SHAW COMMUNICATIONS INC
Form 6-K
April 09, 2019
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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

April 9, 2019

Commission File Number: 001-14684

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

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):

The information contained in this report on Form 6-K and any exhibits hereto shall be deemed filed with the Securities and Exchange Commission (SEC) solely for purpose of being and hereby are incorporated by reference into and as part of the Registration Statement on Form F-10 (File No. 333-222653) and the Registration Statement on Form F-3(File No. 333-215151), each filed by the registrant under the Securities Act of 1933, as amended, and into each prospectus outstanding thereunder.

SIGNATURE

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

Shaw Communications Inc.

Date: April 9, 2019

By: /s/ Trevor English
Name: Trevor English
Title: Executive Vice President, Chief Financial & Corporate

Development Officer

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MANAGEMENT S DISCUSSION AND ANALYSIS

For the three and six months ended February 28, 2019

April 9, 2019

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Advisories

The following Management s Discussion and Analysis (MD&A) of Shaw Communications Inc. is dated April 9, 2019 and should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended February 28, 2019 and the 2018 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company s 2018 Annual Report. 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 indicated. References to Shaw, the Company, we, us, or our Shaw Communications Inc. and its subsidiaries and consolidated entities, unless the context otherwise requires.

Caution concerning forward-looking statements

Statements included in this MD&A that are not historic constitute forward-looking information within the meaning of applicable securities laws. Such statements can generally be identified by words such as anticipate, believe, expect, plan, intend, target, goal and similar expressions (although not all forward-looking statements contain such wor Forward looking statements in this MD&A include, but are not limited to statements related to:

future capital expenditures;

proposed asset acquisitions and dispositions;

expected cost efficiencies;

financial guidance and expectations for future performance;

business and technology strategies and measures to implement strategies;

the Company s equity investments, joint ventures and partnership arrangements;

competitive strengths;

expected project schedules, regulatory timelines, completion/in-service dates for the Company s capital and other projects;

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the expected number of retail outlets;

the expected impact of new accounting standards, recently adopted or expected to be adopted in the future;

the expected impact of government regulations or regulatory developments on the Company s business, operations, and/or financial performance;

timing of new product and service launches;

the expected number of customers using Voice over LTE (VoLTE);

the deployment of: (i) network infrastructure to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;

the expected growth in the Company s market share;

the expected growth in subscribers and the products/services to which they subscribe;

the cost of acquiring and retaining subscribers and deployment of new services;

the total restructuring charges (related primarily to severance and employee related costs as well as additional costs directly associated with the Company s Total Business Transformation (TBT) initiative) expected to be incurred in connection with the TBT initiative;

the anticipated annual cost reductions related to the Voluntary Departure Program (VDP) (including reductions in operating and capital expenditures) and the timing of realization thereof;

the impact that the employee exits will have on Shaw s business operations;

the outcome of the TBT initiative, including the timing thereof and the total savings at completion; and the expansion and growth of the Company s business and operations and other goals and plans.

All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company s management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many of which are confidential, include but are not limited to management expectations with respect to:

general economic, market and business conditions;

future interest rates;

previous performance being indicative of future performance;

future income tax and exchange rates;

technology deployment;

future expectations and demands of our customers;

subscriber growth;

the Company being able to successfully deploy: (i) network infrastructure required to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;

short-term incremental costs associated with growth in Wireless handset sales;

pricing, usage and churn rates;

availability of devices;

content and equipment costs;

industry structure, conditions and stability;

government regulation and legislation;

the completion of proposed transactions;

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- the TBT initiative being completed in a timely and cost-effective manner and yielding the expected results and benefits, including: (i) resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw s consumers needs and expectations (including the products and services offered to its customers) and (ii) realizing the expected cost reductions;
- the Company being able to complete the employee exits pursuant to the VDP with minimal impact on business operations within the anticipated timeframes and for the budgeted amount;
- the cost estimates for any outsourcing requirements and new roles in connection with the VDP;
- the Company being able to gain access to sufficient retail distribution channels;
- the Company being able to access the spectrum resources required to execute on its current and long term strategic initiatives; and
- the integration of recent acquisitions.

You should not place undue reliance on any forward-looking statements. Many risk factors, including those not within the Company s control, may cause the Company s actual results to be materially different from the views expressed or implied by such forward-looking statements, including but not limited to:

- changes in general economic, market and business conditions;
- changing interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- changes in value of the Company s equity investments, joint ventures and partnership arrangements;

the Company s failure to execute its strategic plans and complete capital and other projects by the completion date;

the Company s failure to grow subscribers;

the Company s failure to grow market share;

the Company s failure to close any transactions;

the Company s failure to have the spectrum resources required to execute on its current and long term strategic initiatives;

the Company s failure to gain sufficient access to retail distribution channels;

the Company failure to complete the deployment of: (i) network infrastructure required to improve capacity and coverage and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;

the Company s failure to achieve cost efficiencies;

the Company s failure to implement the TBT initiative as planned and realize the anticipated benefits therefrom, including: (i) the failure of the TBT to result in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw s consumers needs and expectations (including the products and services offered to its customers) and (ii) the failure to realize the expected cost reductions;

the Company s failure to complete employee exits pursuant to the VDP with minimal impact on operations;

disruptions to service, including due to network failure or disputes with key suppliers;

technology, privacy, cyber security and reputational risks;

opportunities that may be presented to and pursued by the Company;

changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;

the Company s status as a holding company with separate operating subsidiaries; and

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other factors described in this MD&A under the heading Risks and Uncertainties and in the MD&A for the year ended August 31, 2018 under the heading Known events, Trends, Risks, and Uncertainties.

The foregoing is not an exhaustive list of all possible risk factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

This MD&A provides certain future-oriented financial information or financial outlook (as such terms are defined in applicable securities laws), including the financial guidance and assumptions disclosed under Outlook, the expected annualized savings to be realized from the VDP and the total anticipated TBT restructuring costs for fiscal 2019. Shaw discloses this information because it believes that certain investors, analysts and others utilize this and other forward-looking information to assess Shaw s expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company cautions that such financial information may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward looking statements contained in this MD&A are expressly qualified by this statement.

Additional Information

Additional information concerning the Company, including the Company s Annual Information Form is available through the Internet on SEDAR which may be accessed at www.sedar.com. Copies of such information may also be obtained on the Company s website at www.shaw.ca, or on request and without charge from the Corporate Secretary of the Company, Suite 900, 630 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4, telephone (403) 750-4500.

Non-IFRS and additional GAAP measures

Certain measures in this MD&A do not have standard meanings prescribed by IFRS and are therefore considered non-IFRS measures. These measures are provided to enhance the reader s overall understanding of our financial performance or current financial condition. They are included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a more consistent basis for comparison between periods. These measures are not in accordance with, or an alternative to, IFRS and do not have standardized meanings. Therefore, they are unlikely to be comparable to similar measures presented by other entities.

Please refer to Non-IFRS and additional GAAP measures in this MD&A for a discussion and reconciliation of non-IFRS measures, including operating income before restructuring costs and amortization, free cash flow, and the net debt leverage ratio.

Introduction

In fiscal 2019 we continue to demonstrate the emerging strength of our Wireless operations and our focus on profitability and sustainable cost savings in our core Wireline business. We are executing on our operating priorities while continuing our transformation into an agile, lean and digital-first organization that meets the needs of its customers now and into the future.

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Wireless

Our Wireless operations have enabled a strategic and transformative shift that supports our long-term, sustainable growth ambitions. Our footprint now covers approximately 16 million people in some of Canada s largest urban centres, or almost half of the Canadian population. In fiscal 2019, we expect to expand to an additional population of 1.3 million, primarily in Western Canada, including Victoria and Red Deer, which launched in February, and an additional six communities in Eastern Ontario that launched in early March 2019.

Freedom Mobile continues to grow its subscriber base, surpassing 1.5 million combined postpaid and prepaid customers in the quarter, a significant milestone for the Company. The growth of our subscriber base was complemented by strong financial performance reflecting the appeal of our differentiated value proposition. Our affordable and innovative Big Gig data plans and Big Binge Bonus promotion, combined with the latest devices available in the market, continue to attract high lifetime value customers to Freedom Mobile. In addition, our Wireless service is accessible to Canadians through the addition of approximately 240 locations, in fiscal 2019, with national retail partners, Loblaws The Mobile Shop and Walmart. Subsequent to the quarter end, the Company finalized an agreement with its third national retail partner, Mobilinq, and expects to launch prepaid services to 50 additional locations beginning in April. When combined with our existing corporate and dealer store network, Freedom Mobile expects to have over 650 retail locations operational at the end of 2019. The Company has also introduced a new format to its corporate stores which it will continue to roll out and expand into new markets in fiscal 2019. These retail growth initiatives have substantially improved the accessibility of our Wireless products and help reduce our historical retail distribution gap.

Supporting our Wireless revenue growth and improved Wireless postpaid churn results are the significant investments in our network and customer service capabilities. We are executing a step-by-step operating plan to improve our network and deploy spectrum in the most efficient way. In fiscal 2018, we completed the deployment of the 2500 MHz spectrum and refarmed 10 MHz of AWS-1 spectrum. We are currently deploying our Extended Range LTE in Calgary, Edmonton, Vancouver and Southwestern Ontario which leverages our 700 MHz spectrum to provide customers with improved in-building service as well as extending service at the edge of the current coverage area. The Company will continue to deploy its 700 MHz spectrum throughout fiscal 2019 and 2020.

The Company continues to deploy small cell technology (low-powered wireless transmitters and receivers with a range of 100 meters to 200 meters), designed to provide network coverage to smaller areas. As tall high-power macro towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality, speed, capacity and coverage improvements in these high traffic areas. These network investments support continued growth in our Wireless business and are the building blocks for emerging technologies, such as 5G.

Wireline

We continue to focus on execution and delivery of stable and profitable Wireline results. This includes improved broadband growth through more effective targeting and customer segmentation, with a shift in broadband focus from just speed to speed, coverage, and control, while also shifting our efforts in Video to optimize profitability.

