SHAW COMMUNICATIONS INC
Form 6-K
October 25, 2018
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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

October 25, 2018

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.

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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: October 25, 2018

By:	/s/ Trevor English
Name:	Trevor English
Title:	Executive Vice President and Chief Financial & Corporate Development Officer Shaw Communications Inc.

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MANAGEMENT S DISCUSSION AND ANALYSIS

For the three and twelve months ended August 31, 2018

October 25, 2018

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Advisories

The following Management s Discussion and Analysis (MD&A), dated October 25, 2018, should be read in conjunction with the unaudited interim Consolidated Financial Statements and Notes thereto for the quarter ended August 31, 2018 and the 2017 Annual Consolidated Financial Statements, the Notes thereto and related MD&A included in the Company s 2017 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 mean 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 words). 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;

expected number of retail outlets;

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- timing of new product and service launches;
- 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 next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- 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;
- outcome of the TBT initiative, including the timing thereof and the total savings at completion; and
- 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;

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

cost reductions associated with the CRTC finalizing wholesale mobile wireless roaming rates;

pricing, usage and churn rates;

availability of devices;

content and equipment costs;

industry structure, conditions and stability;

government regulation;

the completion of proposed transactions;

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;

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- 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 failure to realize roaming cost reductions;
- 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 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;
- 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
- other factors described in this MD&A under the heading Risks and Uncertainties and in the MD&A for the year ended August 31, 2017 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 2018. Shaw discloses this information because it believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess Shaw s expected operational and financial performance and as an indicator of its ability to service debt and pay

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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.

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 and free cash flow.

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Introduction

We have taken purposeful strides to evolve Shaw s value proposition of providing leading and innovative products and services, driving operational momentum and enhancing our customers connectivity experience.

Wireless

Fiscal 2018 was an exciting year for our Wireless business. In a short amount of time, we have created a stronger, high quality network and are delivering an improved customer experience. Our continued strong results are due to the ongoing Wireless investments (including spectrum deployment), device parity, data-centric Big Gig plans, and a significantly expanded retail distribution network. We are executing against our operating strategy which has enabled us to rationally grow our market share and average revenue per unit (ARPU), both in the quarter and throughout the year. In the fourth quarter, we added 85,000 postpaid Wireless subscribers bringing our postpaid customer base to over 1 million and total customers to approximately 1.4 million. Fourth quarter ARPU was particularly strong, increasing by 9% year-over-year, fueled by customer demand for larger data plans. Our fiscal 2018 Wireless results are a true testament to Freedom Mobile delivering a differentiated and sustainable value proposition to customers and we have significant momentum as we enter fiscal 2019.

We re excited about our continued expansion of the Wireless retail distribution network, ensuring that more Canadians have access to the value provided by Freedom Mobile. We ve recently launched approximately 100 locations with Loblaws The Mobile Shop and all of the approximate 140 Walmart locations throughout Ontario, Alberta and British Columbia were distributing Freedom Mobile by the end of September 2018. In addition, the Company has 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 will substantially improve the accessibility of our Wireless products and help close our historical retail distribution gap. When combined with our existing corporate and dealer store network, Freedom Mobile expects to have approximately 600 retail locations operational in fiscal 2019.

The Company also launched Voice over LTE (VoLTE) across its network on a wide range of devices and expects that approximately 800,000 Freedom customers will be able to use VoLTE before the end of December 2018. The Company has also started deploying small cell technology (low-powered wireless transmitters and receivers with a range of 100 m to 200 m), 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.

In fiscal 2018, the Company successfully upgraded and deployed 2500 MHz in high traffic sites in the Greater Toronto Area (GTA), Calgary, Edmonton and Vancouver. This step along with completion of the re-farming of 10 MHz of our existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018 resulted in a large majority of our existing customers migrating from 3G to LTE service using their existing devices. This transition has shifted our data traffic from 92% 3G to currently 80% on our LTE network, which now offers LTE service across three spectrum bands AWS-1, AWS-3 and 2500 MHz. As a result, service significantly improved for customers that were migrated from our AWS-1 to 2500 MHz LTE spectrum band as well as for our remaining 3G customers.

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Wireless network investments remain our top priority and in the fourth quarter we increased spending related to the deployment of our 700 MHz spectrum, which was recently enabled in Calgary, and deployment will continue throughout fiscal 2019. This spectrum materially improves network coverage and provides customers with enhanced indoor LTE coverage, further closing the gap between our wireless network and the incumbents .

While the distribution and network improvements that we have made, and continue to make, provide significant benefits to customers today, we are also making decisions that reflect our long-term view regarding new technology that is on the horizon. In 2018, the government announced consultations to release certain spectrum bands that will support 5G wireless network deployment. This exciting step provides further visibility into the deployment of 5G where our Wireline and Wireless networks are very well positioned. We are pleased that our initial trials have been a success and, through our partnerships with best-in-class industry leaders, we will work to better understand the strengths and capabilities of 5G while continuing to invest in our network to offer Canadians a new era of strong and sustainable competition for the next generation of wireless technologies.

Since acquiring the Wireless business in the spring of 2016, we have made significant investments and improvements to our network and our service. We are excited by the tremendous growth potential of the Wireless business, and, as shown by our results this year, we are committed to delivering a strong and competitive wireless alternative that will benefit all Canadians.

Wireline

We are transforming our Wireline business to enable an agile, digital-first company that will continue to meet the needs of our customers. In fiscal 2018, we introduced a significant amount of change and disruption that resulted in a leaner organization and a management team with clear accountabilities, direction and targets as we head into the new fiscal year. We will remain focused on delivering profitable growth and stabilizing our Consumer results by improving on our execution, leading with strong broadband services and optimizing our Video offering.

