SHAW COMMUNICATIONS INC
Form 6-K
January 14, 2010

**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 January 2010**
**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: January 14, 2010
Shaw Communications Inc.

By: /s/ Steve Wilson
Steve Wilson
Sr. V.P., Chief Financial Officer
Shaw Communications Inc.

**NEWS RELEASE**

**Shaw announces first quarter results**

**Calgary, Alberta (January 14, 2010)** - Shaw Communications Inc. announced results for the first quarter ended November 30, 2009. Consolidated service revenue for the three month period of $906 million was up 11% over the same period last year. Service operating income before amortization[1] of $475 million improved 29% over the comparable period. Excluding a one-time CRTC Part II fee recovery the increase in service operating income before amortization was almost 9%. Funds flow from operations[2] was $339 million for the quarter compared to $312 million in the same period last year.

During the quarter Digital customers were up 88,259 to 1,409,983, and Internet and Digital Phone lines grew by 36,242 to 1,744,577 and 61,461 to 923,365, respectively. Basic customers declined by 1,416 and DTH customers increased 1,097.

Free cash flow[1] for the quarter was $165 million compared to $114 million for the same period last year. The improvement was primarily due to increased service operating income before amortization and lower capital investment both of which were partially offset by cash taxes.

Chief Executive Officer and Vice Chair Jim Shaw stated, Our first quarter is off to a solid start. Through high quality customer service, attractive and compelling product choice, and valuable bundled service offerings, we continue to successfully compete in the current landscape.

Net income of $114 million or $0.26 per share for the quarter ended November 30, 2009 compared to $123 million or $0.29 per share for the same quarter last year. All periods included non-operating items which are more fully detailed in Management s Discussions and Analysis (MD&A)[3]. The current period included debt retirement costs and amounts related to financial instruments of $82 million and $45 million, respectively. Excluding the non-operating items, net income for the current three month period ended November 30, 2009 would have been $180 million compared to $122 million in the same period last year.

Service revenue in the Cable division was up 13% for the three month period to $709 million. The improvement was primarily driven by customer growth, including acquisitions, and rate increases. Service operating income before amortization was up 26% including a one-time Part II fee recovery. Excluding the one-time recovery, the growth was over 9%.

Service revenue in the Satellite division was $197 million, up 5% over the comparable period last year. Service operating income before amortization for the quarter was $94 million compared to $65 million for the same period last year. Excluding the impact of the one-time Part II fee recovery the growth was 4%.

During the quarter the Company completed the acquisition of Mountain Cablevision operating in Hamilton, Ontario adding approximately 41,000 Basic cable customers, including 24,000 Digital subscribers, as well as 30,000 Internet subscribers, and 32,000 Digital Phone lines.

On October 1, 2009 the Company closed a $1.25 billion offering of 5.65% senior notes due October 1, 2019. The net proceeds were used to early repay near term maturing debt, including US$440 million Senior Notes and US$225 million Senior Notes on October 13, 2009 and US$300 million Senior Notes on October 20, 2009.

On November 9, 2009 the Company closed a $650 million offering of 6.75% Senior Notes due November 9, 2039.

Mr. Shaw continued, The successful debt offerings at attractive rates completed during the quarter demonstrate the financial and operational strength of the business. Our solid balance sheet and moderate risk profile have allowed us to use current economic circumstances and capital market conditions to our advantage to strengthen our capital structure and lower costs.

In November 2009 Shaw received approval from the TSX to renew its normal course issuer bid ( NCIB ) to purchase Class B Non-Voting Shares for a further one year period. In the current quarter the Company repurchased 1,500,000 Class B Non-Voting Shares for $28 million and subsequent to the quarter end, Shaw repurchased a further 3,000,000 Class B Non-Voting Shares for $60 million.

Today, Shaw s Board of Directors will be reviewing the current dividend rate. Should any changes be made, they will be confirmed by separate press release.

Mr. Shaw concluded Our performance is on track. Our strong management team continues to execute on strategic initiatives to deliver long term sustainable growth. With this focus, our commitment to customer service, and the strength of our delivery system including our network infrastructure and employee base we believe we are positioned to deliver another solid year of financial and operational performance. During fiscal 2010 we also plan to take initial steps to commence wireless activities, with build out planned over the next several years.