Our team is modernizing several aspects of our operations as we work to better meet the needs of today s customer. We are leveraging insights from data to help us better understand customer preferences and provide them with the services they want, including the recently introduced Shaw BlueCurve Home app

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and Pods as described below. We are shifting customer interactions to digital platforms and driving more self-help, self-install and self-service.

We are starting to see the results of these efforts as our teams begin to think and work differently to deliver a modern connectivity experience anchored in broadband. We have deployed DOCSIS 3.1 across our extensive wireline network to give us the ability to deliver gigabit speeds across virtually all of our cable footprint. As the key product in the customer s home, our broadband service has a significant and cost-effective competitive advantage.

We remain focused on growing our Wireline broadband customer base and improving execution. In the second quarter, we added approximately 11,100 Consumer Internet subscribers and significantly improved Wireline profitability through disciplined cost control, including the execution of the VDP. While we are only part of the way through our journey towards a modern Shaw, we are encouraged by the progress we have made as we improve upon the fundamentals of our Wireline business, further supporting the delivery of our broadband strategy through fiscal 2019.

The Company has announced several significant Wireline enhancements related to its broadband service for its customers. In late November, Shaw doubled Internet speeds of its top residential tiers, and more recently, introduced a new brand platform to support the launch of additional broadband services Shaw BlueCurve.

Shaw BlueCurve is a simple and powerful new technology that gives customers more coverage and greater control over their home Wi-Fi experience while helping redefine their relationship with in-home connected devices. The BlueCurve Home app is the latest innovative in-home consumer product that Shaw has brought to market through its partnership with Comcast, and it is available with Shaw s BlueCurve Gateway modem the hub of our customers in-home content and connectivity experience. Shaw BlueCurve Pods expand in-home coverage by creating a mesh Wi-Fi network that reduces the challenge of Wi-Fi dead spots. Shaw BlueCurve Pods are easily self-installed, plug directly into indoor electrical outlets, and can be easily moved to suit customers distinct coverage needs.

We are capitalizing on the network investments that we have made, and continue to make, in pursuit of providing customers with an enhanced connectivity experience. The broadband technology that we offer completely changes the conversation with our customers from just speed to speed, coverage and control. Through this enhanced customer experience, we can more effectively differentiate ourselves from the competition, while building upon our journey to a modern Shaw.

Our Wireline Business division contributed solid results again this quarter, leveraging our SmartSuite products that deliver enterprise-grade services to small and medium size businesses. SmartSuite products are the foundation for growth in Shaw Business and we expect to continue increasing market share, revenue and profitability, as we focus on delivering our services in targeted strategic verticals. Our SmartSuite products can scale to larger businesses as well giving us opportunities to deliver services across Canada. Shaw Business customers will also benefit from speed increases that are now eligible on Business Internet and SmartWiFi 150 and 300 plans moving to 300Mbps and 600Mbps, respectively. Shaw Business also announced the launch of gigabit download speeds, which will help customers keep up with the demands of their growing businesses.

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Selected financial and operational highlights

Fiscal 2019 and restated fiscal 2018 results are reported in accordance with the newly adopted IFRS 15, *Revenue from contracts with customers* (IFRS 15). Supplementary information is provided in Accounting Standards , reflecting the previous revenue recognition policies and the changes from the adoption of the new standard.

Basis of presentation

On May 31, 2017, the Company entered an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company s Wireline segment, to an external party. The transaction closed on September 15, 2017.

Accordingly, the operating results and operating cash flows for the Shaw Tracking business (an operating segment within the Wireline division) are presented as discontinued operations separate from the Company s continuing operations. This MD&A reflects the results of continuing operations, unless otherwise noted.

Financial Highlights

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars except per share amounts)	**2019**	2018 (restated)[1]	Change %	**2019**	2018 (restated)[1]	Change %
Operations:						
Revenue	**1,316**	1,329	(1.0)	**2,671**	2,574	3.8
Operating income before restructuring costs and amortization[2]	**549**	483	13.7	**1,094**	963	13.6
Operating margin[2]	**41.7%**	36.3%	14.9	**41.0%**	37.4%	9.6
Net income (loss) from continuing operations	**155**	(175)	>100.0	**341**	(58)	>100.0
Loss from discontinued operations, net of tax					(6)	100.0
Net income (loss)	**155**	(175)	>100.0	**341**	(64)	>100.0
Per share data:						
Basic earnings (loss) per share						
Continuing operations	**0.30**	(0.35)		**0.66**	(0.12)	
Discontinued operations					(0.01)	
	0.30	(0.35)		**0.66**	(0.13)	
Diluted earnings (loss) per share						
Continuing operations	**0.30**	(0.35)		**0.66**	(0.12)	
Discontinued operations					(0.01)	

	0.30	(0.35)		**0.66**	(0.13)	
Weighted average participating shares for basic earnings per share outstanding during period (millions)	**510**	500		**509**	499	
Funds flow from continuing operations[3]	**444**	(49)	>100.0	**883**	318	>100.0
Free cash flow[2]	**160**	124	29.0	**324**	187	73.3

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy related to the treatment of digital cable terminals (DCTs) to record as property, plant and equipment where under the previous policy DCTs were initially recorded as inventory upon acquisition. See Accounting Standards.

(2) See definitions and discussion under Non-IFRS and additional GAAP measures.

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

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Key Performance Drivers

Shaw measures the success of its strategies using a number of key performance drivers which are defined and described under Key Performance Drivers - Statistical Measures in the 2018 Annual MD&A and in this MD&A below, which includes a discussion as to their relevance, definitions, calculation methods and underlying assumptions. The following key performance indicators are not measurements in accordance with IFRS, should not be considered alternatives to revenue, net income or any other measure of performance under IFRS and may not be comparable to similar measures presented by other issuers.

Commencing this fiscal year, we are disclosing Wireless average billing per subscriber unit (ABPU) and Wireless postpaid churn as key performance indicators.

Subscriber (or revenue generating unit (RGU)) highlights

			Change Three months ended		Change Six months ended	
	February 28, 2019	August 31, 2018	**February 28, 2019**	February 28, 2018	**February 28, 2019**	February 28, 2018
Wireline Consumer						
Video Cable	**1,532,511**	1,585,232	**(28,953)**	(17,715)	**(52,721)**	(35,723)
Video Satellite	**711,883**	750,403	**(9,627)**	(4,301)	**(38,520)**	(24,806)
Internet	**1,893,655**	1,876,944	**11,105**	5,476	**16,711**	23,170
Phone	**816,974**	853,847	**(20,916)**	(14,842)	**(36,873)**	(32,260)
Total Consumer	**4,955,023**	5,066,426	**(48,391)**	(31,382)	**(111,403)**	(69,619)
Wireline Business						
Video Cable	**47,887**	49,606	**(1,465)**	(400)	**(1,719)**	(1,105)
Video Satellite	**36,219**	34,831	**830**	1,330	**1,388**	818
Internet	**172,667**	172,859	**(1,440)**	162	**(192)**	(332)
Phone	**369,397**	354,912	**5,836**	4,655	**14,485**	10,752
Total Business	**626,170**	612,208	**3,761**	5,747	**13,962**	10,133
Total Wireline	**5,581,193**	5,678,634	**(44,630)**	(25,635)	**(97,441)**	(59,486)
Wireless						
Postpaid	**1,180,457**	1,029,720	**64,670**	93,508	**150,737**	126,558
Prepaid	**335,799**	373,138	**(16,887)**	(3,806)	**(37,339)**	(2,546)
Total Wireless	**1,516,256**	1,402,858	**47,783**	89,702	**113,398**	124,012

Total Subscribers	**7,097,449**	7,081,492	**3,153**	64,067	**15,957**	64,526

In Wireless, the Company continued to add wireless subscribers, gaining a net combined 47,783 postpaid and prepaid subscribers in the quarter. The increase in the postpaid customer base reflects customer demand for premium smartphones combined with affordable device pricing and packaging options. The decrease in the prepaid customer base reflects migrations to higher value postpaid plans as well as an increasingly competitive environment targeting the prepaid segment.

Wireline RGUs declined by 44,630 in the quarter compared to a loss of 25,635 RGUs in the second quarter of 2018. The current quarter includes growth in Consumer Internet RGUs of 11,105 whereas the mature products within the Consumer division of Video, Satellite and Phone, continued to decline (combined net loss of 59,496 RGUs).

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Wireless Postpaid Churn

To assist in understanding the performance of our Wireless business, this fiscal year we commenced disclosing Wireless postpaid subscriber or RGU churn (postpaid churn). Subscriber churn measures success in retaining subscribers. Wireless postpaid churn is a measure of the number of postpaid subscribers that deactivated during a period as a percentage of the average postpaid subscriber base during a period, calculated on a monthly basis. It is calculated by dividing the number of Wireless postpaid subscribers that deactivated (in a month) by the average number of postpaid subscribers during the month. When used or reported for a period greater than one month, postpaid churn represents the sum of the number of subscribers deactivating for each period incurred divided by the sum of the average number of postpaid subscribers of each period incurred.

Postpaid churn of 1.36% in the second quarter of fiscal 2019 compares to 1.66% in the second quarter of fiscal 2018 reflecting the significant and ongoing enhancements to the wireless customer experience.

Wireless average billing per subscriber unit (ABPU)

To assist in understanding the underlying economics of our Wireless business, this fiscal year we commenced disclosing Wireless average billing per subscriber per month (ABPU). This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. We use ABPU as a measure that approximates the average amount the Company invoices an individual subscriber unit on a monthly basis. ABPU helps us to identify trends and measures the Company s success in attracting and retaining higher lifetime value subscribers. Wireless ABPU is calculated as service revenue (excluding the allocation of the device subsidy attributable to service revenue under IFRS 15) plus the monthly re-payments of the outstanding device balance owing from customers on contract, divided by the average number of subscribers on the network during the period and is expressed as a rate per month.

ABPU of $41.34 in the second quarter of fiscal 2019 compares to $38.44 in the second quarter of fiscal 2018 reflecting the increased number of customers that are subscribing to higher value service plans and purchasing a device through Freedom Mobile.

Wireless average revenue per subscriber unit (ARPU)

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. ARPU helps to identify trends and measure the Company s success in attracting and retaining higher-value subscribers.