Our focus on driving profitable subscriber growth continued this quarter through disciplined pricing and promotions. Internet revenue continues to grow despite the marginal net revenue generating unit (RGU) loss this quarter and our strategy is to compete based on product innovation, service and value. We expect that the strength of our network, products and people will drive results in our Wireline division and our partnership with Comcast provides an exciting roadmap that encompasses broadband in addition to Video. We are deploying the latest DOCSIS 3.1 modem (XB6) which enables faster internet speeds and our BlueSky platform continues to improve and now integrates YouTube seamlessly with live TV, video-on-demand and recorded content.

Continued investment in our extensive hybrid co-axial broadband network enables us to offer WideOpen Internet 150 across 99% of our Western Canadian cable footprint and, introduced this quarter, Internet 300, our fastest internet ever. We believe Canadians should not have limitations on how much they use the Internet by offering our flagship WideOpen Internet 150 and Internet 300 plans with unlimited data, we are providing customers with peace of mind in knowing they can stream, download and browse without any overage charges for exceeding monthly data limits.

On the shoulders of its SmartSuite of products, Shaw Business continues to grow at a steady pace despite recent years of economic challenges experienced in parts of Western Canada. Highlighted by growth in the small and medium-sized business markets, the Business division continues to consistently increase its customer base, revenue and profitability.

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Total Business Transformation

In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw s operating model to better meet the evolving needs and expectations of consumers and businesses by reducing staff, optimizing the use of resources and maintaining and ultimately improving customer service. Three key elements of the transformation are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and, 3) streamline the organization that builds and services the networks. As part of the TBT initiative, the Company also plans to reduce input costs, consolidate functions, and streamline processes, which is expected to create operational improvements across the business allowing it to evolve into a more efficient organization.

As a first step in the TBT, a VDP was offered to eligible employees. The outcome of the program had approximately 3,300 Shaw employees accepting the VDP packages. The anticipated annualized savings, which include reductions in operating expenses and capital expenditures (i.e. labour costs that can be identified or associated with a capital project), related to the VDP, are expected to be approximately $215 million and will be fully realized in fiscal 2020. Shaw expects these cost reductions to be weighted 60% to operating expenses, being approximately $130 million, and 40% to capital expenditures, being approximately $85 million.

In the fourth quarter of fiscal 2018, approximately 460 employees exited the Company, bringing the total number of employee exits relating to VDP in the year to approximately 1,300 employees. This led to operating cost reductions in the quarter of approximately $23 million and capital cost reductions of approximately $5 million. The Company delivered its total expected cost reductions for fiscal 2018 of approximately $47 million in capital and operating cost savings combined.

In connection with various other TBT activities, Shaw has incurred an additional restructuring charge of $16 million in the fourth quarter, for a total of $446 million in fiscal 2018, primarily related to severance and other employee related costs, as well as additional costs directly associated with the TBT initiative. The Company still expects that total restructuring costs will not exceed $450 million as the restructuring activities related to TBT initiatives have been substantially completed. See also Introduction, Other Income and Expense Items, Caution Concerning Forward Looking Statements, and Risks and Uncertainties for a discussion of the TBT, the VDP and the risks and assumptions associated therewith.

Fiscal 2019

The year ahead will reflect an important milestone with respect to the free cash flow profile of our Company. Since we embarked on our asset transformation back in 2015, we have made significant investments in our networks and overall business to support our growth strategy while maintaining a strong balance sheet and leverage profile. We believe our overall capital intensity will moderate, predominately in our Wireline business, as we continue to make Wireless infrastructure investments that enhance the customer experience and lay the foundation for future growth. Our fiscal 2019 plan includes new technology, tools and automation that enable us to deliver on our digital first service model and to strengthen and grow our Wireless business. We have undergone several years of significant change and have made difficult decisions along the way. However, with these changes in place, we can focus entirely on execution and continue to progress towards our goal of generating long-term, sustainable free cash flow growth. See Outlook for a discussion of fiscal 2019 financial guidance.

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Selected financial and operational highlights

Effective September 1, 2017, and as a result of the restructuring undertaken in fiscal 2017, the Company reorganized and integrated its management structure, previously separated in the Consumer and Business Network Services segments, into a combined Wireline segment, as management and costs were becoming increasingly inseparable between the previously reported segments. Fiscal 2017 comparative figures have been restated to reflect this change. There was no change to the Wireless operating segment.

Basis of presentation

On August 1, 2017, the Company sold 100% of its wholly owned subsidiary ViaWest, Inc. (ViaWest), previously reported under the Business Infrastructure Services division, to an external party.

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 previously reported Business Infrastructure Services division and the Shaw Tracking business (an operating segment within the Wireline division) are presented as discontinued operations separate from the Company s continuing operations. The Business Infrastructure Services division was comprised primarily of ViaWest. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Wireline segment. This MD&A reflects the results of continuing operations, unless otherwise noted.

Financial Highlights

	Three months ended August 31,			Year ended August 31,		
(millions of Canadian dollars except per share amounts)	**2018**	2017	Change %	**2018**	2017	Change %
Operations:						
Revenue	**1,336**	1,244	7.4	**5,239**	4,882	7.3
Operating income before restructuring costs and amortization(1)	**560**	479	16.9	**2,089**	1,997	4.6
Operating margin(1)	**41.9%**	38.5%	3.4pts	**39.9%**	40.9%	(1.0pts)
Net income from continuing operations	**200**	149	34.2	**66**	557	(88.2)
Income (loss) from discontinued operations, net of tax		332	(100.0)	**(6)**	294	>(100.0)
Net income	**200**	481	(58.4)	**60**	851	(92.9)
Per share data:						
Basic earnings (loss) per share						
Continuing operations	**0.39**	0.30		**0.11**	1.12	
Discontinued operations		0.67		**(0.01)**	0.60	
	0.39	0.97		**0.10**	1.72	

Diluted earnings (loss) per share						
Continuing operations	**0.39**	0.30		**0.11**	1.11	
Discontinued operations		0.66		**(0.01)**	0.60	
	0.39	0.96		**0.10**	1.71	
Weighted average participating shares for basic earnings per share outstanding during period (millions)	**505**	495		**502**	491	
Funds flow from continuing operations[2]	**441**	382	15.4	**1,259**	1,530	(17.7)
Free cash flow[1]	**34**	2	>100.0	**411**	438	(6.2)