Shaw Communications Inc. is a diversified communications company whose core business is providing broadband cable television, High-Speed Internet, Digital Phone, telecommunications services (through Shaw Business Solutions) and satellite direct-to-home services (through Shaw Direct). The Company serves 3.4 million customers, including over 1.7 million Internet and 900,000 Digital Phone customers, through a reliable and extensive network, which comprises 625,000 kilometres of fibre. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Symbol: TSX SJR.B, NYSE SJR).

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

For more information, please contact:
Shaw Investor Relations
Investor.relations@sjrb.ca

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

2 Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the unaudited interim

Consolidated Statements of Cash Flows.

3 See reconciliation of Net Income in Consolidated Overview in MD&A

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**Shaw Communications Inc.**

**MANAGEMENT S DISCUSSION AND ANALYSIS**
**NOVEMBER 30, 2009**

**January 14, 2009**

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

**The following should also be read in conjunction with Management s Discussion and Analysis included in the Company s August 31, 2009 Annual Report including the Consolidated Financial Statements and the Notes thereto and the unaudited interim Consolidated Financial Statements and the Notes thereto of the current quarter.**

**CONSOLIDATED RESULTS OF OPERATIONS**
**FIRST QUARTER ENDING NOVEMBER 30, 2009**
**Selected Financial Highlights**

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2009** | 2008 | Change % |
| ($000 s Cdn except per share amounts) | | | |
| **Operations:** | | | |
| Service revenue | **905,934** | 817,468 | 10.8 |
| Service operating income before amortization [(1) (2)] | **474,952** | 368,330 | 28.9 |
| Operating margin[(1) (2) (3)] | **52.4%** | 45.1% | 7.3 |
| Funds flow from operations [(4)] | **338,952** | 311,967 | 8.6 |
| Net income [(2)] | **114,229** | 123,474 | (7.5) |
| **Per share data:** | | | |
| Earnings per share basic and diluted | **$ 0.26** | $ 0.29 | |
| Weighted average participating shares outstanding during period (000 s) | **432,507** | 427,764 | |

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

(2) Service operating income before amortization, Operating margin, and Net income for the comparative 2008 period have been

restated from $367,797, 45.0% and $123,077, respectively, as a result of the retrospective adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets . See update to critical accounting policies and estimates on page 19.

(3) If service operating income before amortization for the three months ended November 30, 2009 was adjusted to exclude the one-time CRTC Part II recovery, operating margin would decrease to 44.1%.

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

Cash Flows.

**Subscriber Highlights**

| | Total November 30, 2009 | Growth Three months ended November 30, | |
|---|---|---|---|
| | | **2009** | 2008 |
| Subscriber statistics: | | | |
| Basic cable customers | **2,329,612** | (1,416) | 9,198 |
| Digital customers | **1,409,983** | 88,259 | 60,717 |
| Internet customers (including pending installs) | **1,744,577** | 36,242 | 31,152 |
| Digital phone lines (including pending installs) | **923,365** | 61,461 | 56,597 |
| DTH customers | **902,038** | 1,097 | 448 |

**Shaw Communications Inc.**

**Additional Highlights**

Consolidated service revenue of $905.9 million for the quarter improved 10.8% over the comparable period last year. Total service operating income before amortization of $475.0, including a one-time Part II fee recovery of $75.3 million, was up 28.9% over the comparable period.

Consolidated free cash flow[1] for the quarter was $165.4 million compared to $114.0 million for the same period last year.

On October 1, 2009 the Company closed a $1.25 billion offering of 5.65% Senior Notes due October 1, 2019. The net proceeds were used to early redeem Shaw s US$440 million Senior Notes and US$225 million Senior Notes on October 13, 2009, and its US$300 million Senior Notes on October 20, 2009.

On November 9, 2009 the Company closed a $650 million offering of 6.75% Senior Notes due November 9, 2039.

In November 2009 Shaw renewed its NCIB to purchase Class B Non-Voting Shares for a further one year period. In the quarter the Company repurchased 1,500,000 Class B Non-Voting Shares for $27.9 million and subsequent to the quarter end repurchased a further 3,000,000 Class B Non-Voting Shares for $59.8 million.

