SHAW COMMUNICATIONS INC
Form 6-K
July 11, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of July, 2005

Shaw Communications Inc.

(Translation of registrant s name into English)

Suite 900, 630 3rd Avenue S.W., Calgary, Alberta T2P 4L4 (403) 750-4500

(Address of principal executive offices)

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

Form 20-F o Form 40-F þ

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

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): o

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

Yes o No þ

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

SIGNATURE

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

Date: July 11, 2005
Shaw Communications Inc.

By:
/s/ Steve Wilson

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

NEWS RELEASE

Shaw Communications Inc. announces third quarter results and initial Digital Phone growth

Calgary, Alberta, July 7, 2005 Shaw Communications Inc. announced net income of $43.3 million or $0.16 per share for the quarter ended May 31, 2005 compared to net income of $24.8 million or $0.06 per share for the comparable period in 2004. Net income for the nine months of the year was $94.2 million or $0.36 per share, up from $62.0 million or $0.14 per share last year.

Jim Shaw, Chief Executive Officer of Shaw, commented: Shaw s entry into the telephone business is a defining moment in our history. On February 14, 2005, we launched Shaw Digital Phone in Calgary and followed up approximately two months later with a launch in Edmonton. With these two markets launched we are able to offer telephone service to over 25% of our customers. Digital Phone gives us the capability to tap into a new revenue stream leveraging off our existing infrastructure and we are pleased by the success in our first full quarter of Digital Phone operations. At May 31, 2005, we reported installed and pending Digital Phone lines of 22,450.

Total service revenue of $559.9 million and $1.6 billion for the three and nine month periods, respectively, grew 5.2% and 6.4% over the same periods last year. Consolidated service operating income before amortization[1] of $252.9 million and $731.2 million improved 6.4% and 6.5%, respectively. Funds flow from operations[2] increased to $197.7 million and $564.4 million for the quarter and year-to-date compared to $179.3 million and $508.5 million in the same periods last year.

Jim Shaw, continued: We are pleased that, even with our management focus on launching Digital Phone in two major markets, we were able to report improved service revenue, service operating income before amortization and earnings over the same periods last year. We also improved all three of these financial metrics on a consecutive basis. In addition, customer growth was positive which reflects the strengthening of our bundled products, particularly with Shaw s entry into the triple play market of video, data and voice and the continued roll out of service enhancements across all product lines and services.

On the traditional lines of business, the Company reported quarterly customer growth in basic cable of 1,338 or 0.1%, digital television of 9,764 or 1.7%, Internet of 27,034 or 2.5% and DTH of 6,252 or 0.8%

Free cash flow[1] for the quarter was $89.3 million bringing the year-to-date amount to $195.6 million. This compares to $73.7 million and $222.8 million in the same periods last year. The decrease on a year-to-date basis was primarily due to higher capital expenditures in cable associated with investments to support customer growth and the rollout of Digital Phone. Satellite achieved record free cash flow of $20.9 million for the quarter.

Jim Shaw commented: The performance to date provides us with confidence that Shaw is on track to meet its free cash flow guidance of $270 $285 million for 2005. We are excited about our product success and need to continue to rollout new products and services rapidly. Accordingly, our preliminary view for fiscal 2006 calls for capital and net equipment spending to range from $535 $545 million. We are planning to increase capital spending in fiscal 2006 in order to accelerate digital phone growth and to support ongoing network upgrades and service enhancements in Internet, digital video, HDTV and VOD. In addition, the Company plans to start a multi-year project to upgrade and modernize its customer management and billing systems in order to facilitate the increasing complexity of offering greater customer choices, bundled offerings and transaction-based services. These improvements will also enable the Company to address the future integration of service offerings, offer new services rapidly and respond to competitive dynamics. We expect that growth of service operating income before amortization in fiscal 2006 will be moderated by the ongoing upfront investments required for Digital Phone deployment. We plan to provide specific guidance on service operating income before amortization and free cash flow when we release our 2005 year-end results.

Cable service revenue increased 6.9% for the quarter to $405.6 million (2004 $379.3 million) and 6.9% for the nine months of the year to $1.2 billion (2004 $1.1 billion). This growth resulted from rate increases, customer growth and the impact of the Monarch cable systems acquisition which took place in the third quarter of fiscal 2004. Service operating income before amortization increased 4.4% to $203.9 million (2004 $195.2 million) for the quarter and 2.2% to $596.9 million (2004 $583.8 million) for the nine months.