ARPU of $37.58 in the second quarter of fiscal 2019 increased 3.5% compared to the second quarter of fiscal 2018 and reflects the impact of changes in accounting policies upon the adoption of IFRS 15, whereby a portion of the device subsidy, previously fully allocated as a reduction to equipment revenue, is now partially allocated as a reduction to service revenue.

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Overview

For detailed discussion of divisional performance see Discussion of operations . Highlights of the consolidated first quarter financial results are as follows:

Revenue

Revenue for the **second quarter** of fiscal 2019 of $1.32 billion decreased $13 million or 1.0% from $1.33 billion for the second quarter of fiscal 2018, highlighted by the following:

The year-over-year decrease in revenue was primarily due to a $17 million or 6.4% decrease in the Wireless division driven by a $52 million or 40.0% decrease in equipment revenue compared to the second quarter of fiscal 2018 partially offset by higher service revenues which contributed an incremental $35 million or 26.1% to consolidated revenue driven primarily by higher postpaid RGUs (approximately 290,000 since February 28, 2018) and a 7.5% and 3.5% year-over-year increase in ABPU to $41.34 and ARPU to $37.58, respectively.

The Business division contributed $8 million or 5.7% growth over the second quarter of fiscal 2018 to consolidated revenue driven primarily by consistent customer demand for Shaw s SmartSuite of products and the impact of annual rate increases.

Consumer division revenue for the quarter decreased $3 million or 0.3% compared to the second quarter of fiscal 2018 mainly due to the impact of Video and Phone RGU losses and the change in Video customer and package mix partially offset by higher Internet revenues and the impact of rate increases in the period.

Compared to the first quarter of fiscal 2019, consolidated revenue for the quarter decreased 2.9% or $39 million. The decrease in revenue over the prior quarter relates primarily to a decrease of $28 million in equipment revenue in the Wireless division, lower ABPU (down from $41.99 in the first quarter of fiscal 2019 to $41.34 in the current quarter) and lower ARPU (down from $38.64 in the first quarter of fiscal 2019 to $37.58 in the current quarter) as well as a decrease in Wireline revenues as a result of lower Video, Phone, and Satellite RGUs.

Revenue for the **six-month period** ended February 28, 2019 of $2.67 billion increased $97 million or 3.8% from $2.57 billion for the comparable period in fiscal 2018.

The year-over-year improvement in revenue was primarily due to the Wireless division contributing revenues of $520 million, an increase of $85 million or 19.5% compared to the comparable six-month period of fiscal 2018.

- The Business division contributed $15 million or 5.4% to the consolidated revenue improvements for the six-month period driven primarily by customer growth.

- Consumer division revenues decreased $2 million or 0.1% compared to the comparable six-month period of fiscal 2018.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization for the **second quarter** of fiscal 2019 of $549 million increased by $66 million or 13.7% from $483 million for the second quarter of fiscal 2018, highlighted by the following:

- The year-over-year improvement in the Wireless division of $34 million was mainly due to postpaid RGU growth and the impact of a 7.5% higher ABPU.

- The year-over-year improvement in the Wireline division of $32 million driven primarily by higher revenues, lower employee-related costs attributed to the VDP and other cost saving initiatives.

Operating margin for the **second quarter** of 41.7% increased 540 basis points compared to 36.3% in the second quarter of fiscal 2018 due primarily to a 280 basis points increase in the Wireline operating margin

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driven primarily by VDP related cost savings, as well as a significant increase in the Wireless operating margin as a result of the additional equipment sales in the prior year quarter and the lower resulting upfront margin when loading new subscribers.

Compared to the **first quarter** of fiscal 2019, operating income before restructuring costs and amortization for the current quarter increased $4 million primarily due to lower Wireless equipment costs partially offset by lower Wireline revenues attributed to net RGU losses.

For the **six-month period**, operating income before restructuring costs and amortization of $1.1 billion increased $131 million or 13.6% from $963 million for the comparable prior year period.

Wireless operating income before restructuring costs and amortization for the six-month period increased $46 million or 90.2% over the comparable period driven primarily by subscriber and ABPU growth.

Wireline operating income before restructuring costs and amortization for the six-month period increased $85 million or 9.3% over the comparable period primarily as a result of lower operating costs mainly related to VDP.

Free cash flow

Free cash flow for the **second quarter** of fiscal 2019 of $160 million increased $36 million from $124 million in the second quarter of fiscal 2018, mainly due to a $66 million increase in operating income before restructuring costs and amortization partially offset by higher interest and cash taxes and lower dividends from equity-accounted associates.

Net income (loss)

Net income of $155 million and $341 million for the three and six months ended February 28, 2019, compared to a net loss of $175 million and $64 million for the same period in fiscal 2018. The changes in net income are outlined in the following table.

	February 28, 2019 net income compared to:		
	Three months ended		Six months ended
(millions of Canadian dollars)	November 30, 2018	February 28, 2018 (restated)(1)	February 28, 2018 (restated)(1)
Increased (decreased) operating income before restructuring costs and amortization(2)	4	66	131
Decreased (increased) restructuring costs	1	417	416
Increased amortization	(1)	(9)	(11)

Change in net other costs and revenue[3]	(30)	(23)	(36)
Decreased (increased) income taxes	(6)	(121)	(101)
Increased income from discontinued operations, net of tax			6
	(32)	330	405

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

(2) See definitions and discussion under Non-IFRS and additional GAAP measures

(3) Net other costs and revenue include equity income (loss) of an associate or joint venture, business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, realized and unrealized foreign exchange differences and other losses as detailed in the unaudited Consolidated Statements of Income

Restructuring costs in the **second quarter** of fiscal 2018 of $417 million related to the TBT initiative. The costs related mainly to severance and other employee costs attributable to the group of eligible employees who accepted the VDP package during the period, as well as other costs directly associated with the TBT initiative.

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Shaw Communications Inc.

Outlook

The Company confirms that it remains on track to meet its fiscal 2019 guidance, which includes consolidated operating income before restructuring costs and amortization growing 4% to 6% over fiscal 2018; capital investments of approximately $1.2 billion; and free cash flow in excess of $500 million. The expected growth rate of 4% to 6% in consolidated operating income before restructuring costs and amortization is based on adjusted fiscal 2018 results that include the impact of IFRS 15. The Company s guidance includes assumptions related to cost savings that will be achieved through TBT initiatives (specifically the VDP savings) that are expected to amount to a combined $140 million in fiscal 2019 (approximately $85 million attributed to operating expenses and approximately $55 million attributed to capital expenditures).

See Caution concerning forward-looking statements.

Non-IFRS and additional GAAP measures

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.

Below is a discussion of the 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.

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Shaw Communications Inc.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company s ongoing ability to service and/or incur debt and is therefore calculated before one-time items such as restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[(1)]	Six months ended February 28, 2019	2018 (restated)[(1)]
Operating income from continuing operations	**285**	(188)	**567**	32
Add back (deduct):				
Restructuring costs		417	**1**	417
Amortization:				
Deferred equipment revenue	**(5)**	(8)	**(11)**	(17)
Deferred equipment costs	**21**	28	**45**	58
Property, plant and equipment, intangibles and other	**248**	234	**492**	473
Operating income before restructuring costs and amortization	**549**	483	**1,094**	963

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

	Three months ended February 28, 2019	2018 (restated)[(1)]	Change %	Six months ended February 28, 2019	2018 (restated)[(1)]	Change %
Wireline	**46.4%**	43.6%	6.4	**46.3%**	42.6%	8.7
Wireless	**21.1%**	6.8%	>100.0	**18.7%**	11.7%	59.8
Combined Wireline and Wireless	**41.7%**	36.3%	14.9	**41.0%**	37.4%	9.6

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards

Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items

Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items is calculated as revenue less operating, general and administrative expenses from discontinued operations. This measure is used in the determination of free cash flow.

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2019**	2018	**2019**	2018
Loss from discontinued operations, net of tax				
Add back (deduct):				
Loss on divestiture, net of tax				(6)
Loss from discontinued operations before restructuring costs, amortization, taxes and other non-operating items				(6)

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Shaw Communications Inc.

Net debt leverage ratio

The Company uses this ratio to determine its optimal leverage ratio. Refer to Liquidity and capital resources for further detail.

Free cash flow

The Company utilizes this measure to assess the Company s ability to repay debt and pay dividends to shareholders.

Free cash flow is comprised of operating income before restructuring costs and amortization, adding dividends from equity accounted associates, changes in receivable related balances with respect to customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are also 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.

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Shaw Communications Inc.

Free cash flow is calculated as follows:

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[1]	Change %	Six months ended February 28, 2019	2018 (restated)[1]	Change %
Revenue						
Consumer	**923**	926	(0.3)	**1,859**	1,861	(0.1)
Business	**148**	140	5.7	**295**	280	5.4
Wireline	**1,071**	1,066	0.5	**2,154**	2,141	0.6
Service	**169**	134	26.1	**336**	261	28.7
Equipment	**78**	130	(40.0)	**184**	174	5.7
Wireless	**247**	264	(6.4)	**520**	435	19.5
	1,318	1,330	(0.9)	**2,674**	2,576	3.8
Intersegment eliminations	**(2)**	(1)	100.0	**(3)**	(2)	50.0
	1,316	1,329	(1.0)	**2,671**	2,574	3.8
Operating income before restructuring costs and amortization[2]						
Wireline	**497**	465	6.9	**997**	912	9.3
Wireless	**52**	18	>100.0	**97**	51	90.2
	549	483	13.7	**1,094**	963	13.6
Capital expenditures and equipment costs (net):[3]						
Wireline	**195**	225	(13.3)	**400**	448	(10.7)
Wireless	**84**	56	50.0	**150**	173	(13.3)
	279	281	(0.7)	**550**	621	(11.4)
Free cash flow before the following	**270**	202	33.7	**544**	342	59.1
Less:						
Interest	**(68)**	(63)	7.9	**(130)**	(123)	5.7
Cash taxes	**(50)**	(43)	16.3	**(100)**	(87)	14.9
Other adjustments:						
Dividends from equity accounted associates	**5**	23	(78.3)	**5**	46	(89.1)
Non-cash share-based compensation	**1**	1		**2**	2	

Pension adjustment	**3**	4	(25.0)	**6**	8	(25.0)
Customer equipment financing	**1**	2	(50.0)	**1**	3	(66.7)
Preferred share dividends	**(2)**	(2)		**(4)**	(4)	
Free cash flow	**160**	124	29.0	**324**	187	73.3

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

(2) See definitions and discussion under Non-IFRS and additional GAAP measures

(3) Per Note 3 to the unaudited interim Consolidated Financial Statements

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Shaw Communications Inc.

