,000 Terayon shares. The dilution loss of $0.6 million in 2002 arose due to the issuance of equity by GT subsequent to Shaw s investment, which reduced Shaw s ownership in that company to approximately 23.2% at November 30, 2001 from 23.3% at August 31, 2001.

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Write-down of investments

As part of the Company s annual review of its investments, a $15.0 million write-down of the carrying value of a number of investments was recorded in the current quarter.

Loss on sale of satellite assets

In the current year, the Company sold its Star Choice Business Television division for $6.5 million which resulted in a $3.8 million loss. The loss in the prior year relates to the sale of the Company s SRDU and uplink in the Caribbean.

Fixed Charges

	Three months ended May 31,				Nine months ended May 31,			
	2003	**2002**	**Increase (decrease)**	**%**	**2003**	**2002**	**Increase (decrease)**	**%**
($000s Cdn)								
Amortization								
Property, plant and equipment	**107,324**	113,111	(5,787)	(5.1)	**320,104**	305,970	14,134	4.6
Deferred charges	**42,898**	42,159	739	1.8	**131,880**	134,390	(2,510)	(1.9)
Total amortization	**150,222**	155,270	(5,048)	(3.3)	**451,984**	440,360	11,624	2.6
Amortization of deferred IRU revenue	**(2,953)**	(1,632)	1,321	80.9	**(8,858)**	(8,328)	530	6.4
Interest	**63,299**	67,301	(4,002)	(5.9)	**196,759**	199,213	(2,454)	(1.2)

Amortization on property, plant and equipment decreased over the comparative quarter due to equipment becoming fully depreciated in the prior quarter as well as the effect of the reclassification of modems to inventory in June 2002. Amortization of property, plant and equipment increased over the comparative nine month period due to the high level of cable and Internet capital expenditures over the past few years as well as the effect of Star Choice retaining ownership of satellite dishes on new installations effective September 2001. Consequently, DTH equipment subsidies decreased which resulted in lower amortization of deferred charges in the current year. However, this decrease was partially offset by amortization of the modem subsidies resulting from the Modem Purchase program introduced in June 2002. Star Choice cancelled its Simple Satellite program in the prior quarter; as a result customers will own the satellite dishes. This will result in an increase in equipment subsidies offset by a similar decline in capital expenditures.

The quarterly and year to date increase in amortization of deferred IRU revenue is due to additional fiber activated under the terms of the agreements during 2001 and 2002.

Interest expense decreased by $4.0 million over the comparative three month period primarily due to decreased borrowings under the Shaw facility and decreased vendor financing interest. Interest decreased by $2.5 million over the comparative nine month period primarily as a result of terminating $210 million of interest rate swaps in March 2002 and was partially offset by interest on higher borrowing levels earlier in the year that were required mainly to finance capital expenditures and equipment subsidies throughout the prior year.

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Provision for loss on sale and write-down of assets

Due to the decline in value of U.S. cable television systems in the last year, a loss is expected on the disposition of the Company s Texas and Florida cable systems. As a result, in the prior quarter a provision of $50.0 million, representing management s best estimate of the loss, was recognized in respect of these systems. A further provision of $30.0 million has been recognized in the current quarter as a result of the strengthening of the Canadian dollar since February 28, 2003. Further exchange rate fluctuations and closing adjustments may impact the final results.

As a result of the annual review of the valuation of intangible assets, based on discounted cash flow analysis, a downward adjustment of $50 million to the carrying value of goodwill recorded in the accounts has been recognized in the current quarter.

Equity income (loss) on investees

	Three months ended May 31,			Nine months ended May 31,		
	2003	**2002**	**Increase in income**	**2003**	**2002**	**Increase in income**
($000s Cdn)						
Total	**53**	(18,176)	18,229	**(1,941)**	(52,790)	50,849

The equity income (loss) on investees in the current year is in respect of Shaw s interest in specialty channels while the equity loss in the prior year is primarily in respect of its interest in GT. The Company wrote off its investment in GT in the third quarter of 2002 and will not be recording further equity losses based on the reorganization of GT.

RISKS AND UNCERTAINTIES

There have been no material changes in any risks or uncertainties facing the Company since the year ended August 31, 2002.

Further to our disclosure in our first quarter release dated January 15, 2003 concerning the status of the Anik F1 satellite, Telesat has provided the following update in its press release of February 4, 2003:

Telesat announced today that it has signed a contract with Astrium, Europe s largest space company, for a new satellite targeted for launch in 2005 to replace the Anik F1 satellite and ensure continuity of service for its customers. The new satellite, Anik F1R, will carry telecommunications, broadcasting and Internet services.

Based on the foregoing, we do not anticipate any incremental cost to the Company or disruption to our DTH and satellite services customers.

Further to our disclosure in our Fourth Quarter 2002 Release, dated October 17, 2002, concerning the possible launch of a new Mexican satellite (operated by Satmex), we have learned that the Governments of Canada and Mexico intend to conclude a new Satellite Coordination Agreement to accommodate the operation of a new Mexican satellite network

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according to the terms and parameters included in the 2000 Coordination Agreement. This would ensure that the operation of a new Mexican satellite will not interfere with the Anik satellites used by Star Choice. As a result, Shaw no longer considers this issue as a significant potential risk to Star Choice s DTH operations.