On a year-over-year basis, the Satellite division s service revenue increased by 1.0% to $154.3 million and by 5.0% to $457.6 million for the three and nine months, respectively, due to rate increases, change in mix of promotional activities and customer growth in DTH. Over the same respective periods, service operating income before amortization increased by 15.5% to $49 million and 22.8% to $134.4 million. The improvement was largely due to the growth in DTH revenue and reduced costs.

Jim Shaw remarked, Both divisions are meeting expectations. The satellite business is maturing and the team is now able to focus on operating efficiencies which is reflected in the double digit growth in service operating income before amortization over the same periods last year. On a consecutive basis, satellite s quarterly service operating income before amortization increased 8.9%, while cable s increased 2.3%. With the launch of Digital Phone, Cable has incurred upfront investments to enhance customer care and build our telephone operations. While this has exerted pressure on cable margins, we strongly believe these investments position the Company for significant growth in the future.

During the quarter, Shaw repurchased 5,454,900 of its Class B Non-Voting Shares for cancellation pursuant to the normal course issuer bid for $135.5 million ($24.83 per share) bringing the year-to-date total to $159.4 million ($24.19 per share) on the repurchase of 6,589,500 shares, representing approximately 3.0% of the Class B Non-Voting Shares outstanding at August 31, 2004. In the near term, Shaw expects to continue to use free cash flow to pay dividends and repurchase shares.

Shaw Communications Inc. is a diversified Canadian communications company whose core business is providing broadband cable television, Internet, Digital Phone, telecommunications services (through Big Pipe Inc.) and satellite direct-to-home services (through Star Choice Communications Inc.) to approximately 3.0 million customers. Shaw is traded on the Toronto and New York stock exchanges and is a member of the S&P/TSX 60 index (Symbol: TSX SJR.NV.B, NYSE SJR).

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

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For further information, please contact:

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

1 See definitions under Key Performance Drivers in Management s Discussion and Analysis.
2 Funds flow from operations is before changes in non-cash working capital as presented in the unaudited interim Consolidated Financial Statements.

Shaw Communications Inc.

SHAREHOLDERS REPORT
THIRD QUARTER ENDING MAY 31, 2005

To Our Shareholders:

Shaw delivered another quarter of solid financial performance with improved growth in all services over the same three and nine-month periods last year, as well as on a consecutive quarterly basis. As a result, we remain confident that we will achieve our free cash flow guidance for the year of $270 $285 million.

As the market for communication and entertainment services becomes more competitive, Shaw continues to improve its level of service through enhanced customer care, the introduction of new products and services and delivery of increased value through bundling. A key part of this has been our recent entry into the residential telephone market with the launch of Shaw Digital Phone in Calgary and Edmonton over the last few months. At the quarter end, we had 22,450 installed and pending phone lines and with the launch in Edmonton, we are now able to offer the service to over 25% of homes passed. Initial response from our customers has been very positive.

At the same time, Shaw introduced a number of product improvements this quarter, with many at no additional cost to the customer. For example, we improved our already industry-leading Internet product, offering customers increased connectivity speeds of up to 40%, a greater number of email accounts and larger email storage space. With respect to digital cable, Shaw continued the roll out of on-screen ordering of VOD movies and entertainment with launches of services in Saskatoon, Red Deer and Fort McMurray. In addition, Shaw Digital Phone expanded its unlimited, anytime long distance calling plan to include Hawaii and Alaska. In May, Star Choice became the first Canadian satellite provider to offer a dual tuner HDTV digital video recorder to the market.

These service enhancements and improved financial performance would not be possible without the commitment and ability of our employees. We believe their strength is grounded in sharing common values that Shaw has nurtured over the past thirty years. This past quarter, we launched an internal campaign to communicate and share Shaw s visions and values to each and every one of our valued employees. Through continued investments in our people and service offerings we believe the Company is well positioned for significant future growth.

JR Shaw	Jim Shaw
Executive Chair	Chief Executive Officer

Shaw Communications Inc.