Discussion of operations

Wireline

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars)	**2019**	2018 (restated)[1]	Change %	**2019**	2018 (restated)[1]	Change %
Consumer	**923**	926	(0.3)	**1,859**	1,861	(0.1)
Business	**148**	140	5.7	**295**	280	5.4
Wireline revenue	**1,071**	1,066	0.5	**2,154**	2,141	0.6
Operating income before restructuring costs and amortization[2]	**497**	465	6.9	**997**	912	9.3
Operating margin[2]	**46.4%**	43.6%	6.4	**46.3%**	42.6%	8.7

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards

(2) See definitions and discussion under Non-IFRS and additional GAAP measures

In the **second quarter** of fiscal 2019, Wireline RGUs decreased by 44,630 compared to a 25,635 RGU loss in the second quarter of fiscal 2018. The current quarter includes growth in Consumer Internet RGUs of 11,105 whereas the mature products within the Consumer division, Video, Satellite and Phone, continued to decline.

Revenue highlights include:

Consumer revenue for the **second quarter** of fiscal 2019 decreased slightly, by $3 million or 0.3%, compared to the second quarter of fiscal 2018 as additional revenue generated by annual rate adjustments and incremental Internet RGUs was fully offset by reductions to Video and Phone RGUs.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue decreased by $13 million or 1.4%, primarily due to the reduction in Video and Phone RGUs.

Business revenue of $148 million for the **second quarter** of fiscal 2019 was up $8 million or 5.7% over the second quarter of fiscal 2018. Growth was led by the continued success of selling the SmartSuite of products, specifically SmartVoice and SmartWiFi, as well as the impact of annual rate adjustments.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue increased $1 million or 0.7%, primarily due to Phone RGU gains.

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization for the **second quarter** of fiscal 2019 of $497 million was up 6.9% or $32 million from $465 million in the second quarter of fiscal 2018. The increase related primarily to higher revenues in Business and lower operating costs driven by VDP-related reductions of approximately $27 million and decreased programming costs.

As **compared to the first quarter** of fiscal 2019, Wireline operating income before restructuring costs and amortization for the current quarter decreased by $3 million driven primarily by lower Consumer revenue as a result of RGU losses partially offset by lower operating costs including lower planned marketing costs related to sponsorships.

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Shaw Communications Inc.

Wireless

(millions of Canadian dollars)	Three months ended February 28, **2019**	2018 (restated)[1]	Change %	Six months ended February 28, **2019**	2018 (restated)[1]	Change %
Service	**169**	134	26.1	**336**	261	28.7
Equipment and other	**78**	130	(40.0)	**184**	174	5.7
Wireless revenue	**247**	264	(6.4)	**520**	435	19.5
Operating income before restructuring costs and amortization[2]	**52**	18	>100.0	**97**	51	90.2
Operating margin[2]	**21.1%**	6.8%	>100.0	**18.7%**	11.7%	59.8

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. See Accounting Standards

(2) See definitions and discussion under Non-IFRS and additional GAAP measures

The Wireless division added 47,783 RGUs in the **second quarter** of fiscal 2019 as compared to 89,702 RGUs gained in the second quarter of fiscal 2018. The continued increase in the postpaid customer base reflects customer demand for premium smartphones combined with affordable device pricing and packaging options. The decrease in the prepaid customer base reflects migrations to higher value postpaid plans as well as an increasingly competitive environment targeting the prepaid segment. Wireless postpaid churn of 1.36% represents a 30 basis point improvement from 1.66% in the second quarter of fiscal 2018 due to significant and ongoing enhancements to the network and customer experience.

Revenue highlights include:

Revenue of $247 million for the **second quarter** of fiscal 2019 decreased $17 million or 6.4% over the second quarter of fiscal 2018. The decrease in revenue was driven primarily by a year-over-year decrease in equipment revenue of $52 million or 40% as the comparable period included record subscriber performance, the majority of whom purchased a device through Freedom Mobile. This decrease was partially offset by an increase in service revenue which grew by 26.1% as a result of increased postpaid RGUs and improved ABPU of $41.34 and ARPU of $37.58 as compared to $38.44 and $36.30, respectively, in the second quarter of fiscal 2018.

As **compared to the first quarter** of fiscal 2019, the current quarter revenue decreased $26 million or 9.5%, ABPU decreased by $0.65 or 1.6% (ABPU of $41.99 in the first quarter of fiscal 2019), and ARPU decreased by $1.06 or 2.7% (ARPU of $38.64 in the first quarter of fiscal

2019). The quarter-over-quarter decline in both ABPU and ARPU was driven primarily by our increased promotional activity in the current quarter.

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization of $52 million for the **second quarter** of fiscal 2019 improved by $34 million over the second quarter of fiscal 2018. The improvements were driven primarily by increased subscribers at higher ABPU/ARPU combined with lower distribution and handset costs associated with loading fewer new customers in the current quarter compared to a year ago.

As **compared to the first quarter** of fiscal 2019, operating income before restructuring costs and amortization for the current quarter increased $7 million or 15.6%.

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Shaw Communications Inc.

Capital expenditures and equipment costs

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[1]	Change %	Six months ended February 28, 2019	2018 (restated)[1]	Change %
Wireline						
New housing development	**33**	29	13.8	**63**	58	8.6
Success-based	**57**	63	(9.5)	**126**	143	(11.9)
Upgrades and enhancements	**93**	104	(10.6)	**158**	197	(19.8)
Replacement	**6**	6		**11**	13	(15.4)
Building and other	**6**	23	(73.9)	**42**	37	13.5
Total as per Note 3 to the unaudited interim consolidated financial statements	**195**	225	(13.3)	**400**	448	(10.7)
Wireless						
Total as per Note 3 to the unaudited interim consolidated financial statements	**84**	56	50.0	**150**	173	(13.3)
Consolidated total as per Note 3 to the unaudited interim consolidated financial statements	**279**	281	(0.7)	**550**	621	(11.4)

(1) Fiscal 2018 reported figures have been restated as a result of a change in accounting policy. See Accounting Standards

In the **second quarter** of fiscal 2019, capital investment was $279 million, comparable to the prior year period. Lower Wireline spend of $30 million was almost fully offset by an increase in Wireless spend.

Wireline highlights include:

Success-based capital for the quarter of $57 million was $6 million lower than in the second quarter of fiscal 2018. The decrease was driven primarily by lower Video activations in the current quarter.

For the quarter, investment in combined upgrades, enhancements and replacement categories was $99 million, an $11 million or 10% decrease over the prior year driven by lower planned Wireline spend on system network infrastructure.

Investments in buildings and other in the amount of $6 million was $17 million lower year-over-year primarily related to costs associated with back-office system upgrades and other corporate related costs incurred in the comparable period.

Wireless highlights include:

Capital investment of $84 million in the second quarter increased relative to the second quarter of fiscal 2018 primarily due to the timing of expenditures. In fiscal 2019 there will be a continued focus on investment in the Wireless network and infrastructure, specifically the deployment of 700 MHz spectrum, LTE and small cells as well as retail expansion in new and existing markets and enhancements to the back-office systems. Network expansion related investment and the deployment of our 700 MHz spectrum is planned to increase over the coming quarter and for the remainder of fiscal 2019.

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Shaw Communications Inc.

Supplementary quarterly financial information

Quarter	Revenue	Operating income before restructuring costs and amortization[3]	Net income (loss) from continuing operations attributable to equity shareholders	Net income (loss) attributable to equity shareholders	Net income (loss)[4]	Basic and Diluted earnings (loss) per share from continuing operations	Basic and Diluted earnings (loss) per share
(millions of Canadian dollars except per share amounts)							
2019							
Second	1,316	549	155	155	155	0.30	0.30
First	1,355	545	187	187	187	0.36	0.36
2018							
Fourth[1]	1,326	555	194	194	194	0.38	0.38
Third[1]	1,289	538	(99)	(99)	(99)	(0.20)	(0.20)
Second[1]	1,329	483	(175)	(175)	(175)	(0.35)	(0.35)
First[1]	1,245	480	117	111	111	0.23	0.23
2017							
Fourth[2]	1,244	479	149	481	481	0.30	0.97
Third[2]	1,216	511	164	133	133	0.33	0.27

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards .

(2) Amounts calculated on a basis consistent with the Company s previous accounting policies prior to adopting IFRS 15 and a change in accounting policy.

(3) See definition and discussion under Non-IFRS and additional GAAP measures.

(4) Net income attributable to both equity shareholders and non-controlling interests

F19 Q2 vs F19 Q1	In the second quarter of fiscal 2019, net income decreased $32 million compared to the first quarter of fiscal 2019 mainly due to a $20 million decrease in equity income related to the Company s investment in Corus Entertainment Inc. (Corus) in the quarter and higher income taxes.
F19 Q1 vs F18 Q4	In the first quarter of fiscal 2019, net income decreased $7 million compared to the fourth quarter of fiscal 2018 mainly due to a $10 million decrease in operating income before restructuring costs and amortization and a decrease in other gains mainly related to a $16 million gain on the sale of certain wireless spectrum licenses in the fourth quarter of fiscal 2018. These decreases were partially offset by a $10 million increase in equity income related to the Company s investment in Corus in the quarter.

F18 Q4 vs F18 Q3	In the fourth quarter of fiscal 2018, net income improved by $293 million compared to the third quarter of fiscal 2018 primarily due to an impairment charge of $284 million related to the Company s investment in Corus recorded in the prior quarter.
F18 Q3 vs F18 Q2	In the third quarter of fiscal 2018, the net loss decreased $76 million compared to the second quarter of fiscal 2018 mainly due to a decrease in third quarter restructuring costs of $404 million and an increase in operating income before restructuring costs and amortization. The increase was partially offset by an impairment charge of $284 million related to the Company s investment in Corus and higher income taxes.