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

(2) 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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Subscriber (or revenue generating unit (RGU)) highlights

			Change Three months ended		Change Year ended	
	August 31, 2018	August 31, 2017	**August 31, 2018**	August 31, 2017	**August 31, 2018**	August 31, 2017
Wireline Consumer						
Video Cable	**1,585,232**	1,671,277	**(33,990)**	7,567	**(86,045)**	218
Video Satellite	**750,403**	773,542	**(7,399)**	(3,283)	**(23,139)**	(17,032)
Internet	**1,876,944**	1,861,009	**(3,481)**	22,045	**15,935**	73,367
Phone	**853,847**	925,531	**(26,160)**	(4,535)	**(71,684)**	(31,232)
Total Consumer	**5,066,426**	5,231,359	**(71,030)**	21,794	**(164,933)**	25,321
Wireline Business						
Video Cable	**49,606**	51,039	**(77)**	(2,483)	**(1,433)**	(10,114)
Video Satellite	**34,831**	31,535	**1,947**	544	**3,296**	541
Internet	**172,859**	170,644	**1,734**	(2,065)	**2,215**	(9,223)
Phone	**354,912**	327,199	**8,195**	7,562	**27,713**	25,871
Total Business	**612,208**	580,417	**11,799**	3,558	**31,791**	7,075
Total Wireline	**5,678,634**	5,811,776	**(59,231)**	25,352	**(133,142)**	32,396
Wireless						
Postpaid	**1,029,720**	764,091	**84,882**	29,089	**265,629**	97,063
Prepaid	**373,138**	383,082	**132**	11,925	**(9,944)**	6,822
Total Wireless	**1,402,858**	1,147,173	**85,014**	41,014	**255,685**	103,885
Total Subscribers	**7,081,492**	6,958,949	**25,783**	66,366	**122,543**	136,281

In Wireless, the Company continued to add wireless subscribers, gaining a net combined 85,014 postpaid and prepaid subscribers in the quarter. This represents an increase of more than double the 41,014 net additions achieved in the fourth quarter of fiscal 2017. The increase in the customer base reflects continued customer demand for premium smartphones combined with device pricing and packaging options, data centric plans, and the ongoing execution of the wireless growth strategy to improve the network and customer experience.

Wireline RGUs declined by 59,231 in the quarter compared to a gain of 25,352 RGUs in the fourth quarter of 2017. The current quarter includes a decline in Consumer RGUs of 71,030 due primarily to a highly competitive market environment specifically relating to back-to-school offers. The Company remained disciplined with its subscriber acquisition offers resulting in lower gross RGU addition activity in Consumer, partially offset by Business RGU growth of 11,799.

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Overview

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

Revenue

Revenue for the **fourth quarter** of fiscal 2018 of $1.34 billion increased $92 million or 7.4% from $1.24 billion for the fourth quarter of fiscal 2017, highlighted by the following:

- The year-over-year improvement in revenue was primarily due to growth in the Wireless division which contributed an incremental $78 million or 45.3% to consolidated revenue driven primarily by higher postpaid RGUs (approximately 266,000 since August 31, 2017), an increase in average revenue per unit (ARPU) and a significantly greater proportion of postpaid subscribers purchasing handsets in fiscal 2018, resulting in a $40 million increase in service revenue and a $38 million increase in equipment revenue compared to the fourth quarter of fiscal 2017.

- The Business division contributed $9 million or 6.6% growth to consolidated revenue driven primarily by consistent customer growth reflecting the continued strong demand for Shaw s SmartSuite of products and the impact of annual rate increases.

- Consumer division revenue for the period increased $5 million or 0.5% compared to the fourth quarter of fiscal 2017 mainly due to higher Internet revenues driven mostly by the addition of approximately 16,000 Internet RGUs since August 31, 2017 and from Video and Internet rate increases during the year, all of which were partially offset by the impact of Video RGU losses and the change in Video customer and package mix.

Compared to the third quarter of fiscal 2018, consolidated revenue for the quarter increased 2.8% or $36 million. The increase in revenue over the prior quarter relates primarily to the impact of rate increases in the quarter in the Consumer division as well as growth in the Wireless division driven by added RGUs and higher ARPU.

Revenue for the **twelve-month period** of $5.24 billion increased $357 million or 7.3% from $4.88 billion for the comparable period in fiscal 2017.

- The year-over-year improvement in revenue was primarily due to the Wireless division which contributed an incremental $346 million or 57.2% to consolidated revenue including higher equipment revenues of $233 million and higher service revenues of $113 million driven primarily by added postpaid RGUs, higher ARPU and a large share of new postpaid subscribers purchasing handsets.

The Business division contributed $34 million or 6.4% to the consolidated revenue improvements for the twelve-month period driven primarily by customer growth and the impact of annual rate increases.

Consumer division revenues decreased $22 million or 0.6% compared to the twelve-month period of fiscal 2017 reflecting the change in customer mix and a decline in Video and phone RGUs.

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Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization for the **fourth quarter** of fiscal 2018 of $560 million increased by $81 million or 16.9% from $479 million for the fourth quarter of fiscal 2017, highlighted by the following:

- The year-over-year improvement in the Wireless division of $11 million was mainly due to the impact of a higher ARPU partially offset by a decrease in equipment margins.

- The year-over-year improvement in the Wireline division of $70 million driven primarily by lower employee-related costs attributed to the VDP and additional cost focus including lower marketing costs.

Operating margin for the **fourth quarter** of 41.9% was up compared to 38.5% in the fourth quarter of fiscal 2017 due primarily to an increase in the Wireline operating margin of 5.9% driven primarily by VDP cost reductions partially offset by a decrease in the Wireless operating margin of 1.6% as a result of the additional equipment sales in the quarter and the lower resulting upfront margin when loading new subscribers.