**Consolidated Overview**

Consolidated service revenue of $905.9 million for the quarter improved 10.8% over the same period last year. The improvement was primarily due to customer growth and rate increases. Consolidated service operating income before amortization for the three month period was up 28.9% over the comparable period to $475.0 million. The increase was driven by a one-time CRTC Part II fee recovery and the revenue related improvements, partially offset by higher employee related and other costs associated with growth including marketing and sales activities as well as the impact of the new Local Programming Improvement Fund ( LPIF ) fees. Excluding the one-time Part II fee recovery, the improvement was 8.5%.

On October 7, 2009 the Government of Canada and members of the broadcasting industry that are required to pay Part II license fees announced they had entered into a settlement agreement on the Part II license fee issue. The agreement resulted in the government agreeing that it will not seek Part II license fees owing for the fiscal years 2007, 2008 and 2009 that were not collected due to the ongoing legal dispute. In return, members of the broadcasting industry, including Shaw, discontinued their appeal before the Supreme Court of Canada challenging the validity of the fees. In October 2009 the Company recorded a recovery of $75.3 million, before taxes, for the Part II fees that had been accrued for the past three years and will not be collected pursuant to the agreement.

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

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Net income was $114.2 million for the quarter compared to $123.5 million for the same period last year. Non-operating items affected net income in both periods including debt retirement and amounts related to financial instruments in the current period of $81.6 million and $44.6 million, respectively. Outlined below are further details on these and other operating and non-operating components of net income for each period.

| *($000 s Cdn)* | Three months ended **November 30, 2009** | **Operating net of interest** | **Non-operating** | Three months ended [1] **November 30, 2008** | **Operating net of interest** | **Non-operating** |
|---|---|---|---|---|---|---|
| **Operating income** | 315,854 | | | 233,269 | | |
| Amortization of financing costs long-term debt | (1,101) | | | (946) | | |
| Interest expense debt | (62,064) | | | (57,210) | | |
| **Operating income after interest** | 252,689 | 252,689 | | 175,113 | 175,113 | |
| Debt retirement costs | (81,585) | | (81,585) | | | |
| Loss on financial instruments | (44,645) | | (44,645) | | | |
| Other gains | 8,717 | | 8,717 | 1,682 | | 1,682 |
| **Income (loss) before income taxes** | 135,176 | 252,689 | (117,513) | 176,795 | 175,113 | 1,682 |
| Current income tax expense | 94,578 | 67,006 | 27,572 | | | |
| Future income tax expense (recovery) | (73,631) | 5,551 | (79,182) | 53,454 | 52,941 | 513 |
| **Income (loss) before following** | 114,229 | 180,132 | (65,903) | 123,341 | 122,172 | 1,169 |
| Equity income on investee | | | | 133 | | 133 |
| **Net income (loss)** | 114,229 | 180,132 | (65,903) | 123,474 | 122,172 | 1,302 |

[1] Restated for the retrospective adoption of CICA Handbook Section 3064, Goodwill and Intangible

Assets . See update to critical accounting policies and estimates on page 19.

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

| | November 30, 2009 net income compared to: | |
|---|---|---|
| | Three months ended | |
| | August 31, 2009 | November 30, 2008 |
| *(000 s Cdn)* | | |
| Increased service operating income before amortization | 80,052 | 106,622 |
| Increased amortization | (1,012) | (24,192) |
| Decreased (increased) interest expense | 336 | (4,854) |
| Change in net other costs and revenue [1] | (118,341) | (119,328) |
| Decreased income taxes | 28,929 | 32,507 |
| | (10,036) | (9,245) |

[1] Net other costs and revenue includes debt retirement costs, loss on financial instruments, other gains and equity income on investee as detailed in the unaudited interim Consolidated Statements of Income and Retained Earnings.

Basic earnings per share was $0.26 for the quarter compared to $0.29 in the same period last year. The current three month period benefitted from higher service operating income before amortization of $106.6 million and lower taxes of $32.5 million, the total of which was more than offset by the change in net other costs and revenue of $119.3 million. The higher service operating income before amortization included a one-time Part II fee recovery of $75.3 million. The reduced taxes were due to lower net income before taxes in the current period and also included a tax recovery of $17.6 million related to reductions in corporate income tax rates. The change in net other costs and revenue was due to debt retirement costs and amounts related to financial instruments in the current period associated with the early redemption of the three series of US senior notes.