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F18 Q2 vs F18 Q1	In the second quarter of fiscal 2018, net income decreased $286 million compared to the first quarter of fiscal 2018 mainly due to $417 million of restructuring costs recorded during the quarter related to the Company s TBT initiative and composed primarily of the costs associated with the VDP, including severance and other employee related costs. The decrease was partially offset by increased wireless revenues of $93 million.
F18 Q1 vs F17 Q4	In the first quarter of fiscal 2018, net income decreased $370 million compared to the fourth quarter of fiscal 2017 mainly due to the $330 million gain on divestiture, net of tax, of ViaWest, as well as an $11 million non-operating provision recovery in the prior quarter.
F17 Q4 vs F17 Q3	In the fourth quarter of fiscal 2017, net income increased $348 million compared to the third quarter of fiscal 2017 mainly due to the gain on divestiture, net of tax, of ViaWest, and lower current quarter restructuring costs. The increase was partially offset by a decrease in operating income before restructuring costs and amortization, higher amortization, lower equity income from our investment in Corus and higher income taxes. Net other costs and revenue changed primarily due to a $14 million decrease in income from an equity accounted associate and an $11 million provision reversal related to the wind down of shomi in the quarter.

Other income and expense items

Restructuring costs

Restructuring costs generally include severance, employee related costs and other costs directly associated with a restructuring program. For the three- and six-month period ended February 28, 2019, the category included $nil and $1 million respectively in restructuring charges related to the Company s TBT initiative for a total of $447 million since the beginning of the program in March 2018.

As a first step in the TBT, the VDP was offered to eligible employees in the second quarter of fiscal 2018. The outcome of the program had approximately 3,300 Shaw employees accepting the VDP package, representing approximately 25% of all employees. The costs related to this program make up the majority of the restructuring costs recorded in the prior year; however, in the first quarter of fiscal 2019, further organizational changes in the execution of TBT resulted in additional restructuring costs of $1 million.

In the second quarter of fiscal 2019, approximately 200 employees exited the Company, bringing the total number of employees who have departed under the VDP to over 1,700 employees. This led to operating cost savings of approximately $27 million and capital cost savings of approximately $6 million in the quarter.

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Amortization

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars)	**2019**	2018 (restated)[1]	Change %	**2019**	2018 (restated)[1]	Change %
Amortization revenue (expense)						
Deferred equipment revenue	**5**	8	(37.5)	**11**	17	(35.3)
Deferred equipment costs	**(21)**	(28)	(25.0)	**(45)**	(58)	(22.4)
Property, plant and equipment, intangibles and other	**(248)**	(234)	6.0	**(492)**	(473)	4.0

(1) Fiscal 2018 reported figures have been restated as a result of a change in accounting policy. See Accounting Standards

Amortization of property, plant and equipment, intangibles and other increased 6.0% and 4.0% for the three and six months ended February 28, 2019, over the comparable period due to amortization of new expenditures exceeding the amortization of assets that became fully amortized during the period.

Amortization of financing costs and interest expense

	Three months ended February 28,			Six months ended February 28,		
(millions of Canadian dollars)	**2019**	2018	Change %	**2019**	2018	Change %
Amortization of financing costs long-term debt		1	(100.0)	**1**	2	(50.0)
Interest expense	**68**	63	7.9	**130**	124	4.8

Interest expense for the three- and six-month period ended February 28, 2019, was higher than the comparable period primarily due to higher average outstanding debt balances in the current year. See note 9 of the unaudited interim consolidated financial statements for further detail.

Equity income of an associate or joint venture

For the three- and six-month period ended February 28, 2019, the Company recorded equity income of $3 million and $26 million, respectively, related to its interest in Corus, compared to equity income of $16 million and $46 million for the comparable period.

Other gains/losses

This category generally includes realized and unrealized foreign exchange gains and losses on U.S. dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company s share of the operations of Burrard Landing Lot 2 Holdings Partnership.

Income taxes

Income taxes are higher in the quarter compared to the second quarter of fiscal 2018 mainly due to the increase in net income in the current quarter.

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Shaw Communications Inc.

Financial position

Total assets were $15.5 billion at February 28, 2019, compared to $14.4 billion at August 31, 2018. The following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2018.

Current assets increased $1.0 billion due to increases in cash of $904 million, accounts receivable of $23 million, inventories of $13 million, other current assets of $59 million, and current portion of contract assets of $15 million. Cash increased primarily due to the issuance of $1 billion of senior notes that netted proceeds of $993 million, as well as funds provided by continuing operations. This was partially offset by cash outlays for investing activities.

Other current assets increased over the period mainly due to a significant increase in Wireless subscribers participating in the Company s MyTab Boost, a plan that allows customers to pay less for their handset upfront if they pay a predetermined incremental amount on a monthly basis. This increase continues to be driven by growth in handset sales.

The current portion of contract assets increased over the period mainly due to an increase in Wireless subscribers participating in the Company s discretionary wireless handset discount program. Under IFRS 15, the portion of this discount relating to the handset is applied against equipment revenue at the point in time that the handset is transferred to the customer while the portion relating to service revenue is recorded as a contract asset and amortized over the life of the contract against future service revenues.

Investments and other assets increased by $16 million due to equity income and other comprehensive income of associates related to the Company s investment in Corus. Property, plant and equipment increased $45 million due to capital investments in excess of amortization.

Current liabilities increased $1.2 billion during the period primarily due to an increase in the current portion of long-term debt of $1.25 billion due to the reclassification of a $1.25 billion senior note coming due in October 2019, partially offset by decreases in accounts payable and accrued liabilities of $39 million, provisions of $11 million, income taxes payable of $19 million and current portion of contract liabilities of $8 million. Accounts payable and accruals decreased due to the timing of payment and fluctuations in various payables including capital expenditures, interest and programming costs. The decrease in current provisions was mainly due to the payment of restructuring costs related to the TBT. In connection with the VDP, the Company recorded a total of $447 million in restructuring charges in fiscal 2018 and 2019 primarily related to severance and other related costs, of which $252 million has been paid, $170 million is included in current provisions and $25 million is included in long-term provisions. Income taxes payable decreased due to normal course tax installment payments, partially offset by the current period provision.

Long-term debt decreased $255 million primarily due to the change in classification of the $1.25 billion senior note to current, as noted above, partially offset by the issuance of $1 billion in senior notes, with $500 million due in 2023 and $500 million due in 2028.

Shareholders equity increased $159 million mainly due to an increase in share capital of $133 million, retained earnings of $34 million, and accumulated other comprehensive income of $6 million. Share capital increased due to the issuance of 5,411,548 Class B non-voting participating shares (Class B Non-Voting Shares) under the Company s option plan and Dividend Reinvestment Plan (DRIP). Retained earnings increased due to current year income of

$341 million partially offset by dividends of $200 million.

As at March 31, 2019, there were 490,527,515 Class B Non-Voting Shares, 10,012,393 Series A Shares, 1,987,607 Series B Shares and 22,372,064 Class A Shares issued and outstanding. As at March 31, 2019, 8,759,635 Class B Non-Voting Shares were issuable on exercise of outstanding options. Shaw is traded on

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Shaw Communications Inc.

the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX SJR.B, SJR.PR.A, SJR.PR.B, NYSE SJR, and TSXV SJR.A). For more information, please visit www.shaw.ca.

Liquidity and capital resources

In the six-month period ended February 28, 2019, the Company generated $324 million of free cash flow. Shaw used its free cash flow along with proceeds on issuance of Class B Non-Voting Shares of $23 million and cash on hand to pay common share dividends of $195 million, fund the net working capital change of $101 million, and pay restructuring costs of $80 million. The Company also received $993 million net proceeds from a senior note issuance in the period, the majority of which is currently invested in either short term deposit or high-interest bank accounts.

Debt structure and financial policy

On November 2, 2018, the Company solidified its balance sheet through the issuance of $1 billion in senior notes, comprised of $500 million at a rate of 3.80% due November 2, 2023 and $500 million at a rate of 4.40% due November 2, 2028. The funds will be used for general corporate purposes which may include the repayment of indebtedness. On November 21, 2018, the Company amended the terms of its $1.5 billion bank credit facility to extend the maturity date to December 2023. The facility can be used for working capital and general corporate purposes, including to issue letters of credit.

As at February 28, 2019, the Company had $1.3 billion of cash on hand and its $1.5 billion bank credit facility was fully undrawn.

The Company issued Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $107 million during the six-month period ending February 28, 2019.

The Company has established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at February 28, 2019, the proceeds of the sales were committed up to a maximum of $100 million (with $40 million currently drawn under the program). The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables remain recognized on the Company s Consolidated Statement of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer s interest in the accounts receivable ranks ahead of the Company s interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivable has no claim on any of our other assets.

As at February 28, 2019, the net debt leverage ratio for the Company was 1.9x. Considering the prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5x would be optimal leverage for the Company in the current environment. Should the ratio fall below this, other than on a temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company s debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Shares in the event that pricing levels were to drop precipitously.

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The Company calculates net debt leverage ratio as follows[1]:

(millions of Canadian dollars)	**February 28, 2019**	August 31, 2018 restated[3]
Short-term borrowings	**40**	40
Current portion of long-term debt	**1,251**	1
Long-term debt	**4,055**	4,310
50% of outstanding preferred shares	**147**	147
Cash	**(1,288)**	(384)
(A) Net debt[2]	**4,205**	4,114
Operating income before restructuring costs and amortization	**2,187**	2,056
Corus dividends	**51**	92
(B) Adjusted operating income before restructuring costs and amortization[2]	**2,238**	2,148
(A/B) Net debt leverage ratio	**1.9x**	1.9x

(1) The following contains a description of the Company s use of non-IFRS financial measures, provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

(2) These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies and have not been presented as an alternative to liquidity prescribed by IFRS.

(3) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

Shaw s credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios.

	Covenant Limit
Shaw Credit Facilities	
Total Debt to Operating Cash Flow[1] Ratio	< 5.00:1
Operating Cash Flow[1] to Fixed Charges[2] Ratio	> 2.00:1

(1)

Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense for the most recently completed fiscal quarter multiplied by four.

As at February 28, 2019, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings which currently mature in December of 2023.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations, obligations, working capital requirements, including maturing debt, during the upcoming 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.