MANAGEMENT S DISCUSSION AND ANALYSIS
MAY 31, 2005

June 28, 2005

Certain statements in this report may constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included herein is a Caution Concerning Forward-Looking Statements section which should be read in conjunction with this report.

The following should also be read in conjunction with Management s Discussion and Analysis included in the Company s August 31, 2004 Annual Report and the Consolidated Financial Statements and the Notes thereto and the unaudited interim Consolidated Financial Statements of the current quarter.

CONSOLIDATED RESULTS OF OPERATIONS
THIRD QUARTER ENDING MAY 31, 2005
SELECTED FINANCIAL HIGHLIGHTS

	Three months ended May 31,			Nine months ended May 31,		
	2005	2004	Change %	**2005**	2004	Change %
($000 s Cdn except per share amounts)						
Operations:						
Service revenue	**559,883**	532,015	5.2	**1,646,852**	1,547,928	6.4
Service operating income before amortization (1)	**252,899**	237,659	6.4	**731,234**	686,723	6.5
Funds flow from operations(2)	**197,685**	179,260	10.3	**564,394**	508,459	11.0
Net income	**43,266**	24,828	74.3	**94,203**	62,027	51.9
Per share data:						
Earnings per share basic and diluted (3)	**$0.16**	$0.06		**$0.36**	$0.14	
Weighted average participating shares outstanding during period (000 s)	**228,680**	232,091		**230,214**	231,394	

(1) See definition under Key Performance Drivers in Management s Discussion and Analysis.
(2) Funds flow from operations is before changes in non-cash working capital as presented in the unaudited interim Consolidated Financial Statements.
(3) Includes gain recorded through equity on the redemption of COPrS of $12,803 or $0.06 per share for the nine-month period [2004 $0] and is after deducting entitlements on the equity instruments, net of income taxes, amounting to $6,911 or $0.03 per share [2004 $9,977 or $0.04 per share] and $24,616 or $0.11 per share [2004

$29,903 or $0.13 per share] for the three and nine months, respectively.

SUBSCRIBER HIGHLIGHTS

		Growth			
	Total May 31, 2005	Three months ended May 31, **2005**	Three months ended May 31, 2004	Nine months ended May 31, **2005**	Nine months ended May 31, 2004
Subscriber statistics:					
Basic cable customers	**2,139,228**	**1,338**	2,910	16,740	24,690
Digital customers	**587,317**	**9,764**	16,762	46,782	48,192
Internet customers (including pending installs)	**1,128,259**	**27,034**	19,173	107,321	102,518
DTH customers	**835,902**	**6,252**	12,344	7,999	17,871
Digital phone lines (including pending installs)	**22,450**	**18,938**		22,450	

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ADDITIONAL HIGHLIGHTS

With the launch of Shaw Digital Phone in Calgary and Edmonton, the service is now available to approximately 25% of homes passed. At May 31, 2005, the number of Digital Phone lines, including pending installations, was 22,450.

The Company attained customer growth across all business lines in the third quarter with increases of 1,338 for basic cable, 9,764 for digital, 27,034 for Internet and 6,252 for DTH.

Approximately 46.6% (2004 42.3%) of cable customers now subscribe to a bundled service.

Free cash flow of $89.3 million for the quarter improved $15.5 million over the same quarter last year with Satellite achieving record free cash flow of $20.9 million.

Pursuant to the normal course issuer bid, during the third quarter 5,454,900 Class B Non-Voting Shares were repurchased for $135.5 million ($24.83 per share).

Consolidated Overview

Consolidated service revenue of $559.9 million and $1.6 billion for the three and nine-month periods, respectively, improved by 5.2% and 6.4% over the same periods last year. Increased service revenue resulted primarily from rate increases, customer growth, the acquisition of the Monarch cable systems effective March 31, 2004 and the change in mix of promotional activities. Consolidated service operating income before amortization for the respective quarterly and year-to-date periods increased by 6.4% to $252.9 million and 6.5% to $731.2 million. The improvements over both periods were due to revenue growth and reduced costs in the satellite division, while the nine-month comparative also benefited from the settlement of litigation in the second quarter of last year of $6.5 million. These improvements were partly offset by increased costs in the cable division, including expenditures incurred to support continued growth and in preparation for increased competition and the launch of Digital Phone.