**Shaw Communications Inc.**

Net income in the current quarter decreased $10.0 million compared to the fourth quarter of fiscal 2009 mainly due to increased service operating income before amortization, including the one-time part II fee recovery, along with lower income taxes, being more than offset by the debt retirement costs and amounts related to financial instruments incurred in the current quarter and higher amortization.

Funds flow from operations was $339.0 million in the current three month period compared to $312.0 million last year. The increase was primarily due to improved service operating income before amortization in the current quarter partially offset by current income taxes.

Consolidated free cash flow for the quarter of $165.4 million compared to $114.0 million in the same period last year. Improved service operating income and lower capital investment in the current three month period of $106.6 million and $12.3 million, respectively, was partially offset by current quarter cash taxes of $67.0 million. The Cable division generated $121.9 million of free cash flow for the quarter compared to $76.3 million in the comparable period. The Satellite division achieved free cash flow of $43.6 million compared to $37.7 million last year.

**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 operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. 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 non-GAAP financial measures used by the Company and provides a reconciliation to the nearest GAAP measurement or provides a reference to such reconciliation.

<u>Service operating income before amortization and operating margin</u>

Service operating income before amortization is calculated as service revenue less operating, general and administrative expenses and is presented as a sub-total line item in the Company s unaudited interim Consolidated Statements of Income and Retained Earnings. It is intended to indicate the Company s ability to service and/or incur debt, and therefore it is calculated before amortization (a non-cash expense) and interest. Service operating income before amortization is also one of the measures used by the investing community to value the business. Operating margin is calculated by dividing service operating income before amortization by service revenue.

<u>Free cash flow</u>

The Company utilizes this measurement as it measures the Company s ability to repay debt and return cash to shareholders.

**Shaw Communications Inc.**

Free cash flow for cable and satellite is calculated as service operating income before amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net).

Commencing in 2010, for the purpose of determining free cash flow, Shaw will exclude stock-based compensation expense, reflecting the fact that it is not a reduction in the Company s cash flow. This practice is also more in line with the Company s North American peers who report free cash flow.

Consolidated free cash flow is calculated as follows:

| | Three months ended November 30, | |
|---|---|---|
| | **2009** | 2008[2] |
| *($000 s Cdn)* | | |
| Cable free cash flow [1] | **121,860** | 76,280 |
| Combined satellite free cash flow [1] | **43,568** | 37,693 |
| Consolidated free cash flow | **165,428** | 113,973 |

(1) Reconciliations of free cash flow for both cable and satellite are provided under Cable - Financial Highlights and Satellite Financial Highlights .

(2) Free cash flow for the three months ended November 30, 2008 has not been restated to exclude stock based compensation. Cable free cash flow for this period has been restated from $75,747 for the retrospective adoption of

CICA Handbook Section 3064, Goodwill and Intangible Assets . See update to critical accounting policies and estimates on page 19.

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**Shaw Communications Inc.**

**CABLE**
**FINANCIAL HIGHLIGHTS**

| | Three months ended November 30, | | |
|---|---|---|---|
| | | | Change |
| | **2009** | 2008 [3] | % |
| *($000 s Cdn)* | | | |
| Service revenue (third party) | **708,510** | 629,354 | 12.6 |
| **Service operating income before amortization** [1] | **381,102** | 303,708 | 25.5 |
| Less: | | | |
| Interest expense | **55,166** | 50,304 | 9.7 |
| Cash taxes | **48,005** | | 100.0 |
| Cash flow before the following: | **277,931** | 253,404 | 9.7 |
| **Capital expenditures and equipment costs (net):** | | | |
| New housing development | **21,730** | 24,107 | (9.9) |
| Success based | **50,350** | 33,437 | 50.6 |
| Upgrades and enhancement | **62,169** | 69,132 | (10.1) |
| Replacement | **12,578** | 15,140 | (16.9) |
| Buildings/other | **13,258** | 35,308 | (62.5) |
| Total as per Note 2 to the unaudited interim Consolidated Financial Statements | **160,085** | 177,124 | (9.6) |
| **Free cash flow before the following** | **117,846** | 76,280 | 54.5 |
| **Add back:** | | | |
| Non-cash stock based compensation | **4,014** | | 100.0 |
| **Free cash flow** [1] | **121,860** | 76,280 | 59.8 |
| Operating margin [2] | **46.9%** | 48.3% | (1.4) |