On December 4, 2018, the Company entered into new unsecured letter of credit facilities, under which letters of credit were issued in favour of and filed with Innovation, Science and Economic Development Canada (ISED) to fulfill the pre-auction financial deposit requirement with respect to its application to participate in the 600 MHz spectrum auction that commenced on March 12, 2019. Under the terms of ISED s 600 MHz auction, communications between bidders that would provide insights into bidding strategies, including references to preferred blocks, technologies or valuations are precluded until the public announcement of provisional licence winners by ISED. Disclosure of the precise amount of the letters of credit could be interpreted as a signal of bidding intentions.

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Cash Flow from Operations

Operating Activities

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[1]	Change %	Six months ended February 28, 2019	2018 (restated)[1]	Change %
Funds flow from continuing operations	**444**	(49)	>100.0	**883**	318	>100.0
Net change in non-cash balances related to operations	**(64)**	253	>(100.0)	**(168)**	254	>(100.0)
Operating activities of discontinued operations					(2)	100.0
	380	204	86.3	**715**	570	25.4

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See Accounting Standards

For the three months ended February 28, 2019, funds flow from operating activities increased over the comparable period in fiscal 2018 primarily due to an increase in net income from continuing operations. This was partially offset by a decrease in net change in non-cash balances related to operations. The net change in non-cash balances related to operations fluctuated over the comparative period due to changes in accounts receivable and other current asset balances, and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing Activities

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated)[1]	Decrease	Six months ended February 28, 2019	2018 (restated)[1]	Decrease
Cash flow used in investing activities	**(203)**	(291)	(88)	**(626)**	(642)	(16)

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflects a change in accounting policy. See Accounting Standards

For the three months ended February 28, 2019, the cash used in investing activities decreased over the comparable period in fiscal 2018 due primarily to lower net additions of property, plant and equipment and inventory during the current period.

Financing Activities

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

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2019**	2018	**2019**	2018
Senior notes net borrowings		10	**1,000**	10
Bank facility arrangement costs			**(9)**	
Dividends	**(99)**	(96)	**(199)**	(194)
Issuance of Class B Non-Voting Shares	**21**	6	**23**	27
	(78)	(80)	**815**	(157)

On November 2, 2018, the Company solidified its balance sheet through the issuance of $1 billion in senior notes, comprised of $500 million at a rate of 3.80% due November 2, 2023 and $500 million at a rate of 4.40% due November 2, 2028, less transaction costs of $7 million. On November 21, 2018 the Company amended the terms of its $1.5 billion bank credit facility to extend the maturity date to December 2023 which resulted in $2 million in facility arrangement costs. (See Liquidity and Capital Resources for further detail).

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Contractual Obligations

There has been no material change in the Company s contractual obligations, including commitments for capital expenditures, between August 31, 2018 and February 28, 2019.

Accounting standards

The MD&A included in the Company s August 31, 2018 Annual Report outlined critical accounting policies, including key estimates and assumptions that management has made under these policies, and how they affect the amounts reported in the Consolidated Financial Statements. The MD&A also describes significant accounting policies where alternatives exist. See Critical Accounting Policies and Estimates in the Company s MD&A for the year ended August 31, 2018. The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as described below.

a) New accounting standards

We adopted the following new accounting standards effective September 1, 2018.

IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company s reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

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IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company s financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the interim consolidated financial statements as at and for the three and six months ended February 28, 2019, the comparative information presented for the three and six months ended February 28, 2018, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;

- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and

- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in Transition adjustments below for the three and six months ended February 28, 2018, are as follows:

(millions of Canadian dollars)		Three months ended February 28, 2018 As reported	Effect of transition	Subsequent to transition	Six months ended February 28, 2018 As reported	Effect of transition	Subsequent to transition
Revenue	i.	1,355	(26)	1,329	2,604	(30)	2,574
Operating, general and administrative expenses	ii.	(854)	8	(846)	(1,622)	11	(1,611)
Other revenue (expense)		(2)	3	1	2	3	5
Income tax expense (recovery)		(53)	(6)	(59)	24	(7)	17
Net income from continuing operations		(164)	(9)	(173)	(50)	(9)	(59)

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i) Allocation of transaction price

Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs

Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the three and six months ended February 28, 2018 are as follows:

	Three months ended February 28, 2018			Six months ended February 28, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Services						
Wireline - Consumer	926		926	1,861		1,861
Wireline - Business	140		140	280		280
Wireless	142	(8)	134	273	(12)	261
	1,208	(8)	1,200	2,414	(12)	2,402
Equipment and other						
Wireless	148	(18)	130	192	(18)	174
	148	(18)	130	192	(18)	174
Intersegment eliminations	(1)		(1)	(2)		(2)
Total revenue	1,355	(26)	1,329	2,604	(30)	2,574

For the year ended August 31, 2018, the total effect of transition on revenue was a decrease of $50 million. Additional details on the full impact of IFRS 15 on fiscal 2018 results can be found under Note 2 of the Consolidated Financial Statements of the Company for the year ended August 31, 2018.

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The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Financial Position as disclosed in Transition adjustments below as at September 1, 2017 and August 31, 2018 are as follows:

		As at September 1, 2017			As at August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.		15	15		59	59
Other current assets	ii.	155	24	179	286	(13)	273
Contract assets	i.		44	44		76	76
Other long-term assets	ii.	255	(39)	216	300	(102)	198
Accounts payable and accrued liabilities	i.	913	(4)	909	971	(1)	970
Unearned revenue	i.	211	(211)		221	(221)	
Current portion of contract liabilities	i.		214	214		226	226
Deferred credits	i.	490	(21)	469	460	(18)	442
Deferred income tax liabilities	ii.	1,858	5	1,863	1,894	(6)	1,888
Contract liabilities	i.		21	21		18	18
Shareholders equity		6,154	40	6,194	5,957	22	5,979

i) Contract assets and liabilities

Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset

Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to Transition adjustments below for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in Transition adjustments below.

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IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL

Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition

Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

In accordance with IFRS 9 s transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company s qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9 s effectiveness assessment requirements. The Company has not

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designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

b) Standards and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company s results and financial position.

IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 *Leases.* The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company s IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

This new standard is described in our 2018 consolidated financial statements. We continue to assess the impact of this standard on our consolidated financial statements and we are progressing with the implementation of this standard. As at the date of these interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in our 2018 financial statements. We intend to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 annual audited consolidated financial statements.

c) Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals (DCTs) to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property, plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to

Transition adjustments below for the impact of this change of accounting policy on previously reported Consolidated Statements of Financial Position, Consolidated Statements of Income and Consolidated Statements of Cash Flows.

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d) Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statements of Income for the three and six months ended February 28, 2018.

	Three months ended February 28, 2018				Six months ended February 28, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	1,355	(26)		1,329	2,604	(30)		2,574
Operating, general and administrative expenses	(854)	8		(846)	(1,622)	11		(1,611)
Restructuring costs	(417)			(417)	(417)			(417)
Amortization:								
Deferred equipment revenue	8			8	17			17
Deferred equipment costs	(28)			(28)	(58)			(58)
Property, plant and equipment, intangibles and other	(231)		(3)	(234)	(466)		(7)	(473)
Operating income from continuing operations	(167)	(18)	(3)	(188)	58	(19)	(7)	32
Amortization of financing costs long-term debt	(1)			(1)	(2)			(2)
Interest expense	(63)			(63)	(124)			(124)
Equity income of an associate or joint venture	16			16	46			46
Other revenue (expense)	(2)	3		1	2	3		5
Income from continuing operations before income taxes	(217)	(15)	(3)	(235)	(20)	(16)	(7)	(43)
Current income tax expense	42			42	78			78
Deferred income tax expense	(95)	(6)	(1)	(102)	(54)	(7)	(2)	(63)
Net income from continuing operations	(164)	(9)	(2)	(175)	(44)	(9)	(5)	(58)
Loss from discontinued operations, net of tax					(6)			(6)
Net income	(164)	(9)	(2)	(175)	(50)	(9)	(5)	(64)

Net income from continuing operations attributable to:								
Equity shareholders	(164)	(9)	(2)	(175)	(44)	(9)	(5)	(58)
Loss from discontinued operations attributable to:								
Equity shareholders					(6)			(6)
Basic earnings (loss) per share								
Continuing operations	(0.33)			(0.35)	(0.10)			(0.12)
Discontinued operations					(0.01)			(0.01)
	(0.33)			(0.35)	(0.11)			(0.13)
Diluted earnings (loss) per share								
Continuing operations	(0.33)			(0.35)	(0.10)			(0.12)
Discontinued operations					(0.01)			(0.01)
	(0.33)			(0.35)	(0.11)			(0.13)

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Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Financial Position as at September 1, 2017 and August 31, 2018.

	As at September 1, 2017				As at August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
ASSETS								
Current								
Cash	507			507	384			384
Accounts receivable	286			286	255		(2)	253
Inventories	109		(50)	59	101		(40)	61
Other current assets	155	24		179	286	(13)		273
Current portion of contract assets		15		15		59		59
Assets held for sale	61			61				
	1,118	39	(50)	1,107	1,026	46	(42)	1,030
Investments and other assets	937			937	660			660
Property, plant and equipment	4,344		50	4,394	4,672		30	4,702
Other long-term assets	255	(39)		216	300	(102)	(1)	197
Deferred income tax assets	4			4	4			4
Intangibles	7,435			7,435	7,482			7,482
Goodwill	280			280	280			280
Contract assets		44		44		76		76
	14,373	44		14,417	14,424	20	(13)	14,431
LIABILITIES AND SHAREHOLDERS EQUITY								
Current								
Short-term borrowings					40			40
Accounts payable and accrued liabilities	913	(4)		909	971	(1)		970
Provisions	76			76	245			245
Income taxes payable	151			151	133			133
Unearned revenue	211	(211)			221	(221)		
Current portion of contract liabilities		214		214		226		226
Current portion of long-term debt	2			2	1			1
Liabilities held for sale	39			39				
	1,392	(1)		1,391	1,611	4		1,615

Long-term debt	4,298			4,298	4,310			4,310
Other long-term liabilities	114			114	13			13
Provisions	67			67	179			179
Deferred credits	490	(21)		469	460	(18)		442
Contract liabilities		21		21		18		18
Deferred income tax liabilities	1,858	5		1,863	1,894	(7)	(3)	1,884
	8,219	4		8,223	8,467	(3)	(3)	8,461
Shareholders equity								
Common and preferred shareholders	6,153	40		6,193	5,956	22	(9)	5,969
Non-controlling interests in subsidiaries	1			1	1			1
	6,154	40		6,194	5,957	22	(9)	5,970
	14,373	44		14,417	14,424	19	(12)	14,431

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Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Cash Flows for the three and six months ended February 28, 2018.