Net income was $43.3 million and $94.2 million for the three and nine months ended May 31, 2005 compared to $24.8 million and $62.0 million for the same periods last year. Net income continued to improve on a consecutive basis, up $11.1 million over the second quarter. The changes in net income are outlined in the table below. The fluctuation in net other costs and revenue from the three and nine-month periods ended May 31, 2004 is largely reflective of fair value changes on foreign currency forward contracts in respect of Shaw s US dollar denominated equity instruments. Under Accounting Guideline 13, the forward contracts do not qualify for hedge accounting; therefore, fair value adjustments on the forwards are recorded in income which amounted to a gain (loss) of $1.5 million and ($14.5 million) in the quarter and year-to-date, respectively. The impact of the foregoing and other changes to net income are outlined as follows:

Shaw Communications Inc.

	Increase (decrease) of May 31, 2005 net income compared to:		
	Three months ended		Nine months ended
	February 28, 2005	May 31, 2004	May 31, 2004
($millions Cdn)			
Increased service operating income before amortization	8.6	15.2	44.5
Decreased amortization	7.1	7.6	6.0
Decreased interest expense	0.9	0.7	3.8
Change in net other costs and revenue(1)	1.7	3.2	(8.5)
Increase in income taxes	(7.2)	(8.3)	(13.6)
	11.1	18.4	32.2

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

Earnings per share were $0.16 and $0.36 for the quarter and nine-months, respectively, compared to $0.06 and $0.14 in the respective periods last year. The increase of $0.10 over the comparative quarterly period is primarily due to higher net income per share of $0.08. For the nine-month period, the increase of $0.22 is due to higher net income per share of $0.14, plus $0.06 per share attributable to the gain of $12.8 million recorded through equity during the second quarter on the redemption of the US $142.5 million 8.45% Canadian Originated Preferred Securities (Series A COPrS) and a reduction of equity entitlements of $0.02 per share.

Funds flow from operations was $197.7 million in the third quarter compared to $179.3 million last year, and on a year-to-date basis was $564.4 million compared to $508.5 million in 2004. The growth over the respective quarterly and year-to-date comparative periods was primarily due to increased service operating income before amortization of $15.2 million and $44.5 million and reduced interest expense of $0.7 million and $3.8 million, respectively.

On a consolidated basis, the Company s quarterly free cash flow of $89.3 million improved $15.5 million over last year. On a year-to-date basis, free cash flow was $195.6 million compared to $222.8 million in 2004. The decline was due to increased capital expenditures, particularly in the categories of upgrades and enhancements and buildings/other. The satellite division achieved record free cash flow of $20.9 million for the quarter compared to $10.5 million in the same quarter last year. Cable generated $68.4 million of positive free cash flow for the quarter or a $5.2 million increase over $63.2 million reported last year.

Update to critical accounting policies

The Management s Discussion and Analysis (MD&A) included in the Company s August 31, 2004 Annual Report outlined critical accounting policies including key estimates and assumptions that management has made under these policies and how they affect the amounts reported in the Consolidated Financial Statements. The MD&A also describes significant accounting policies where alternatives exist. Also described therein were a number of new accounting policies that Shaw was required to adopt in 2005 as a result of recent changes in Canadian accounting pronouncements. For a description of the changes in accounting policies, readers should refer to Note 1 of the unaudited interim Consolidated Financial Statements. The

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ensuing discussion provides additional information as to the date that Shaw was required to adopt the new standards, the methods of adoption permitted by the standards and the method chosen by Shaw and the effect on the financial statements as a result of adopting the new policy.

Adoption of recent Canadian accounting pronouncements

Asset Retirement Obligations

In the first quarter of 2005, the Company retroactively adopted the new Canadian standard, Asset Retirement Obligations. The application of this standard had no significant impact on the financial position or results of operations of the Company.

GAAP Hierarchy and General Standards of Financial Statement Presentation

In the first quarter of 2005, the Company adopted the new CICA Handbook Sections 1100, Generally Accepted Accounting Principles, and 1400, General Standards of Financial Statement Presentation . The effect of any change in accounting policy made in adopting these sections only applies to events and transactions occurring after August 31, 2004 and to any outstanding balances existing at the date of the change. The application of these recommendations had no significant impact on the Company s consolidated financial statements.