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

(2) Adjusted to exclude the CRTC Part II

fee recovery in the three months ended November 30, 2009. Service operating income before amortization, Free cash flow, and Operating margin for the comparative 2008 period have been restated from $303,175, $75,747 and 48.2%, respectively for the retrospective adoption of CICA Handbook Section 3064, Goodwill and Intangible Assets . See update to critical accounting policies and estimates on page 19.

**Operating Highlights**

Cable service revenue for the quarter of $708.5 million was up 12.6% over the same period last year. Service operating income before amortization of $381.1 million, including a one-time Part II fee recovery, increased 25.5% over the comparable three month period.

During the quarter the Company completed the acquisition of Mountain Cablevision operating in Hamilton, Ontario adding approximately 41,000 Basic cable customers, including 24,000 Digital subscribers, 30,000 Internet subscribers, and 32,000 Digital Phone lines.

During the quarter Basic cable subscribers declined 1,416. Digital customers increased 88,259 during the three month period to 1,409,983. Since launching the digital rental program in the fall of 2008, Shaw s Digital penetration of Basic has increased from approximately 40.0% at August 31, 2008 to 60.5% at November 30, 2009.

Digital Phone lines increased 61,461 during the quarter to 923,365 lines and Internet was up 36,242 to total 1,744,577 as at November 30, 2009. Internet penetration of Basic now stands at almost 75%, one of the highest in North America.

**Shaw Communications Inc.**

Cable service revenue for the quarter of $708.5 million was up 12.6% over the same period last year. Customer growth, including acquisitions, and rate increases accounted for the improvement. Service operating income before amortization of $381.1 million increased 25.5% over the comparable three month period. The increase was due to a one-time Part II fee recovery and the revenue driven improvements, partially offset by higher employee related and other costs associated with growth including marketing and sales activities as well as the impact of the LPIF fees. Excluding the impact of the Part II fee recovery, the improvement was 9.5%.

Service revenue was up $26.0 million or 3.8% over the fourth quarter of fiscal 2009 primarily due to rate increases and the acquisition of the Hamilton cable system. Service operating income before amortization improved $52.7 million over this same period primarily due to the Part II fee recovery and revenue related growth, partially reduced by increased employee related expenses, marketing costs, and the impact of the LPIF fees.

Total capital investment of $160.1 million for the quarter was $17.0 million lower than the same period last year. Success-based capital increased $16.9 million over the comparable quarter. Digital success-based capital was up in the current period primarily due to increased rental activity as well as higher customer activations.

Taken together, investment in the upgrades and enhancement category and replacement category declined $9.5 million for the quarter compared to the same period last year. The prior period included higher spending on internet speed upgrade projects which was partially offset by investment in the current quarter related to video-on-demand ( VOD ) growth and internet capacity expansion.

Investment in Buildings and Other decreased $22.1 million compared to the same period last year. The decline was primarily related to higher spending in the comparable quarter on facilities projects to relocate certain Calgary employees to the Shaw campus facility, as well as IT related projects to upgrade back office and customer support systems.

**Shaw Communications Inc.**

**Subscriber Statistics**

| | **November 30, 2009** | August 31, 2009[(1)] | November 30, 2009 Three months ended Growth | Change% |
|---|---|---|---|---|
| CABLE: | | | | |
| Basic service: | | | | |
| Actual | **2,329,612** | 2,331,028 | (1,416) | (0.1) |
| Penetration as % of homes passed | **62.5%** | 62.9% | | |
| Digital customers | **1,409,983** | 1,321,724 | 88,259 | 6.7 |
| INTERNET: | | | | |
| Connected and scheduled | **1,744,577** | 1,708,335 | 36,242 | 2.1 |
| Penetration as % of basic | **74.9%** | 73.3% | | |
| Standalone Internet not included in basic cable | **244,732** | 238,710 | 6,022 | 2.5 |
| DIGITAL PHONE: | | | | |
| Number of lines [(2)] | **923,365** | 861,904 | 61,461 | 7.1 |

(1) August 31, 2009 figures are restated for comparative purposes as if the acquisition of the Hamilton cable system in Ontario had occurred on that date.