	Three months ended February 28, 2018				Six months ended February 28, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
OPERATING ACTIVITIES								
Funds flow from continuing operations	(26)	(23)		(49)	358	(40)		318
Net change in non-cash balances related to continuing operations	229	23	1	253	212	40	2	254
Operating activities of discontinued operations					(2)			(2)
	203		1	204	568		2	570
INVESTING ACTIVITIES								
Additions to property, plant and equipment	(270)		7	(263)	(602)		20	(582)
Additions to equipment costs (net)	(10)			(10)	(26)			(26)
Additions to other intangibles	(21)			(21)	(56)			(56)
Net additions (reductions) to inventories	(9)		(8)	(17)	(24)		(22)	(46)
Proceeds on sale of discontinued operations, net of cash sold					18			18
Net additions to investments and other assets	19			19	42			42
Proceeds on disposal of property, plant and equipment	1			1	8			8
	(290)		(1)	(291)	(640)		(2)	(642)
FINANCING ACTIVITIES								
Increase in long-term debt	10			10	10			10
Issue of Class B Non-Voting Shares	6			6	27			27
Dividends paid on Class A Shares and Class B Non-Voting Shares	(94)			(94)	(190)			(190)
Dividends paid on Preferred Shares	(2)			(2)	(4)			(4)

	(80)	(80)	(157)	(157)
Increase (decrease) in cash	(167)	(167)	(229)	(229)
Cash, beginning of the period	445	445	507	507
Cash of continuing operations, end of the period	**278**	**278**	**278**	**278**

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Shaw Communications Inc.

Related party transactions

The Company s transactions with related parties are discussed in its Management s Discussion and Analysis for the year ended August 31, 2018 under Related Party Transactions and under Note 28 of the Consolidated Financial Statements of the Company for the year ended August 31, 2018. There has been no material change in the Company s transactions with related parties between August 31, 2018 and February 28, 2019.

Financial instruments

There has been no material change in the Company s risk management practices with respect to financial instruments between August 31, 2018 and February 28, 2019. See Known Events, Trends, Risks and Uncertainties Interest Rates, Foreign Exchange Rates and Capital Markets in the Company s Management s Discussion and Analysis for the year ended August 31, 2018 and the section entitled Financial Instruments under Note 29 of the Consolidated Financial Statements of the Company for the year ended August 31, 2018.

Internal controls and procedures

Details relating to disclosure controls and procedures, and internal control over financial reporting (ICFR), are discussed in the Company s Management s Discussion and Analysis for the year ended August 31, 2018 under Certification. Other than the items described below, there have been no changes in the Company s ICFR this quarter that have materially affected, or are reasonably likely to materially affect, the Company s ICFR.

On September 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* and implemented a new revenue recognition accounting system that enabled it to comply with the IFRS 15 requirements. As a result, significant additions and modifications have been made to the Company s ICFR for the Wireless segment. Notably, the Company has:

- updated its policies and procedures related to how revenue is recognized;
- implemented controls surrounding the recently implemented revenue recognition system to ensure the inputs, processes, and outputs are accurate; and
- implemented controls designed to address risks associated with the five-step revenue recognition model.

On December 4, 2018, the Company implemented a new Enterprise Resource Planning (ERP) system for its Wireline operations that comprises both accounting and supply chain modules. In connection with the implementation, the Company updated its ICFR, as necessary, to accommodate related changes to its business processes and accounting procedures. Management will continue to monitor the effectiveness of these processes going forward.

Risks and uncertainties

The significant risks and uncertainties affecting the Company and its business are discussed in the Company s MD&A for the year ended August 31, 2018 under Known Events, Trends, Risks and Uncertainties .

Shaw Communications Inc.

Government regulations and regulatory developments

See our MD&A for the year ended August 31, 2018 for a discussion of the significant regulations that affected our operations as at November 28, 2018. The following is a list of the significant regulatory developments since that date.

Lower-Cost Data Only Plans

In Telecom Decision CRTC 2018-97, the Canadian Radio-television and Telecommunications Commission (CRTC) acknowledged the Government s concerns about wireless affordability at the lower end of the market, particularly for data-only packages, and found that it was unclear whether the market could be relied on to deliver lower-cost data only plans. Accordingly, the CRTC launched a new consultation to investigate the availability and pricing of data-only packages, including whether wireless carriers should be required to offer low-cost data-only packages. In December 2018, the CRTC determined that it would refrain from mandating specific low-cost data-only plans instead opting to direct the three incumbent national wireless carriers to make available proposed low-cost data-only plans and to keep those plans in the market at least until a decision is issued in the review of mobile wireless services scheduled to commence in early 2019.

ISED Consultation on Service Areas

At the end of 2018, ISED initiated a consultation on a new set of smaller service areas for spectrum licensing (Tier 5) to complement ISED s existing suite of spectrum licensing mechanisms, noting that a smaller licensing area option would encourage additional access to spectrum within rural areas.

Copyright

Bill C-86, the Budget Implementation Act (BIA) received Royal Assent on December 17, 2018 and contains several amendments to the Copyright Act which came into force on April 1, 2019. The amendments create the potential for increased fees as well as risk of copyright infringement. The BIA will eliminate the Act s mandatory tariff-setting regime for SOCAN tariffs (public performance of works) by the Copyright Board, providing SOCAN the option of negotiating payments on a user-by-user basis through direct licensing. A direct licensing approach, if undertaken by SOCAN, could increase royalty rates as well as the transactional costs associated with negotiating rates. The BIA also potentially increases risk of claims (and associated liability) in connection with unrepresented repertoire, by removing a provision that prevented infringement proceedings by unrepresented rightsholders in situations where no tariff is filed.

On December 18, 2018, the Copyright Board released a rate decision for the Distant Signal Retransmission Tariff for the past tariff period of 2014-2018, inclusive, without written reasons. The decision introduced a rate increase over the last year of the previous tariff period, from $0.98 per subscriber/month to an average of $1.14 over the tariff period, with a 2018 rate of $1.17. In the last quarter, the Company incurred retroactive costs of $7.4 million related to higher rates than expected for the retransmission tariffs related to the period of 2014 to 2018. An interim tariff for 2019 is now in effect, based on the 2018 rate set out in the December 18, 2018 decision. On January 18, 2019, the Collectives and Objectors each filed a Notice of Application for judicial review with the Federal Court of Appeal (**FCA**), and a request for an adjournment pending the issuance of the Board s written reasons for the rate decision, which request has been granted. This preserves the rights of both sides to file for judicial review when the Copyright Board s reasons are issued. If, following the Copyright Board s reasons, any Collective or Objector chooses to resume the judicial review of the Board s decision, such a review could result in increased royalty rates pursuant to any redetermination of the rates by the Board.

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Shaw Communications Inc.

New Government Policy Direction to CRTC Regarding Telecommunications

On March 9, 2019, the Government published a proposed Policy Direction in the Canada Gazette with respect to the CRTC s oversight of telecommunications regulation. The Telecommunications Act provides authority for the Government to issue directions of general application to the CRTC on broad policy matters and are intended to lay out the Government s priorities for telecommunications. In 2006, the Government issued such a Policy Direction directing the CRTC, in exercising its power and performing its duties under the *Telecommunications Act*, to implement Canada s telecommunications policy objectives in a manner that includes maximum reliance on market forces, efficient and proportionate regulation, and the adoption of practices that incent investment in and the construction of competing telecommunications network facilities. The new proposed Policy Direction directs the CRTC to consider how measures can promote all forms of competition as well as affordability, consumer interests and innovation. It is intended to co-exist with, and complement, the existing 2006 Policy Direction. Shaw and other parties will be able to comment on, and propose changes to, the proposed Policy Direction on April 8th, and it is expected to come into force by the summer of 2019. Once implemented, the Policy Direction will apply to all telecommunications regulatory measures, including those affecting our Consumer and Business internet and phone services, our wholesale telecommunications services, and our Wireless services. The impact of the Policy Direction will depend on how the CRTC interprets it in the context of specific matters and proceedings.

CRTC Wireless Review

On February 28, 2019, the CRTC issued the Notice of Consultation for its anticipated review of the regulatory framework for mobile wireless services in Canada. The proceeding will include assessments of:

- retail mobile wireless competition and whether any regulatory interventions in the retail market are required,
- wholesale wireless regulation, with a focus on wholesale access for mobile virtual network operators (MVNO), and
- whether there are barriers to the introduction of new technologies and any regulatory interventions required to support investment and competition.

The Notice conveys the CRTC s preliminary view that it would be appropriate to mandate wholesale MVNO access to the networks of the national incumbents. The Notice includes a series of questions regarding the possible eligibility requirements and other terms and conditions of a possible mandated MVNO regime, among other topics. The CRTC s determinations on these and other questions in the Notice could affect Shaw s ability to compete in the mobile wireless market. The new proposed Policy Direction is expected to apply to this proceeding.

CRTC Report on Use of Misleading or Aggressive Sales Practices

On February 20th the CRTC published its Report on Misleading or Aggressive Communications Retail Sales Practices. It found that a significant portion of Canadians are experiencing misleading or aggressive sales practices, across all sales channels, in connection with their purchase of telecommunications and broadcasting services. While the Report did not result in new rules or regulatory obligations, the Report s findings could lead to new measures implemented in the context of current or future proceedings, which, if introduced, could negatively impact the Company s revenues.

