5.4 Shaw Communications Inc.

Shaw Communications' core businesses are providing broadband, cable television, Internet and satellite services. Shaw also has significant interests in telecommunications and Internet infrastructure. The 2003 fiscal year, ending August 31, saw assets decrease 11 percent to $7.6 billion from $8.5 billion in 2002, and revenues increase 8.5 percent to $2.1 billion from $1.9 billion.[1] Shaw recorded a net loss of $48 million in 2003, which is a significant improvement from its net loss of $286 million in 2002. Shaw attributes the increase in revenues to growth in its customer base, rate increases, and the sale of additional digital services, such as High Definition Television (HDTV) and Video On Demand (VOD) services. In 2003, Shaw's capital expenditures decreased 65 percent year-over-year to reach $258 million. This decrease was due to the fact that Shaw completed extensive upgrades and enhancements to its cable plant and Internet network in 2002.

Corus Entertainment

In August 1999, as part of a reorganization arrangement, Shaw was separated into two distinct publicly traded corporations: one continues under the name Shaw Communications Inc. and the other is called Corus Entertainment Inc. Corus media assets include radio broadcasting, specialty television, digital music services, and cable advertising services businesses. In 2003, Corus had assets of $1.9 billion, generated revenues of $644 million, and a net income of $40 million.

The following paragraphs group Shaw's recent corporate activities as they relate to their three major divisions of business: cable, Direct-to-Home satellite (DTH), and satellite services. The organization chart can also be used to put these activities into a wider corporate overview (Figure 5.4-1).

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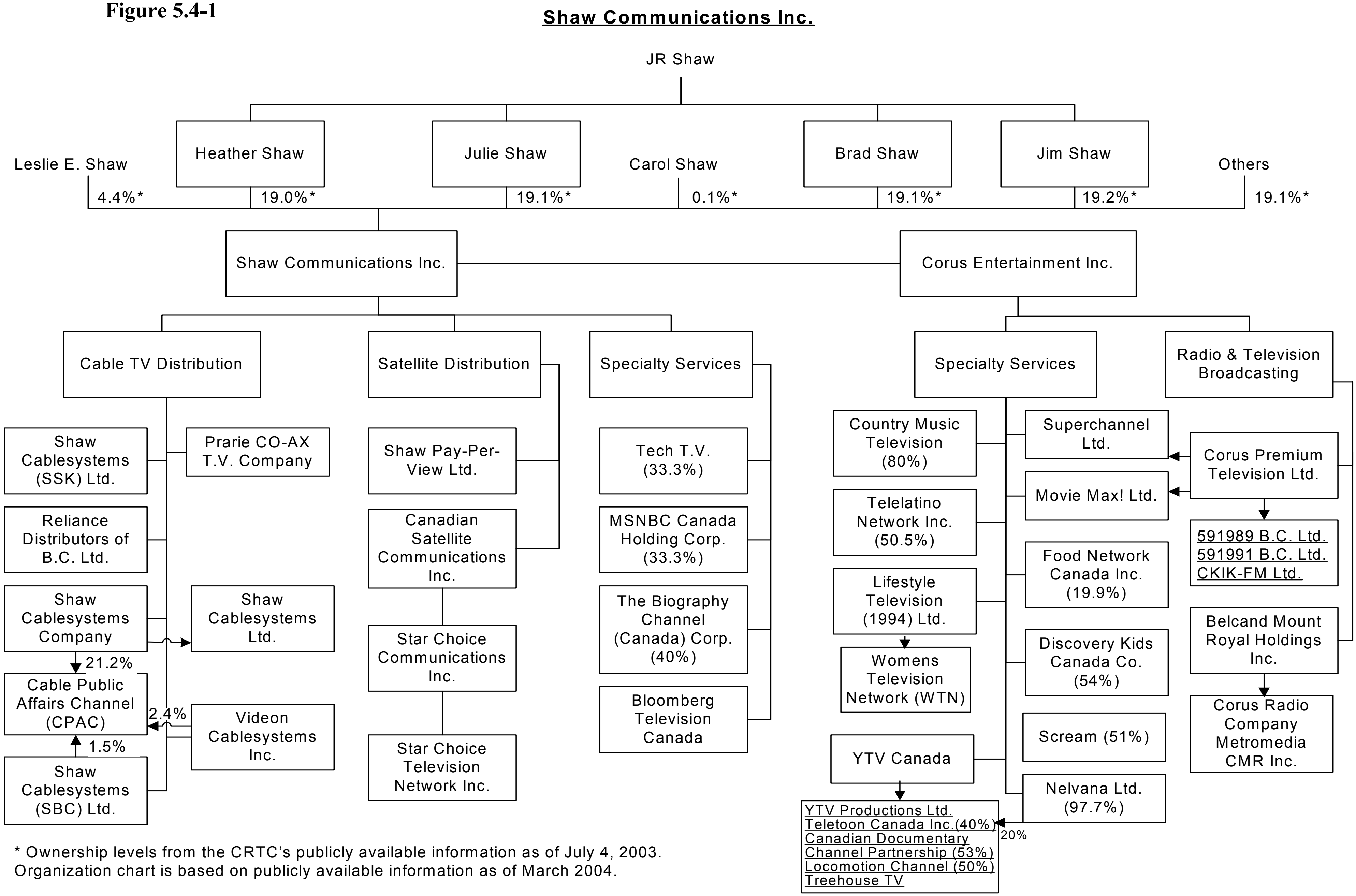
1 Revenues include Intersegment.