Compared to the **third quarter of fiscal 2018**, operating income before restructuring costs and amortization for the current quarter was up $13 million primarily due to higher Wireline revenues driven by an annual rate adjustment in the quarter, lower corporate costs, and lower employee related costs partially offset by the impact of a $13 million credit for a retroactive domestic roaming rate adjustment received in the Wireless division in the third quarter.

For the **twelve-month period**, operating income before restructuring costs and amortization of $2.1 billion increased $92 million or 4.6% from $2.0 billion for the comparable period.

- Wireless operating income before restructuring costs and amortization for the twelve-month period increased $43 million or 32.3% over the comparable period primarily due to the growth in subscribers and ARPU and a $13 million credit for a retroactive domestic roaming rate adjustment received in the year partially offset by lower equipment margins and higher distribution channel costs.

- Wireline operating income before restructuring costs and amortization for the twelve-month period increased $49 million or 2.6% over the comparable period as a result of VDP cost reductions and lower marketing costs, partially offset by the change in the Video customer and package mix and higher programming costs.

Free cash flow

Free cash flow for the **fourth quarter** of fiscal 2018 of $34 million increased $32 million from $2 million in the fourth quarter of fiscal 2017, mainly due to an $81 million increase in operating income before restructuring costs and amortization, which was partially offset by a planned increase in capital expenditures and equipment costs of $36 million.

For the **twelve-month period**, free cash flow of $411 million decreased $27 million or 6.2% from $438 million for the comparable period, mainly due to a planned increase in capital expenditures and equipment costs of $142 million, which was partially offset by a $92 million increase in operating income before restructuring costs and amortization and an $18 million decrease in interest.

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Net income (loss)

Net income of $200 million and $60 million for the three and twelve months ended August 31, 2018, respectively compared to net income of $481 million and $851 million for the same periods in fiscal 2017. The changes in net income are outlined in the following table.

	August 31, 2018 net income compared to:		
	Three months ended		Year ended
(millions of Canadian dollars)	May 31, 2018	August 31, 2017	August 31, 2017
Increased operating income before restructuring costs and amortization[1]	13	81	92
Increased restructuring costs	(3)	(16)	(392)
Increased amortization	(9)	(10)	(69)
Change in net other costs and revenue[2]	293	4	(160)
Decreased (increased) income taxes	(3)	(8)	38
Decreased income from discontinued operations, net of tax		(332)	(300)
	291	(281)	(791)

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

(2) 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.

The change in net other costs and revenue in the fourth quarter had a $293 million favourable impact on net income compared to the third quarter of fiscal 2018 primarily due to the impact of a $284 million impairment from the Company s investment in Corus Entertainment Inc. recorded in the third quarter of fiscal 2018.

Restructuring costs in the fourth quarter of fiscal 2018 of approximately $16 million related to further organizational restructuring under the TBT initiative and the VDP program offered in the second quarter of fiscal 2018. The costs primarily relate to severance and other employee costs as well as other costs directly associated with the TBT initiative. Total year-to-date restructuring costs for fiscal 2018 relating to this initiative were $446 million. See also Introduction, Other Income and Expense Items, Caution Forward Looking Statements, and Risk and Uncertainty in this MD&A for additional discussion of the TBT, the VDP and the risks and assumptions associated therewith.

Outlook

Shaw is introducing 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 Company s guidance also includes assumptions related to cost reductions that will be achieved through TBT initiatives (specifically the VDP savings) that are expected to amount to $140 million of operating and capital savings in fiscal 2019 (approximately $85 million attributed to operating expenses and approximately $55 million attributed to capital expenditures).

Shaw s fiscal 2019 guidance and growth range includes the expected impact of IFRS 15, *Revenue from Contracts with Customers*, which the Company will adopt on a fully retroactive basis beginning in the first quarter of fiscal 2019. The fiscal 2018 and expected fiscal 2019 adjustments under IFRS 15 do not have a material impact on the aforementioned fiscal 2019 guidance. The Company will provide additional details with respect to the impact of IFRS 15 when the Company files its fiscal 2018 Annual Report and with the release of its first quarter fiscal 2019 results.

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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.

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.

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Operating income from continuing operations	**288**	232	**631**	999
Add back (deduct):				
Restructuring costs	**16**		**446**	54
Amortization:				
Deferred equipment revenue	**(6)**	(9)	**(30)**	(38)
Deferred equipment costs	**25**	30	**110**	122
Property, plant and equipment, intangibles and other	**237**	226	**932**	860
Operating income before restructuring costs and amortization	**560**	479	**2,089**	1,997

Operating margin

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

	Three months ended August 31,			Year ended August 31,		
	2018	2017	Change %	**2018**	2017	Change %
Wireline	**47.5%**	41.6%	5.9pts	**44.6%**	43.6%	1.0pts
Wireless	**17.6%**	19.2%	(1.6pts)	**18.5%**	22.0%	(3.5pts)
Combined Wireline and Wireless	**41.9%**	38.5%	3.4pts	**39.9%**	40.9%	(1.0pts)

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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 August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Income (loss) from discontinued operations, net of tax		332	**(6)**	294
Add back (deduct):				
Loss on divestiture, net of tax		(330)	**(6)**	(330)
Income taxes		2		(4)
Interest on long-term debt		6		32
Amortization of property, plant and equipment, intangibles and other		4		101
Impairment of goodwill/disposal group		14		47
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items		28		140

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 calculated as free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow from continuing operations 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 from continuing operations 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.

Free cash flow from discontinued operations is comprised of income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items after deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions), interest and cash taxes paid or payable that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

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Shaw Communications Inc.