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Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited)

(millions of Canadian dollars)	**February 28, 2019**	August 31, 2018 (restated, note 2)	September 1, 2017 (restated, note 2)
ASSETS			
Current			
Cash	**1,288**	384	507
Accounts receivable	**276**	253	286
Inventories	**74**	61	59
Other current assets *[note 5]*	**332**	273	179
Current portion of contract assets *[note 4]*	**74**	59	15
Assets held for sale			61
	2,044	1,030	1,107
Investments and other assets *[notes 14 and 15]*	**676**	660	937
Property, plant and equipment	**4,747**	4,702	4,394
Other long-term assets *[note 14]*	**172**	197	216
Deferred income tax assets	**5**	4	4
Intangibles	**7,469**	7,482	7,435
Goodwill	**280**	280	280
Contract assets *[note 4]*	**71**	76	44
	15,464	14,431	14,417
LIABILITIES AND SHAREHOLDERS EQUITY			
Current			
Short-term borrowings *[note 6]*	**40**	40	
Accounts payable and accrued liabilities	**931**	970	909
Provisions *[note 7]*	**234**	245	76
Income taxes payable	**114**	133	151
Current portion of contract liabilities *[note 4]*	**218**	226	214
Current portion of long-term debt *[notes 9 and 14]*	**1,251**	1	2
Liabilities held for sale			39
	2,788	1,615	1,391
Long-term debt *[notes 9 and 14]*	**4,055**	4,310	4,298
Other long-term liabilities	**21**	13	114
Provisions *[note 7]*	**96**	179	67
Deferred credits	**435**	442	469

Contract liabilities *[note 4]*	**16**	18	21
Deferred income tax liabilities	**1,924**	1,884	1,863
	9,335	8,461	8,223
Shareholders equity *[notes 10 and 12]*			
Common and preferred shareholders	**6,128**	5,969	6,193
Non-controlling interests in subsidiaries	**1**	1	1
	6,129	5,970	6,194
	15,464	14,431	14,417

See accompanying notes.

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Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(unaudited)

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2019**	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Revenue *[notes 3 and 4]*	**1,316**	1,329	**2,671**	2,574
Operating, general and administrative expenses *[note 8]*	**(767)**	(846)	**(1,577)**	(1,611)
Restructuring costs *[notes 7 and 8]*		(417)	**(1)**	(417)
Amortization:				
Deferred equipment revenue	**5**	8	**11**	17
Deferred equipment costs	**(21)**	(28)	**(45)**	(58)
Property, plant and equipment, intangibles and other	**(248)**	(234)	**(492)**	(473)
Operating income (loss) from continuing operations	**285**	(188)	**567**	32
Amortization of financing costs long-term debt		(1)	**(1)**	(2)
Interest expense	**(68)**	(63)	**(130)**	(124)
Equity income of an associate or joint venture *[note 15]*	**3**	16	**26**	46
Other gains	**(4)**	1	**(5)**	5
Income (loss) from continuing operations before income taxes	**216**	(235)	**457**	(43)
Current income tax expense *[note 3]*	**42**	42	**77**	78
Deferred income tax expense	**19**	(102)	**39**	(63)
Net income (loss) from continuing operations	**155**	(175)	**341**	(58)
Loss from discontinued operations, net of tax				(6)
Net income (loss)	**155**	(175)	**341**	(64)
Net income (loss) from continuing operations attributable to:				
Equity shareholders	**155**	(175)	**341**	(58)
Loss from discontinued operations attributable to:				
Equity shareholders				(6)

Basic earnings (loss) per share *[note 11]*				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations				(0.01)
	0.30	(0.35)	**0.66**	(0.13)
Diluted earnings (loss) per share *[note 11]*				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations				(0.01)
	0.30	(0.35)	**0.66**	(0.13)

See accompanying notes.

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Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(millions of Canadian dollars)	Three months ended February 28, **2019**	2018 (restated, note 2)	Six months ended February 28, **2019**	2018 (restated, note 2)
Net income (loss)	**155**	(175)	**341**	(64)
Other comprehensive income (loss) *[note 12]*				
Items that may subsequently be reclassified to income:				
Continuing operations:				
Change in unrealized fair value of derivatives designated as cash flow hedges		(1)	**1**	3
Adjustment for hedged items recognized in the period	**(1)**	1	**(1)**	2
Share of other comprehensive income (loss) of associates	**(7)**	6	**(6)**	5
	(8)	6	**(6)**	10
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans:				
Continuing operations	**(9)**	74		63
	(17)	80	**(6)**	73
Comprehensive income (loss)	**138**	(95)	**335**	9
Comprehensive income (loss) attributable to:				
Equity shareholders	**138**	(95)	**335**	9

See accompanying notes.

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Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(unaudited)

Six months ended February 28, 2019

(millions of Canadian dollars)	Attributable to equity shareholders Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2018, as previously reported	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**
Transition adjustments - IFRS 15 *[note 2]*			**22**		**22**		**22**
Restated balance at September 1, 2018	**4,349**	**27**	**1,641**	**(39)**	**5,978**	**1**	**5,979**
Change in accounting policy adjustments *[note 2]*			**(9)**		**(9)**		**(9)**
Restated balance as at September 1, 2018	**4,349**	**27**	**1,632**	**(39)**	**5,969**	**1**	**5,970**
Net income			**341**		**341**		**341**
Other comprehensive income				**(6)**	**(6)**		**(6)**
Comprehensive income			**341**	**(6)**	**335**		**335**
Dividends			**(200)**		**(200)**		**(200)**
Dividend reinvestment plan	**107**		**(107)**				
Shares issued under stock option plan	**26**	**(4)**			**22**		**22**
Share-based compensation		**2**			**2**		**2**
Balance as at February 28, 2019	**4,482**	**25**	**1,666**	**(45)**	**6,128**	**1**	**6,129**

Six months ended February 28, 2018

(millions of Canadian dollars)	Attributable to equity shareholders Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2017, as previously reported	4,090	30	2,164	(131)	6,153	1	6,154
Transition adjustments - IFRS 15 *[note 2]*			40		40		40
Restated balance as at September 1, 2017	4,090	30	2,204	(131)	6,193	1	6,194

Net income (loss) *[restated, note 2]*			(64)		(64)		(64)
Other comprehensive income				73	73		73
Comprehensive income (loss)			(64)	73	9		9
Dividends			(196)		(196)		(196)
Dividend reinvestment plan	106		(106)				
Shares issued under stock option plan	31	(4)			27		27
Share-based compensation		2			2		2
Restated balance as at February 28, 2018	4,227	28	1,838	(58)	6,035	1	6,036

See accompanying notes.

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Shaw Communications Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(millions of Canadian dollars)	Three months ended February 28, 2019	2018 (restated, note 2)	Six months ended February 28, 2019	2018 (restated, note 2)
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 13]*	**444**	(49)	**883**	318
Net change in non-cash balances related to continuing operations	**(64)**	253	**(168)**	254
Operating activities of discontinued operations				(2)
	380	204	**715**	570
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(220)**	(263)	**(556)**	(582)
Additions to equipment costs (net) *[note 3]*	**(10)**	(10)	**(19)**	(26)
Additions to other intangibles *[note 3]*	**(19)**	(21)	**(53)**	(56)
Net (additions) reductions to inventories	**30**	(17)	**(14)**	(46)
Proceeds on sale of discontinued operations, net of cash sold				18
Net additions to investments and other assets	**3**	19	**3**	42
Proceeds on disposal of property, plant and equipment	**13**	1	**13**	8
	(203)	(291)	**(626)**	(642)
FINANCING ACTIVITIES				
Increase in long-term debt		10	**1,000**	10
Bank facility arrangement costs			**(9)**	
Issue of Class B Non-Voting Shares *[note 10]*	**21**	6	**23**	27
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(97)**	(94)	**(195)**	(190)
Dividends paid on Preferred Shares	**(2)**	(2)	**(4)**	(4)
	(78)	(80)	**815**	(157)
Increase (decrease) in cash	**99**	(167)	**904**	(229)
Cash, beginning of the period	**1,189**	445	**384**	507

Cash of continuing operations, end of the period	**1,288**	278	**1,288**	278

See accompanying notes.

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Shaw Communications Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018

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

1. CORPORATE INFORMATION

Shaw Communications Inc. (the Company) is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities (Wireline); and wireless services for voice and data communications (Wireless). The Company s shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three months ended February 28, 2019 were authorized for issue by the Audit Committee on April 8, 2019.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company s consolidated financial statements for the year ended August 31, 2018 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period s presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company s last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company s annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company s consolidated financial statements for the year ended August 31, 2018.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2018.

IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

Shaw Communications Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company s reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company s financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the interim consolidated financial statements as at and for the three and six months ended February 28, 2019, the comparative information presented for the three and six months ended February 28, 2018, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;

Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and

Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

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Shaw Communications Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in note 2(f) - Transition adjustments for the three and six months ended February 28, 2018, are as follows:

		Three months ended February 28, 2018			Six months ended February 28, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Revenue	i.	1,355	(26)	1,329	2,604	(30)	2,574
Operating, general and administrative expenses	ii.	(854)	8	(846)	(1,622)	11	(1,611)
Other revenue (expense)		(2)	3	1	2	3	5
Income tax expense (recovery)		(53)	(6)	(59)	24	(7)	17
Net income from continuing operations		(164)	(9)	(173)	(50)	(9)	(59)

i) Allocation of transaction price

Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs

Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the three and six months ended February 28, 2018, are as follows:

	Three months ended February 28, 2018			Six months ended February 28, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Services						
Wireline - Consumer	926		926	1,861		1,861
Wireline - Business	140		140	280		280
Wireless	142	(8)	134	273	(12)	261
	1,208	(8)	1,200	2,414	(12)	2,402
Equipment and other						
Wireless	148	(18)	130	192	(18)	174
	148	(18)	130	192	(18)	174
Intersegment eliminations	(1)		(1)	(2)		(2)
Total revenue	1,355	(26)	1,329	2,604	(30)	2,574

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Shaw Communications Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018

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

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Financial Position as disclosed in note 2(f) - Transition adjustments as at September 1, 2017 and August 31, 2018 are as follows:

		As at September 1, 2017			As at August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.		15	15		59	59
Other current assets	ii.	155	24	179	286	(13)	273
Contract assets	i.		44	44		76	76
Other long-term assets	ii.	255	(39)	216	300	(102)	198
Accounts payable and accrued liabilities	i.	913	(4)	909	971	(1)	970