FINANCIAL POSITION

Overview

Total assets at May 31, 2003 were $8.0 billion compared to $8.5 billion at August 31, 2002. The following discussion describes the significant changes in the balance sheet since August 31, 2002.

Current assets decreased by $60.0 million principally due to a $42.5 million reduction in accounts receivable and $30.5 million decrease in inventories offset by increased cash of $16.8 million. The decrease in accounts receivables is primarily due to collection of miscellaneous receivables, payment received on the Access Communications Inc. promissory note and a decrease in subscriber receivables. Inventories have decreased primarily as a result of sales of modems but no purchases.

Investments decreased by $91.5 million as a result of the $61.9 million reduction on the surrender of the Liberate and Terayon shares on the settlement of the SHELS, the $15 million write-down of investments and $12.6 million on the sale of the Cogeco shares.

Property, plant and equipment decreased by $179.1 million primarily due to current year amortization being in excess of capital expenditures.

Deferred charges decreased by $38.7 million due to a $43.3 million decrease in foreign exchange losses on the translation of U.S. denominated debt as a result of the strengthening of the Canadian dollar since August 31, 2002, amortization of financing and other costs of $18.9 million and a net increase in equipment subsidies of $21.5 million.

Broadcast licenses decreased by $76.4 million primarily due to the $80.0 million estimated loss on sale of the U.S. cable systems. Goodwill decreased by $66.9 million due to $16.9 million on the sale of Star Choice Business Television and the $50 million write-down of goodwill.

Current liabilities (excluding current portion of long term debt) decreased by $63.6 million due to a reduction in accounts payable and accrued liabilities of $65.0 million primarily arising from payment of significant capital expenditure accruals from August 31, 2002, repayments under the vendor financing facility and timing of interest payments.

Long-term debt (including current portion) decreased by $285.1 million due to the net repayment of the Company s credit facilities of $62.0 million and a decrease of $223.1 million relating to the translation of the U.S. denominated debt.

Deferred credits increased by $128.9 million primarily due to a $140.4 million increase in foreign exchange gains on the translation of U.S. denominated debt which was offset by $8.9 million in amortization of prepaid IRU rental revenue.

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Share capital decreased by $183.5 million as a result of the settlement of the SHELS III and IV equity linked debentures by delivery of the Liberate shares and settlement of SHELS V equity linked debentures by delivery of the Terayon shares.

Currency translation adjustment decreased by $18.8 million due to the effect of the strengthening Canadian dollar on the translation of the U.S. cable operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company s financial condition continues to be a significant strength for Shaw. Our future liquidity depends on three factors: free cash flow from operations, access to available credit facilities and sale of non-strategic assets.

First, we continue to make significant progress in growing free cash flow and the Cable division has already exceeded its fiscal year target of $105 million of free cash flow. Further, the satellite division, including satellite services and DTH, has made significant progress in reducing its cash management requirements, and is making substantial progress towards becoming free cash flow positive. As we continue growing free cash flow, it will become an increasing source of liquidity.

Second, Shaw has access to approximately $1 billion of available credit facilities from its existing bank syndicate. In addition, during the prior quarter we refinanced Cancom s credit facility through a $350 million term loan obtained by Shaw from a new syndicate of banks, which includes a number of banks who are part of Shaw s main banking syndicate. Shaw invested the proceeds in preferred shares of Cancom which then used the funds to repay all outstanding amounts under Cancom s senior credit facility, which was then cancelled. During the current quarter, the Company entered into interest rate hedges to fix the interest rate at 5.95% for the duration of this loan. The refinancing underscores the continued confidence that Shaw s lenders have in the Company and is expected to generate annual interest savings of approximately $5 million. In the current quarter, Shaw repaid and cancelled Cancom s $40 million subordinated credit facility. Based on current rates, this is expected to generate approximately $2 million of interest savings over the next year.

And finally, with respect to the sale of non-strategic assets to increase liquidity, Shaw has entered into agreements to sell its U.S. cable assets with approximately 71,000 subscribers for gross proceeds of Cdn. $260 million. The transactions are expected to close on June 30th and proceeds from the sale will be used to repay debt.

With existing and anticipated strong growth in cash flow from operations, access to approximately $1 billion of available credit facilities and pending sale of the U.S. cable assets, Shaw is in an excellent position to finance its growth and at the same time improve its debt to cash flow ratios.

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CASH FLOW

Operating Activities

	Three months ended May 31,				Nine months ended May 31,			
($000s Cdn)	2003	2002	Increase	%	2003	2002	Increase	%
Cash flow from operations	**138,339**	98,559	39,780	40.4	**378,626**	224,851	153,775	68.4
Net change in non-cash working capital balances	**(15,749)**	(36,284)	20,535	56.6	**9,029**	(47,170)	56,199	119.1
	122,590	62,275	60,315	96.9	**387,655**	177,681	209,974	118.2

Cash flow from operations increased mainly as a result of the strong growth in profitability in the Cable and DTH divisions. Cash flow from working capital increased over the comparative periods primarily due to the timing of payments of accounts payable and accruals.

Investing Activities

Three months ended May 31,	Nine months ended May 31,