Free cash flow is calculated as follows:

	Three months ended August 31,			Year ended August 31,		
(millions of Canadian dollars)	**2018**	2017	Change %	**2018**	2017	Change %
Revenue						
Consumer	**942**	937	0.5	**3,725**	3,747	(0.6)
Business	**145**	136	6.6	**567**	533	6.4
Wireline	**1,087**	1,073	1.3	**4,292**	4,280	0.3
Service	**167**	127	31.5	**595**	482	23.4
Equipment	**83**	45	84.4	**356**	123	>100.0
Wireless	**250**	172	45.3	**951**	605	57.2
	1,337	1,245	7.4	**5,243**	4,885	7.3
Intersegment eliminations	**(1)**	(1)		**(4)**	(3)	33.3
	1,336	1,244	7.4	**5,239**	4,882	7.3
Operating income before restructuring costs and amortization[1]						
Wireline	**516**	446	15.7	**1,913**	1,864	2.6
Wireless	**44**	33	33.3	**176**	133	32.3
	560	479	16.9	**2,089**	1,997	4.6
Capital expenditures and equipment costs (net):[2]						
Wireline	**331**	319	3.8	**1,024**	970	5.6
Wireless	**103**	79	30.4	**343**	255	34.5
	434	398	9.0	**1,367**	1,225	11.6
Free cash flow before the following	**126**	81	55.6	**722**	772	(6.5)
Less:						
Interest	**(63)**	(66)	(4.5)	**(247)**	(265)	(6.8)
Cash taxes	**(50)**	(41)	22.0	**(166)**	(174)	(4.6)
Other adjustments:						
Dividends from equity accounted associates	**23**	23		**92**	88	4.5
Non-cash share-based compensation		1	(100.0)	**2**	3	(33.3)
Pension adjustment	**(1)**		(100.0)	**11**	8	37.5
Customer equipment financing	**1**	2	(50.0)	**5**	8	(37.5)

Preferred share dividends	**(2)**	(2)		**(8)**	(8)	
Free cash flow from continuing operations	**34**	(2)	>100.0	**411**	432	(4.9)
Income from discontinued operations before restructuring costs, amortization taxes and other non-operating items		28	(100.0)		140	(100.0)
Less:						
Capital expenditures		(17)	(100.0)		(99)	(100.0)
Interest		(6)	(100.0)		(33)	(100.0)
Cash taxes		(1)	(100.0)		(2)	(100.0)
Free cash flow from discontinued operations		4	(100.0)		6	(100.0)
Free cash flow	**34**	2	>100.0	**411**	438	(6.2)

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

(2) Per Note 4 to the unaudited interim Consolidated Financial Statements.

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Shaw Communications Inc.

Discussion of operations

Wireline

	Three months ended August 31,			Year ended August 31,		
			Change			Change
(millions of Canadian dollars)	**2018**	2017	%	**2018**	2017	%
Consumer	**942**	937	0.5	**3,725**	3,747	(0.6)
Business	**145**	136	6.6	**567**	533	6.4
Wireline revenue	**1,087**	1,073	1.3	**4,292**	4,280	0.3
Operating income before restructuring costs and amortization[(1)]	**516**	446	15.7	**1,913**	1,864	2.6
Operating margin[(1)]	**47.5%**	41.6%	5.9pts	**44.6%**	43.6%	1.0pts

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

In the **fourth quarter** of fiscal 2018, Wireline RGUs decreased by 59,231 compared to a 25,352 RGU gain in the fourth quarter of fiscal 2017. The current quarter includes a decline in Consumer RGUs of 71,030 due primarily to a highly competitive market environment specifically relating to back-to-school offers. The Company remained disciplined with its subscriber acquisition offers resulting in lower gross RGU addition activity in Consumer, partially offset by Business RGU growth of 11,799.

Revenue highlights include:

Consumer revenue for the **fourth quarter** of fiscal 2018 increased by $5 million or 0.5% compared to the fourth quarter of fiscal 2017. Higher revenue generated by annual rate adjustments and incremental Internet RGUs were fully offset by the impact of reductions to cable Video and Phone RGUs, as well as customer downward migration in Video packages relative to a year ago.

As **compared to the third quarter** of fiscal 2018, the current quarter revenue increased by $19 million or 2.1%, primarily due to rate adjustments.

Business revenue of $145 million for the **fourth quarter** of fiscal 2018 was up $9 million or 6.6% over the fourth quarter of fiscal 2017. Growth was led by the continued success of selling the SmartSuite of products, specifically Smart WiFi, Smart Voice and Smart Security.

As **compared to the third quarter** of fiscal 2018, the current quarter revenue increased $4 million or 2.8%, primarily due to rate adjustments and added customers.

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization for the **fourth quarter** of fiscal 2018 of $516 million was up 15.7% or $70 million from $446 million in the fourth quarter of fiscal 2017. The increase related primarily to lower operating costs driven by VDP-related operating cost reductions of approximately $23 million and additional cost focus including lower marketing costs.

As **compared to the third quarter** of fiscal 2018, Wireline operating income before restructuring costs and amortization for the current quarter increased by $31 million driven primarily by cost reductions relating to VDP and the impact of additional revenues generated by annual rate adjustments in the fourth quarter.

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Shaw Communications Inc.

Wireless

(millions of Canadian dollars)	Three months ended August 31,			Year ended August 31,		
	2018	2017	Change %	**2018**	2017	Change %
Service	**167**	127	31.5	**595**	482	23.4
Equipment and other	**83**	45	84.4	**356**	123	>100.0
Wireless revenue	**250**	172	45.3	**951**	605	57.2
Operating income before restructuring costs and amortization[1]	**44**	33	33.3	**176**	133	32.3
Operating margin[1]	**17.6%**	19.2%	(1.6pts)	**18.5%**	22.0%	(3.5pts)

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

The Wireless division added 85,014 RGUs in the **fourth quarter** of fiscal 2018 as compared to 41,014 RGUs gained in the fourth quarter of fiscal 2017. The increase in the customer base reflects continued customer demand for premium smartphones combined with device pricing and packaging options, data centric plans, and the ongoing execution of the wireless growth strategy to improve the network and customer experience.