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

Shaw continues to build on its long-standing commitment to deliver attractive and compelling products and services to its customers. During the quarter the Company expanded its channel line up to include Nickelodeon, one of the world s leading entertainment brands for children, as well as History HD, The Score HD and various cultural programming additions. Shaw also expanded its VOD offerings, enhanced the VOD on-line ordering system, and launched a new PVR expander that adds 1 terabyte of memory allowing for recording of up to an additional 600 hours of digital programming.

The Company also increased the internet speed of Shaw High Speed Lite almost four-fold to 1Mbps, and launched High-Speed Nitro, the new 100 Mbps Internet service, in Vancouver, Calgary and Edmonton. This premium speed

Internet product is now available in 6 major centres including Victoria, Winnipeg and Saskatoon.

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**Shaw Communications Inc.**

**SATELLITE (DTH and Satellite Services)**
**FINANCIAL HIGHLIGHTS**

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2009** | 2008 | Change % |
| *($000 s Cdn)* | | | |
| Service revenue (third party) | | | |
| DTH (Shaw Direct) | **177,352** | 165,776 | 7.0 |
| Satellite Services | **20,072** | 22,338 | (10.1) |
| | **197,424** | 188,114 | 4.9 |
| **Service operating income before amortization** (1) | | | |
| DTH (Shaw Direct) | **83,751** | 52,489 | 59.6 |
| Satellite Services | **10,099** | 12,133 | (16.8) |
| | **93,850** | 64,622 | 45.2 |
| Less: | | | |
| Interest expense (2) | **6,563** | 6,563 | |
| Cash taxes on net income | **19,001** | | 100.0 |
| Cash flow before the following: | **68,286** | 58,059 | 17.6 |
| **Capital expenditures and equipment costs (net):** | | | |
| Success based (3) | **23,040** | 19,481 | 18.3 |
| Buildings and other | **2,084** | 885 | 135.5 |
| Total as per Note 2 to the unaudited interim Consolidated Financial Statements | **25,124** | 20,366 | 23.4 |
| **Free cash flow before the following** | **43,162** | 37,693 | 14.5 |
| **Add back:** | | | |
| Non-cash stock option expense | **406** | | 100.0 |
| **Free cash flow** (1) | **43,568** | 37,693 | 15.6 |
| Operating Margin (4) | **34.1%** | 34.4% | (0.3) |

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

(2) Interest is allocated to the Satellite division based on the actual cost of debt incurred by the Company to repay Satellite debt and to fund accumulated cash deficits of Shaw Satellite Services and Shaw Direct.

(3) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

(4) Adjusted to exclude the CRTC Part II fee recovery in the three months ended November 30, 2009.

**Operating Highlights**

Free cash flow of $43.6 million for the quarter compares to $37.7 million in the same period last year.

During the quarter Shaw Direct added 1,097 customers and as at November 30, 2009 DTH customers now total 902,038.

Service revenue of $197.4 million for the three month period was up 4.9% over the same period last year. The improvement was primarily due to rate increases and customer growth partially offset by lower revenues in the Satellite services division related to various contract renegotiations.

Service operating income before amortization for the quarter of $93.9 million compared to $64.6 million for the same period last year. In addition to the one-time Part II fee recovery, the improvement was mainly due to the revenue related growth partially offset by higher marketing, employee related, and LPIF costs.

**Shaw Communications Inc.**
Service operating income before amortization increased $27.3 million over the fourth quarter primarily due to the one-time Part II fee recovery.
Total capital investment of $25.1 million for the quarter increased over the prior year spend of $20.4 million. Success based capital was higher mainly due to increased activations as well as lower customer pricing. The increase in Buildings and Other was mainly due to the relocation and expansion of the Montreal call centre.
During the quarter Shaw Direct added several new HD channels including AMC, The Score, and History.