Consolidation of Variable Interest Entities

In the second quarter of 2005, the Company retroactively adopted the new CICA Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities. The application of AcG-15 had no impact on the Company s consolidated financial statements.

Key Performance Drivers

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

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

Service operating income before amortization
The Company utilizes this measurement as it is a widely accepted financial indicator of a company s ability to service and/or incur debt. In respect of the calculation of consolidated service operating income before amortization, it is presented as a sub-total line item in the Company s unaudited interim Consolidated Statements of Income and Deficit. It is calculated as service revenue less operating, general and administrative expenses.

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

	Three months ended May 31,		Nine months ended May 31,	
	2005	2004	**2005**	2004
($000 s Cdn)				
Cable free cash flow[1]	**68,395**	63,196	**162,606**	223,696
Combined satellite free cash flow[1]	**20,882**	10,536	**32,971**	(875)
Consolidated	**89,277**	73,732	**195,577**	222,821

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

CABLE
FINANCIAL HIGHLIGHTS

	Three months ended May 31,			Nine months ended May 31,		
	2005	2004	Change %	**2005**	2004	Change %
($000 s Cdn)						
Service revenue (third party)	**405,619**	379,289	6.9	**1,189,224**	1,112,124	6.9
Service operating income before amortization (1)	**203,903**	195,248	4.4	**596,873**	583,759	2.2
Less:						
Interest	**42,826**	43,536	(1.6)	**129,708**	130,953	(1.0)
Entitlements on equity instruments, net of current taxes	**6,911**	9,977	(30.7)	**24,616**	29,903	(17.7)
Cash taxes on net income	**5,621**	7,601	(26.0)	**18,574**	22,961	(19.1)
Cash flow before the following:	**148,545**	134,134	10.7	**423,975**	399,942	6.0
Capital expenditures and equipment costs (net):						
New housing development	**22,885**	20,260	13.0	**61,085**	50,516	20.9
Success based	**12,216**	12,822	(4.7)	**45,061**	37,635	19.7
Upgrades and enhancement	**28,621**	27,745	3.2	**109,179**	68,666	59.0
Replacement	**9,279**	4,427	109.6	**22,181**	9,509	133.3
Buildings/other	**7,149**	5,684	25.8	**23,863**	9,920	140.6
Total as per Note 2 to the unaudited interim Consolidated Financial	**80,150**	70,938	13.0	**261,369**	176,246	48.3

Statements						
Free cash flow [1]	**68,395**	63,196	8.2	**162,606**	223,696	(27.3)
Operating margin	**50.3%**	51.5%	(1.2)	**50.2%**	52.5%	(2.3)

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

OPERATING HIGHLIGHTS

Shaw launched Digital Phone in two major markets; Calgary, on February 14, 2005 and Edmonton, on April 25, 2005. At May 31, 2005 pending and installed Digital Phone lines totaled 22,450.

Customer base grew across all product areas and penetration of customers who subscribe to bundled services increased to 46.6% up from 42.3% last year.

Free cash flow improved $6.2 million over the consecutive quarter to $68.4 million largely due to a 2.3% or $4.6 million increase in service operating income before amortization.

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Cable service revenue for the three and nine-month periods both improved 6.9% over the same periods last year primarily due to customer growth, rate increases and the acquisition of the Monarch cable systems effective March 31, 2004. Over these same periods, Shaw prepared for the launch of Digital Phone and invested in value added services and improvements, at little or no cost to customers, including increased speed of Internet connectivity; Shaw Secure, Shaw s comprehensive Internet security package; Shaw Messenger, a complete online messaging service; continued roll out of on-screen ordering of VOD content and provision of 24/7/365 customer support. The required investment in people and services to support these initiatives, plus increased network fees, premise and compliance costs contributed to the lower rate of growth of service operating income before amortization of 4.4% and 2.2%, respectively. While these required investments exerted pressure on cable margins, which were approximately 50.2% throughout this fiscal year compared to 52.5% in the same period last year, they are expected to position the Company for future growth as the roll out of Digital Phone continues.