Figure 5.4-1



* Ownership levels from the CRTC's publicly available information as of July 4, 2003.
Organization chart is based on publicly available information as of March 2004.

Cable Distribution (72 percent of 2003 revenues)

The Cable division is comprised of Shaw's cable television, Internet and Big Pipe operations. Shaw provides cable television and digital cable service to 2.5 million customers. For the 2003 fiscal year, assets decreased 11 percent to $5.7 billion, but cable revenues increased 6.7 percent to $1.5 billion which in turn contributed to the increase in operating income of 20 percent to $728 million.

Shaw attributes its success in building and retaining customer base to its bundling strategy. In 2003, 38 percent of Shaw cable customers subscribed to a bundled service compared to only 28 percent in the previous year. Bundling offers customers savings and greater choice in service options.

Cable Television

As of their fiscal year-end 2003, Shaw operated in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and Ontario), and represented approximately 28 percent of the Canadian cable television market serving approximately 2.1 million basic cable television subscribers.

In July 1997, Shaw introduced digital cable to its customers and by their fiscal year-end 2003 had 473,870 digital cable customers, a 9.2 percent increase from the year before. In June 2002, Shaw Cable launched Video On Demand (VOD). The VOD service allows customers to order programs online from a central library for delivery to their television. Shaw VOD provides users with VCR/DVD functionality as they can pause, rewind and fast forward the selected program. Currently Shaw has partnered with Hallmark, Universal Studios, and Twentieth Century Fox to bring customers various programming options. Customers must subscribe to both Shaw Internet and cable to receive the VOD service package.

In June 2003, Shaw Communications sold its Florida and Texas based cable assets to Bright House Networks and Cequel III. Shaw sold these assets for approximately $197 million (US). These divisions represented about 71,000 subscribers and contributed approximately $17 million (US) to Shaw's operating income.

Shaw unveiled HDTV to customers in Calgary, Greater Vancouver, Saskatoon and Edmonton during 2003. As of their fiscal year-end 2003 five channels were broadcasting in HDTV.

Big Pipe

Shaw's involvement in the telecommunications industry has gone through a transition of directly owning wireline and paging companies to establishing an Internet infrastructure company. The cable division established Big Pipe in July 2000 to develop and operate the fibre network that serves as the primary Internet backbone for Shaw's broadband Internet customers and provides Internet and data connectivity services to large businesses and other organizations.

Big Pipe serves as a national platform from Victoria, Vancouver to New York, encompassing 10,680 fibre route kilometres.

Internet Services

Shaw provides high-speed Internet access for residential and business subscribers through cable modems. As of their fiscal year-end 2003, Shaw had 886,220 high-speed subscribers, an increase of 17 percent. Shaw has indicated that it has the highest Internet penetration rate as a percentage of basic cable subscribers in North America with 43 percent.

Shaw Cable announced in July 2003 that it would be deploying advanced cable modems based on Data Over Cable Service Interface Specification (DOCSIS 2.0). This enhancement will increase network speeds up to 30 megabits per second (Mbps), a 400 percent increase over the previous levels. Initial deployment was set to begin in Calgary and Vancouver in the fall of 2003. These customers continue to benefit from advanced IP based cable services such as dedicated bandwidth, guaranteed levels of services, peer-to-peer communications and video conferencing applications.

Direct-to-Home (DTH) Satellite (24 percent of 2003 revenues)

Star Choice distributes digital subscription video and audio programming services and is one of Canada's two licensed DTH satellite operators, the other being BCE's ExpressVu. For 2003, Star Choice's assets decreased 3.4 percent to $966 million while revenues increased 18 percent to $492 million. Star Choice saw revenues increase due to a 6.3 percent increase in subscribers to 808,526 and various implemented rate increases, which affected the majority of customers.

During the fourth quarter of 2003, Star Choice introduced an integrated high definition (HD) receiver. The receiver adds HD decoding and an advanced on-screen program guide for customers. It was introduced at a price of $399 and offers access to six HD channels.