**Subscriber Statistics**

| | | | Three months ended November 30, 2009 | |
|---|---|---|---|---|
| | | | | Change |
| | **November 30, 2009** | August 31, 2009 | Growth | % |
| DTH customers (1) | **902,038** | 900,941 | 1,097 | 0.1 |

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

**OTHER INCOME AND EXPENSE ITEMS**

**Amortization**

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2009** | 2008 | Change % |
| *($000 s Cdn)* | | | |
| Amortization revenue (expense) | | | |
| Deferred IRU revenue | **3,137** | 3,137 | |
| Deferred equipment revenue | **31,261** | 33,037 | (5.4) |
| Deferred equipment costs | **(59,509)** | (60,429) | (1.5) |
| Deferred charges | **(256)** | (256) | |
| Property, plant and equipment | **(124,639)** | (103,589) | 20.3 |
| Other intangibles | **(9,092)** | (6,961) | 30.6 |

Amortization of property, plant and equipment and other intangibles increased over the comparable period as the amortization of capital expenditures exceeded the impact of assets that became fully depreciated.

**Amortization of financing costs and Interest expense**

| | Three months ended November 30, | | |
|---|---|---|---|
| | **2009** | 2008 | Change % |
| *($000 s Cdn)* | | | |
| Amortization of financing costs long-term debt | **1,101** | 946 | 16.4 |

| | | | |
|---|---|---|---|
| Interest expense debt | **62,064** | 57,210 | 8.5 |

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**Shaw Communications Inc.**

Interest expense increased over the comparative period as a result of a higher average debt level partially offset by a lower average cost of borrowing resulting from changes in various components of long-term debt.

**Debt retirement costs**

During the quarter, the Company redeemed all of its outstanding US $440 million 8.25% senior notes due April 11, 2010, US $225 million 7.25% senior notes due April 6, 2011 and US $300 million 7.20% senior notes due December 15, 2011. In connection with the early redemption, the Company incurred costs of $79.5 million and wrote-off the remaining discount and finance costs of $2.1 million. The Company used proceeds from its $1.25 billion senior notes issuance in early October 2009 to fund the cash requirements for the redemptions. The refinancing of the three series of US senior notes has reduced the Company s annual interest expense by approximately $35.0 million.

**Loss on financial instruments**

On redemption of the US senior notes, the Corporation unwound and settled a portion of the principal components of two of the associated cross-currency agreements and entered into offsetting currency swap transactions and amended agreements for the outstanding notional principal amounts. The associated interest component of the cross-currency interest rate exchange agreements remains outstanding. These contracts no longer qualify as cash flow hedges and the related loss in accumulated other comprehensive loss of $50.1 million was reclassified to net income. In addition, all subsequent changes in the value of these agreements will be recorded in net income. During the first quarter, a gain of $5.5 million was recorded.

**Other gains**

This category generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and the Company s share of the operations of Burrard Landing Lot 2 Holdings Partnership ( the Partnership ). In addition, the first quarter of the prior year includes a gain of $10.8 million on cancellation of a bond forward contract.

**Income taxes**

Income taxes fluctuated over the comparative period due to lower net income before taxes in the current period and a current quarter tax recovery of $17.6 million related to reductions in corporate income tax rates.

## RISKS AND UNCERTAINTIES

The significant risks and uncertainties affecting the Company and its business are discussed in the Company s August 31, 2009 Annual Report under the Introduction to the Business Known Events, Trends, Risks and Uncertainties in Management s Discussion and Analysis.

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## FINANCIAL POSITION

Total assets at November 30, 2009 were $9.9 billion compared to $8.9 billion at August 31, 2009. Following is a discussion of significant changes in the consolidated balance sheet since August 31, 2009.

Current assets (excluding the derivative instrument) increased $242.9 million due to increases in cash and cash equivalents of $197.4 million, accounts receivable of $19.3 million, inventories of $9.8 million and future income taxes of $16.8 million. Cash and cash equivalents were up due to excess funds from the $650 million senior note issuance. Accounts receivable were up due to rate increases, subscriber growth and higher equipment shipments to retailers while inventories increased due to timing of equipment purchases to ensure sufficient supply for the holiday season. Future income taxes increased due to the timin