Revenue highlights include:

Revenue of $250 million for the **fourth quarter** of fiscal 2018 was up $78 million or 45.3% over the fourth quarter of fiscal 2017. The increase in revenue was driven primarily by year-over-year growth in both equipment and service revenue. Service revenue grew as a result of increased postpaid RGUs, and improved ARPU of $41.00 as compared to $37.62 in the fourth quarter of fiscal 2017.

As **compared to the third quarter** of fiscal 2018, the current quarter revenue increased $13 million or 5.5% and ARPU increased by $1.16 or 2.9% (ARPU of $39.84 in the third quarter of fiscal 2018).

Operating income before restructuring costs and amortization highlights include:

Operating income before restructuring costs and amortization of $44 million for the **fourth quarter** of fiscal 2018 improved by $11 million or 33.3% over the fourth quarter of fiscal 2017. The improvements were driven primarily by increased subscribers and higher ARPU offset partially by higher distribution and handset costs associated with the loading of new customers.

As **compared to the third quarter** of fiscal 2018, operating income before restructuring costs and amortization for the current quarter decreased $18 million or 29.0%.

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Shaw Communications Inc.

Capital expenditures and equipment costs

	Three months ended August 31,			Year ended August 31,		
(millions of Canadian dollars)	**2018**	2017	Change %	**2018**	2017	Change %
Wireline						
New housing development	**36**	24	50.0	**124**	98	26.5
Success-based	**64**	89	(28.1)	**284**	308	(7.8)
Upgrades and enhancements	**185**	157	17.8	**493**	432	14.1
Replacement	**9**	12	(25.0)	**31**	31	
Building and other	**37**	37		**92**	101	(8.9)
Total as per Note 4 to the unaudited interim consolidated financial statements	**331**	319	3.8	**1,024**	970	5.6
Wireless						
Total as per Note 4 to the unaudited interim consolidated financial statements	**103**	79	30.4	**343**	255	34.5
Consolidated total as per Note 4 to the unaudited interim consolidated financial statements	**434**	398	9.0	**1,367**	1,225	11.6

In the **fourth quarter** of fiscal 2018, capital investment was $434 million, a $36 million or 9.0% increase over the comparable period in fiscal 2017, driven by higher planned capital expenditures of $24 million in the Wireless division, $9 million in Wireline growth and upgrades related to residential and business customers and $28 million in Wireline system infrastructure partially offset by lower capital expenditures of $25 million in success-based equipment.

Wireline highlights include:

Success-based capital for the quarter of $64 million was $25 million lower than in the fourth quarter of fiscal 2017. The decrease was driven primarily by lower Video and Internet activations in the current quarter.

For the quarter, investment in combined upgrades and enhancements and replacement categories was $194 million, a $25 million or 14.8% increase over the prior year driven by higher planned spend on back office enhancements and system infrastructure.

Investment in new housing development was $36 million, a $12 million increase over the comparable period, driven by residential and commercial customer network growth and acquisition.

Wireless highlights include:

Capital investment of $103 million in the fourth quarter was related primarily to continued investment in network infrastructure, specifically the deployment of 700 MHz spectrum, LTE and small cells as well as back office system and retail upgrades.

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Shaw Communications Inc.

Discontinued operations

Shaw Tracking

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 Business Network Services segment. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale. Accordingly, the assets and liabilities of the Shaw Tracking business were classified in the consolidated statement of financial position at August 31, 2017 as current assets held for sale or current liabilities held for sale, respectively, as the sale of these assets and liabilities was expected to be completed within one year. In addition, the operating results and operating cash flows of the business are presented as discontinued operations separate from the Company s continuing operations. The transaction closed on September 15, 2017.

	Three months ended August 31,		Year ended August 31,	
	2018	2017	**2018**	2017
Revenue		8	**1**	33
Operating, general and administrative expenses				
Employee salaries and benefits		2		7
Purchases of goods and services		4	**1**	18
		6	**1**	25
Restructuring		3		3
Amortization		(1)		(2)
Impairment of goodwill/disposal group				32
Loss from discontinued operations before tax				(25)
Income taxes				2
Loss from discontinued operations, net of tax, before divestiture				(27)
Loss on divestiture, net of tax			**(6)**	
Loss from discontinued operations, net of tax			**(6)**	(27)

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Shaw Communications Inc.

ViaWest, Inc.

In the fourth quarter of fiscal 2017, the Company entered into an agreement to sell 100% of its wholly owned subsidiary ViaWest, Inc. (ViaWest) for proceeds of approximately US$1.68 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services segment relating to ViaWest are presented as discontinued operations separate from the Company s continuing operations. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Wireline segment.

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Revenue		61		336
Eliminations[1]				(2)
		61		334
Operating, general and administrative expenses				
Employee salaries and benefits		13		80
Purchases of goods and services		22		124
		35		204
Eliminations[1]				(2)
		35		202
Amortization[2]		5		103
Interest on long-term debt		6		32
Amortization of transaction costs		11		12
Income (loss) from discontinued operations before tax and gain on divestiture		4		(15)
Income taxes		2		(6)
Income (loss) from discontinue operations, net of tax, before gain on divestiture		2		(9)
Gain on Divestiture, net of tax		330		330
Income from discontinued operations, net of tax		332		321

(1)

Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they continue to be incurred subsequent to the disposition.

(2) As of the date ViaWest met the criteria to be classified as held for sale, on June 12, 2017, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the three and twelve month periods ended August 31, 2017 amounted to $16.

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Shaw Communications Inc.