Satellite Services (4.8 percent of 2003 revenues)

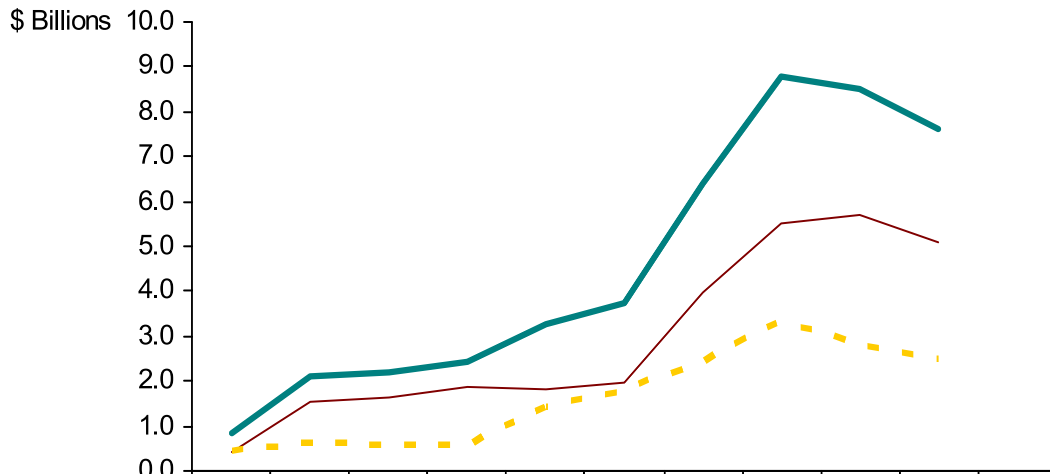
Shaw's Satellite Services offer redistribution of television and radio signals via satellite to cable operators and other multi-channel system operators in Canada and the US. Other lines of business also include, providing uplink and network management services for broadcasters, as well as providing mobile tracking and messaging services to the trucking industry in Canada.

In 2003, satellite services assets decreased 13 percent to $557 million while revenues decreased 6.3 percent to $98.8 million. Revenues decreased due to the sale of Star Choice Business Television (BTV) in March 2003 to Larry Steinman the founder of BTV in 1981, Brian Neill, a former chairman of Star Choice, and a group of private equity investors, for $6.5 million. BTV allows customers to communicate simultaneously with multiple locations through a broadcast.

Key historical financial data is provided in Figure 5.4-2 and 5.4-3.

Figure 5.4-2

Shaw Communications Inc. Balance Sheet

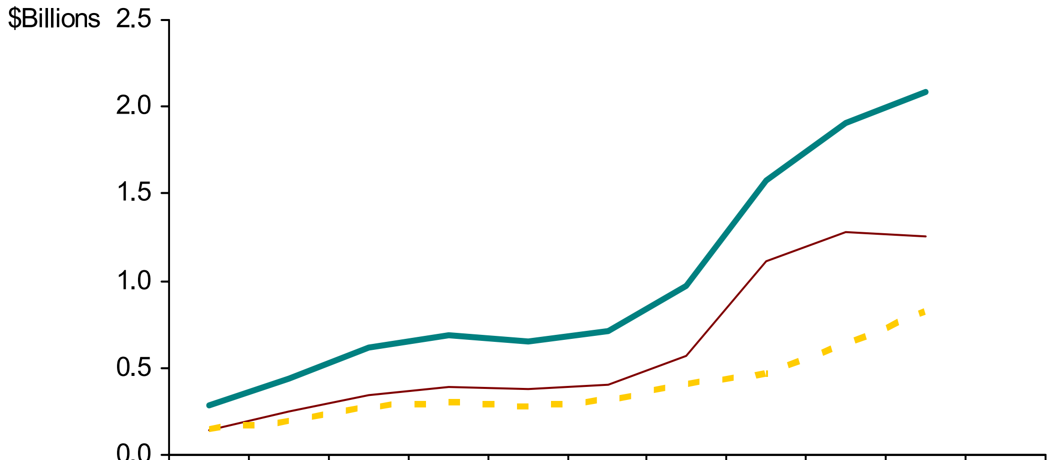


	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	CAGR *
Total Assets	0.8	2.1	2.2	2.5	3.3	3.7	6.4	8.8	8.5	7.6	28.4%
Total Liabilities	0.4	1.5	1.6	1.9	1.8	2.0	4.0	5.5	5.7	5.1	32.7%
Shareholders' Equity	0.4	0.6	0.6	0.6	1.4	1.8	2.4	3.3	2.8	2.5	22.6%

* Compound Annual Growth Rate (CAGR), 1994-2003
Figures may not add up due to rounding.
Source: Based on Shaw Communications Inc. annual reports (April 2004).

Figure 5.4-3

Shaw Communications Inc. Income Statement



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	CAGR *
Operating Revenues	0.29	0.44	0.61	0.69	0.65	0.71	0.97	1.57	1.91	2.08	24.5%
Operating Expenses	0.15	0.25	0.34	0.40	0.37	0.40	0.57	1.11	1.28	1.26	26.7%
EBITDA**	0.14	0.19	0.27	0.29	0.27	0.31	0.40	0.46	0.63	0.82	21.7%

* Compound Annual Growth Rate (CAGR), 1994-2003
** EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)
Figures may not add up due to rounding.
Source: Based on Shaw Communications Inc. annual reports (April 2004).