Shaw Digital Phone was launched first in Calgary, on February 14, 2005 and followed with its second launch in Edmonton, on April 25, 2005. Shaw Digital Phone is a reliable, fully featured and affordable residential telephone service. It combines local, long distance and the most popular calling features into a simple package for a fixed monthly fee. The service is priced at $55.00 per month when bundled with any of Shaw s other services and includes a local residential line, unlimited anytime long distance calling within Canada and the U.S. and six calling features: voicemail, call display, call forwarding, three-way calling, call return and call waiting. Professional installation, access to E-911, directory and operator services, and 24/7/365 customer support are all part of the Shaw Digital Phone service at no additional cost. Customers also have the option of keeping their current home phone number and the service works with existing telephones in a customer s home so no purchase of additional equipment is required. The Company expects that Digital Phone penetration, expressed as a percentage of Basic, will be approximately 20% in three years.

The launch of Digital Phone and supporting plant upgrades have increased capital expenditures and equipment costs (net) which were $80.1 million and $261.4 million for the quarter and year-to-date, respectively, up $9.2 million and $85.1 million over the same periods last year. During the quarter Shaw invested $12.5 million of capital on the deployment of Digital Phone and, on a year-to-date basis, $34.4 million. The fixed capital portion of this investment, plus enhancements and replacements of amplifiers, power supplies, nodes and other network components, is reflected in higher spending of upgrades/enhancements and replacement capital, which combined, increased $5.7 million and $53.2 million for the three and nine months, respectively. Spending increases in Buildings and Other of $1.5 million and $13.9 million for the three and nine months, respectively, were primarily due to building upgrades in various branch locations, investments in new and enhanced information systems, and the purchase of certain software licenses in the first quarter. Spending on New Housing Development increased $2.6 million and $10.6 million for the three and nine months, respectively, primarily due to increased new home construction in Western Canada and recoveries of capital recorded in the second quarter of last year. Success- based spending year-to-date increased $7.5 million over the prior year mainly due to the purchase of customer premise equipment for Shaw Digital Phone. The Company anticipates capital spending will increase over fiscal 2005 and range from $535 $545 million in fiscal 2006. The increased spending will accelerate digital phone growth and support ongoing network upgrades and service enhancements in internet, digital video, HDTV and VOD.

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SUBSCRIBER STATISTICS

			May 31, 2005			
			Three months ended		Nine months ended	
				Change		Change
	May 31, 2005	August 31, 2004	Growth	%	Growth	%
CABLE:						
Basic service:						
Actual	**2,139,228**	2,122,488	1,338	0.1	16,740	0.8
Penetration as % of homes passed	**66.4%**	67.2%				
Digital terminals	**721,345**	640,975	18,312	2.6	80,370	12.5
Digital customers	**587,317**	540,535	9,764	1.7	46,782	8.6
INTERNET:						
Connected and scheduled	**1,128,259**	1,020,938	27,034	2.4	107,321	10.5
Penetration as % of basic	**52.7%**	48.1%				
Standalone Internet not included in basic cable	**133,927**	114,767	3,751	2.9	19,160	16.7
DIGITAL PHONE:						
Number of lines (1)	**22,450**		18,938	n/a	22,450	n/a

(1) Represents primary and secondary lines on billing plus pending installs of 3,795 at May 31, 2005.

	Three months ended		Nine months ended	
Churn(2)	**May, 31, 2005**	May 31, 2004	**May 31, 2005**	May 31, 2004
Digital customers	**4.0%**	4.0%	**10.8%**	11.4%
Internet customers	**4.1%**	4.9%	**10.8%**	12.3%

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

Customer growth occurred across all product lines, despite increased competition. This confirms the strength of Shaw s bundling strategy which was further enhanced with the recent launch of Shaw Digital Phone. As at May 31, 2005, Shaw had pending and installed Digital Phone lines of 22,450 of which approximately 95% purchased at least one other Shaw service.

The strength of Cable s product bundling has also been augmented by continued enhancements of individual service offerings, at little or no additional charge to customers. For example, over recent months Shaw improved its already industry-leading Internet product with the introduction of new functionality, including Shaw Secure and Shaw Messenger, and improved performance, such as higher connectivity speeds of up to 40% on its high-speed Internet products, increased e-mail accounts for high-speed Internet customers and larger email storage space from 30MB to 100MB for all Internet customers. On the Digital product side, the Company introduced a dual-tuner HDTV/PVR set-top box capable of recording a high definition (or standard definition) program on a separate channel from the one being viewed. Further, since January 2005 Shaw has offered on-screen ordering of VOD content in Calgary, Edmonton and Winnipeg, and during the quarter added the service in Saskatoon, Red Deer, and Fort McMurray. The interactive capabilities of VOD with access to a growing library of content provide Shaw with a competitive advantage over its satellite and telephone company competitors.