Supplementary quarterly financial information

Quarter	Revenue	Operating income before restructuring costs and amortization[1]	Net income (loss) from continuing operations attributable to equity shareholders	Net income (loss) attributable to equity shareholders	Net income (loss)[2]	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)							
2018							
Fourth	1,336	560	200	200	200	0.39	0.39
Third	1,300	547	(91)	(91)	(91)	(0.18)	(0.18)
Second	1,355	501	(164)	(164)	(164)	(0.33)	(0.33)
First	1,249	481	120	114	114	0.23	0.22
2017							
Fourth	1,244	479	149	481	481	0.30	0.97
Third	1,216	511	164	133	133	0.33	0.27
Second	1,206	503	150	147	147	0.30	0.30
First	1,216	504	93	89	89	0.19	0.18

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

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

F18 Q4 vs F18 Q3	In the fourth quarter of fiscal 2018, net income improved by $291 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, net income increased $73 million compared to the second quarter of fiscal 2018 mainly due to a decrease in current 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.
F18 Q2 vs F18 Q1	In the second quarter of fiscal 2018, net income decreased $278 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. See Other income and expense items for further details on non-operating items.

F18 Q1 vs F17 Q4	In the first quarter of fiscal 2018, net income decreased $367 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.

Shaw Communications Inc.

F17 Q3 vs F17 Q2	In the third quarter of fiscal 2017, net income decreased $14 million compared to the second quarter of fiscal 2017 mainly due to current quarter restructuring costs and losses on discontinued operations, net of tax, as well as increased amortization. The decrease was partially offset by an increase in operating income before restructuring costs and amortization and lower income taxes. Net other costs and revenue changed primarily due to a $16 million increase in income from an equity accounted associate and a $15 million provision reversal related to the wind down of shomi in the quarter.
F17 Q2 vs F17 Q1	In the second quarter of fiscal 2017, net income increased $58 million compared to the first quarter of fiscal 2017 mainly due to a non-recurring provision related to the wind down of shomi operations recorded in the first quarter, partially offset by an increase in amortization and income taxes. Also contributing to the increased net income were lower restructuring costs, partially offset by lower equity income from our investment in Corus. Net other costs and revenue changed primarily due to a provision of $107 million recorded in the prior quarter relating to shomi operations partially offset by a $17 million decrease in income from an equity accounted associate in the quarter.
F17 Q1 vs F16 Q4	In the first quarter of fiscal 2017, net income decreased $65 million compared to the fourth quarter of fiscal 2016 mainly due to a non-recurring provision related to the wind down of shomi operations included in net other costs and revenue for the current quarter. Also contributing to the decreased net income was lower operating income before restructuring costs and amortization, higher restructuring charges and lower income from discontinued operations, partially offset by lower income taxes. Net other costs and revenue changed primarily due to a $107 million impairment of the Company s joint venture investment in shomi and a $27 million increase in income from an equity accounted associate 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-month period ended August 31, 2018, the category included an additional $16 million in restructuring charges related to the Company s TBT initiative for a total of $446 million in the twelve-month period ended August 31, 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 year to date; however, in the fourth quarter of fiscal 2018, further organizational changes in the execution of TBT resulted in additional restructuring costs. See Introduction for further details on the TBT and the VDP.

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Shaw Communications Inc.

Amortization

(millions of Canadian dollars)	Three months ended August 31, **2018**	2017	Change %	Year ended August 31, **2018**	2017	Change %
Amortization revenue (expense)						
Deferred equipment revenue	**6**	9	(33.3)	**30**	38	(21.1)
Deferred equipment costs	**(25)**	(30)	(16.7)	**(110)**	(122)	(9.8)
Property, plant and equipment, intangibles and other	**(237)**	(226)	4.9	**(932)**	(860)	8.4

Amortization of property, plant and equipment, intangibles and other increased 4.9% and 8.4% for the three and twelve months ended August 31, 2018, respectively, over the comparable periods 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

(millions of Canadian dollars)	Three months ended August 31, **2018**	2017	Change %	Year ended August 31, **2018**	2017	Change %
Amortization of financing costs long-term debt	**2**	1	100.0	**3**	2	50
Interest expense	**64**	66	(3.0)	**248**	267	(7.1)

Interest expense for the three and twelve-month periods ended August 31, 2018 was lower than the comparable periods due to lower average outstanding debt balances in the current year. (See note 10 of the unaudited interim consolidated financial statements for further detail.)

Equity income of an associate or joint venture

For the three and twelve-month periods ended August 31, 2018 the Company recorded equity income of $13 million and loss of $200 million, respectively, related to its interest in Corus, compared to equity income of $11 million and $73 million for the comparable periods. The decrease substantially reflects a $284 million impairment from the Company s investment in Corus Entertainment Inc. recorded in the third quarter of fiscal 2018.

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. For the twelve-month period ended August 31, 2018, the category includes a $16 million gain on the sale of certain wireless spectrum licenses as well as a $5 million provision recovery. In the comparable year, the category includes a $82 million provision in respect of the Company s investment in shomi, which discontinued operations in fiscal 2017.

Income taxes

Income taxes are higher in the quarter compared to the fourth quarter of fiscal 2017 mainly due to the increase in net income partially offset by prior year true-ups and other tax adjustments.

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Shaw Communications Inc.

Financial position

Total assets were $14.4 billion at August 31, 2018 compared to $14.4 billion at August 31, 2017. The following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2017.

Current assets decreased $92 million due to decreases in cash of $123 million, accounts receivable of $31 million, inventories of $8 million and assets held for sale of $61 million partially offset by an increase in other current assets of $131 million. Cash decreased as the cash outlay for investing activities and financing activities exceeded the funds provided by operations. Accounts receivable decreased primarily due to the receipt of a commodity tax refund relating to the purchase of spectrum licenses in fiscal 2017. Assets held for sale as at August 31, 2017 included the assets of the Shaw Tracking business, which was sold on September 15, 2017.

Other current assets increased over the period mainly due to a significant increase in Wireless subscribers participating in both the Company s MyTab plan, a discretionary wireless handset discount plan and MyTab Boost, a plan that allows customers to pay less for their handset upfront if they pay a predetermined incremental charge on a monthly basis. The significant growth in handset sales was primarily related to the introduction of the iPhone to the Company s handset lineup in the second quarter of fiscal 2018.

Investments and other assets decreased by $277 million primarily due to an impairment charge of $284 million partially offset by equity income and other comprehensive income of associates both related to the Company s investment in Corus. The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 million was required. The recoverable amount was determined based on the value in use of the investment.

Property, plant and equipment increased $328 million due to capital investments in excess of amortization.

Current liabilities increased $219 million during the period primarily due to an increase in provisions of $169 million, accounts payable and accrued liabilities of $58 million, short-term borrowings of $40 million and unearned revenue of $10 million partially offset by decreases in income taxes payable of $18 million, and liabilities held for sale of $39 million. The increase in current provisions was mainly due to the restructuring costs related to TBT. In connection with the VDP, the Company recorded $446 million in restructuring charges primarily related to severance and other related costs, of which $172 million has been paid, $164 million is included in current provisions and $110 million is included in long-term provisions. Income taxes payable decreased due to normal course tax installment payments (net of refunds), offset by the current period provision. Accounts payable and accruals increased due to the timing of payment and fluctuations in various payables including capital expenditures and network fees. Liabilities held for sale as at August 31, 2017 included the liabilities of the Shaw Tracking business, which was sold on September 15, 2017.

Long-term debt increased $12 million primarily due to an increase in the Burrard Landing Lot 2 Holdings Partnership mortgage of $10 million. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually.

Other long-term liabilities decreased $101 million during the year primarily due to a remeasurement of the Company s defined benefit plan related to the effect of experience adjustments due to changes in

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demographic assumptions. The cost and related accrued benefit obligation of the Company s non-registered pension plans are determined using actuarial valuations. The actuarial valuations involve estimates and actuarial assumptions including discount rates and rate of compensation increase (financial assumptions) as well as mortality rates and retirement rates (demographic assumptions). Due to the long-term nature of the non-registered pension plans, such estimates are subject to significant uncertainty. Remeasurements related to the effect of experience adjustments arise when the non-registered pension plans experience differs from the experience expected using the actuarial assumptions, such as mortality and retirement rates.

Shareholders equity decreased $197 million mainly due to a decrease in retained earnings of $545 million partially offset by an increase in share capital of $259 million and accumulated other comprehensive income of $92 million. Share capital increased due to the issuance of 9,843,483 Class B non-voting participating shares (Class B Non-Voting Shares) under the Company s option plan and Dividend Reinvestment Plan (DRIP). Retained earnings decreased due to dividends of $605 million, offset by current year income of $60 million. Accumulated other comprehensive loss decreased due to the re-measurement recorded on employee benefit plans and a change in unrealized fair value of derivatives.

As at October 15, 2018, there were 484,931,716 Class B Non-Voting Shares, 10,012,393 Series A Shares, 1,987,607 Series B Shares and 22,420,064 Class A Shares issued and outstanding. As at October 15, 2018, 10,254,691 Class B Non-Voting Shares were issuable on exercise of outstanding options. Shaw is traded on 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 twelve-month period ended August 31, 2018, the Company generated $411 million of free cash flow. Shaw used its free cash flow along with proceeds on issuance of Class B Non-Voting Shares of $43 million, proceeds from the sale of the Shaw Tracking business of $18 million, and cash on hand to pay common share dividends of $384 million, fund the net working capital change of $107 million and pay restructuring costs of $177 million.

As at August 31, 2018, the Company had $384 million of cash on hand and its $1.5 billion fully undrawn bank credit facility. The facility can be used for working capital and general corporate purposes.

On June 19, 2018, the Company established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at August 31, 2018, 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 August 31, 2018, the net debt leverage ratio for the Company is 1.9x, which is consistent with August 31, 2017. Having regard to 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

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such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

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

(millions of Canadian dollars)	**August 31, 2018**	August 31, 2017
Short-term borrowings	**40**	
Current portion of long-term debt	**1**	2
Long-term debt	**4,310**	4,298
50% of outstanding preferred shares	**147**	147
Cash	**(384)**	(507)
(A) Net debt[2]	**4,114**	3,940
Operating income before restructuring costs and amortization	**2,089**	1,997
Corus dividends	**92**	88
(B) Adjusted operating income before restructuring costs and amortization[2]	**2,181**	2,085
(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.

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 $52 million and $211 million, during the three and twelve month periods ending August 31, 2018, respectively.

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 August 31, 2018, 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.

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.

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Cash Flow from Operations

Operating Activities

	Three months ended August 31,			Year ended August 31,		
			Change			Change
(millions of Canadian dollars)	**2018**	2017	%	**2018**	2017	%
Funds flow from continuing operations	**441**	382	15.4	**1,259**	1,530	(17.7)
Net change in non-cash balances related to operations	**(6)**	(39)	(84.6)	**94**	(110)	>(100.0)
Operating activities of discontinued operations		13	(100.0)	**(2)**	82	>(100.0)
	435	356	22.2	**1,351**	1,502	(10.1)

For the three months ended August 31, 2018, funds flow from operating activities increased over the comparable period in fiscal 2017 primarily due to higher funds flow from continuing operations, which 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

	Three months ended August 31,			Year ended August 31,		
(millions of Canadian dollars)	**2018**	2017	Increase	**2018**	2017	Increase
Cash flow used in investing activities	**(297)**	1,089	1,386	**(1,174)**	49	1,223

For the three months ended August 31, 2018, the cash used in investing activities decreased over the comparable period in fiscal 2017 due primarily to proceeds received on the sale of discontinued operations in the prior year. This was slightly offset by the purchase of spectrum licenses in the fourth quarter of 2017.

Financing Activities

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

	Three months ended August 31,		Year ended August 31,	
(millions of Canadian dollars)	**2018**	2017	**2018**	2017
Bank loans net borrowings	**40**	(475)	**49**	(475)
Bank facility arrangement costs				(2)
Repay 5.70% Senior unsecured notes				(400)
Senior notes issuance costs				(2)

Freedom Mobile finance lease obligations				(2)
Issuance of 3.80% Senior unsecured notes				300
Dividends	**(100)**	(100)	**(392)**	(393)
Issuance of Class B Non-Voting Shares				