Shaw Communications Inc.

These individual product enhancements have created further value in the bundling of products which has driven bundled penetration up to 46.6% from 42.3% in the same quarter last year. The Company s bundling strategy has proven to be an effective customer retention tool for its digital and Internet customers as shown by the generally improved churn rates in the table above.

Basic cable subscriber growth was 1,338 in the quarter compared to 2,910 in the same quarter last year and on a year-to-date basis increased 16,740 compared to 24,690 last year. Digital customer growth of 9,764 during the quarter was down compared to 16,762 in the same quarter last year due to the completion of certain promotional campaigns; however, the year-to-date growth of 46,782 was only marginally lower than 48,192 last year. Internet customers increased by 27,034 during the third quarter compared to 19,173 in the same period last year, enabling Shaw to improve its industry-leading penetration to 52.7% of basic, an improvement of 4.6% over last year (2004 48.1%). On a year-to-date basis Internet customer growth was 107,321 compared to 102,518 last year.

SATELLITE (DTH and Satellite Services)

FINANCIAL HIGHLIGHTS

	Three months ended May 31,			Nine months ended May 31,		
	2005	2004	Change %	**2005**	2004	Change %
($000s Cdn)						
Service revenue (third party)						
DTH (Star Choice)	**133,922**	132,181	1.3	**397,761**	374,665	6.2
Satellite Services	**20,342**	20,545	(1.0)	**59,867**	61,139	(2.1)
	154,264	152,726	1.0	**457,628**	435,804	5.0
Service operating income before amortization (1)						
DTH (Star Choice)	**38,328**	31,793	20.6	**103,229**	78,355	31.7
Satellite Services	**10,668**	10,618	0.5	**31,132**	31,093	0.1
	48,996	42,411	15.5	**134,361**	109,448	22.8
Less:						
Interest (2)	**10,408**	10,756	(3.2)	**31,336**	34,665	(9.6)
Cash taxes on net income	**77**	155	(50.3)	**248**	467	(46.9)
Cash flow before the following:	**38,511**	31,500	22.3	**102,777**	74,316	38.3
Capital expenditures and equipment costs (net):						
Success based (3)	**16,975**	19,643	(13.6)	**59,412**	72,904	(18.5)
Transponders and other	**654**	1,321	(50.5)	**10,394**	2,287	354.5
	17,629	20,964	(15.9)	**69,806**	75,191	(7.2)

Total as per Note 2 to the unaudited interim Consolidated Financial Statements						
Free cash flow (1)	**20,882**	10,536	98.2	**32,971**	(875)	3,868.1

(1) See definitions under Key Performance Drivers in Management s Discussion and Analysis.
(2) Interest is allocated to the Satellite division based on the actual cost of debt incurred by the Company to repay prior outstanding Satellite debt and to fund accumulated cash deficits of Cancom and Star Choice.
(3) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

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OPERATING HIGHLIGHTS

Achieved record free cash flow of $20.9 million for the quarter. This represents an improvement of $10.3 million or almost double the same quarter last year, and surpasses Satellite s previous record of $17.2 million which was generated in the second quarter of this year. On a year-to-date basis free cash flow was $33.0 million compared to negative $0.9 million last year.

Star Choice added 6,252 customers this quarter compared to 12,344 last year and 7,999 on a year-to-date basis compared to 17,871 last year. The decrease in growth is partly attributable to a greater focus on customers less susceptible to credit risk. This focus has increased customer retention as outlined below.

DTH customer churn decreased to 2.7% this quarter compared to 2.9% in the same quarter last year and to 11.1% from 12.4% for the nine-month period.

Service revenue increased 1% and 5%, respectively, over the comparative three and nine-month periods last year due to rate increases, change in mix of promotional activities and customer growth all within the DTH business segment. The revenue growth was partially offset by the re-introduction in April 2005 of programming credits on the sale of DTH receivers by retailers. Service operating income before amortization outpaced service revenue growth with respective increases of 15.5% and 22.8%. The improved results are mainly attributable to reduced sales and distr